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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

Interim Report 2011

Contents

Corporate Information

Directors

Executive Directors

Kang Baohua *(Chairman)*
Tian Shouliang
Guo Zhongshan
Wang Yijun
Si Zuobao
Wu Qingguo
Wang Lihui
Wang Deqiang

Independent non-executive Directors

Poon Chiu Kwok
Woo Kar Tung, Raymond
Pang Chung Fai, Benny

Board Committees

Audit Committee

Poon Chiu Kwok *(Chairman)*
Woo Kar Tung, Raymond
Pang Chung Fai, Benny

Nomination Committee

Kang Baohua *(Chairman)*
Poon Chiu Kwok
Pang Chung Fai, Benny

Remuneration Committee

Tian Shouliang *(Chairman)*
Woo Kar Tung, Raymond
Pang Chung Fai, Benny

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters in China

20, Street 13
Shenyang Economic & Technological Development Area
Shenyang 110027
China

Place of Business in Hong Kong

Unit 1101–06, 11/F
Prosperity Millennia Plaza
663 King's Road
North Point
Hong Kong

Authorized Representatives

Tian Shouliang
Wong Yuk

Company Secretary

WONG YUK, *HKICPA, FCCA*

Principal Share Registrar

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Place of Listing

The main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")

Stock Code

2789
(listed on the Stock exchange on 17 May 2011)
(the "**Listing Date**")

Principal Bankers

China Construction Bank, Shenyang Dongling Subbranch
Industrial and Commercial Bank of China Limited, Shenyang Yu Hong Subbranch
Bank of China, Shenyang Nanhu Subbranch
The Export-Import Bank of China, Dalian Branch

Auditors

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Legal Advisors

As to Hong Kong law:

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Compliance Advisor

Guotai Junan Capital Limited

Website

www.yuandacn.com

Financial Highlights

	Six months ended 30 June		
	2011	2010 (Unaudited)	%
Turnover *(RMB million)*	**4,802.0**	4,046.6	18.7
Gross profit margin	**23.8%**	23.2%	
EBITDA *(RMB million)*	**647.9**	528.8	22.5
Profit before taxation *(RMB million)*	**545.2**	422.2	29.1
Profit attributable to shareholders of the Company *(RMB million)*	**416.6**	338.0	23.3
Basic and diluted earnings per share *(RMB cents)*	**8.9**	8.0	11.3
Interim dividend per share *(RMB cents)*	**Nil**	Nil	Nil

Management Discussion and Analysis

Business Review

Yuanda China Holdings Limited (the "Company") is principally engaged in the provision of one-stop integrated curtain wall solutions for our customers to meet the technical specifications and performance requirements of their projects. Our services include the design of curtain wall systems, procurement of materials, fabrication and assembly of curtain wall products, performance testing, installation of products at construction sites, and after-sales services. Our curtain wall solutions are mainly for office buildings, hotels, shopping centers, casinos, exhibition halls, airports and stadiums. We believe we are a leading curtain wall provider with a comprehensive product portfolio. We have further developed various curtain wall products by using more complex designs, new materials and advanced technologies to serve different functions, such as environmental protection, energy conservation and intelligent control. Such products include double-skin curtain walls, photovoltaic curtain walls, ecologically friendly curtain walls, video curtain walls and membrane structure curtain walls. We also provide ancillary products related to curtain wall systems, including skylights, metal roofs, canopy systems, shading systems, balustrade and breast board systems, and energy-saving aluminum alloy doors and windows.

The Company and its subsidiaries (the "Group") is honored to announce that according to the latest information disclosed on relevant website, in terms of turnover and net profit of 2010, the Group surpassed Permasteelisa S.p.A (the largest curtain wall manufacturing and contracting company in 2009).

This is the first interim report presented to the shareholders upon the Group's listing on 17 May this year. The profit attributable to shareholders of the Group increased by approximately 23.3% from the last corresponding period to about RMB416.6 million for the first half of 2011.

Upon the listing, the Company took appropriate measure to avoid being exposed to the risk arising from the substantial devaluation of Hong Kong dollars against Renminbi during the first half of 2011 by converting the proceeds from Hong Kong dollars to Renminbi in Hong Kong and therefore successfully preserved the value of the proceeds.

New Contracts

	Contracted projects				**Awarded but not yet contracted projects as at 30 June 2011**	
	For the six months ended 30 June 2011		**After 30 June 2011 and up to 29 August 2011**			
	Number of projects	RMB million	Number of projects	RMB million	Number of projects	RMB million
China	67	3,220.3	26	941.7	6	546.8
Overseas	6	446.0	2	152.2	20	1,608.4
	73	3,666.3	28	1,093.9	26	2,155.2

During the first half of 2011, the Group won 73 new contracts with an aggregate contract amount of approximately RMB3,666.3 million. There were another 28 new contracts with an aggregate contract amount of approximately RMB1,093.9 million entered into after 30 June 2011 and up to 29 August 2011. Moreover, awarded but not yet contracted projects were valued at approximately RMB2,155.2 million. During the period from 1 January 2011 to 29 August 2011, the total value of newly contracted and newly awarded but not yet contracted projects reached RMB6,915.4 million. Leveraging on its leading position in the domestic market, the Group successfully won the contract of the Shanghai Tower during the first half of 2011, which will become the tallest building in China and second tallest building worldwide with a total height of 632 meters.

Backlog

	As at 30 June 2011 Remaining value of contracts		As at 31 December 2010 Remaining value of contracts	
	Number of contracts	RMB million	Number of contracts	RMB million
China	**388**	**7,507.6**	398	7,444.4
Overseas	**79**	**5,687.9**	91	6,886.9
Total	**467**	**13,195.5**	489	14,331.3

In the first half of 2011, the Group has completed 95 projects, the remaining value of the Group's backlog on hand amounted to approximately RMB13,195.5 million in total. Moreover, the newly contracted projects entered into from 1 July 2011 till 29 August 2011 were valued at approximately RMB1,093.9 million, which secured the Group's future income.

During the first half of 2011, despite the chaotic situations of certain countries in the Middle East, projects of the Company in the Middle East were not affected since most of them were carried out in countries with political stability such as Saudi Arabia, UAE, Kuwait and Qatar. The Company has adopted a cautious approach to the expansion of business in Syrian market and currently do not participate in any projects in Syria.

With respect to our production capacity expansion, the construction of our new plant in Anshan was almost completed and the plant was expected to commence production during the second half of 2011, which will increase the annual production capacity of the Group by 1 million square meters. In addition, we have basically confirmed the location of our new plant in Tianjin and has prepaid deposits for purchase of the land for our new plant in Chengdu.

Looking forward, we have the following plans:

Focus on landmark projects and large-scale newly developed regions

During the second half of 2011 and the coming years, a number of large-scale projects will be launched to the market, including Kingdom Tower in Saudi Arabia with design height of 1,000 meters, and buildings with design height of 500 meters and above such as Lotte Super Tower in Seoul, Pingan IFC in Shenzhen and Chow Tai Fook (Guangzhou) Center. Moreover, there are several large-scale newly developed regions under planning, including Hengqin New District, Zhuhai and Zhoushan Islands New District, Zhejiang. The Group believes that with our competitive strengths developed over the years, we are well positioned to capture the opportunities in these landmark projects.

Continue to strengthen the efforts in research and development

We have one of the strongest research, development and design teams among all major curtain wall providers in the world. Our research, development and design team mainly focuses on developing cutting-edge products and technologies that represent the latest industry trends, developing innovative integrated solutions tailored to customers' needs, improving existing products, enhancing production efficiency and reducing costs. Among the newly contracted and newly awarded projects obtained during the first half of 2011, approximately RMB1,227 million was related to new curtain wall systems mainly including double-skin energy-saving curtain wall and LED curtain wall. In addition, during the first half of 2011, we have applied for the registration of 245 new patents on our curtain wall products and technologies, among which application of 153 patents were accepted by the State Intellectual Property Office of the PRC and pending for approval, and 3 patents have obtained the relevant certification. Besides, we are committed to developing new and innovative curtain wall products and technologies to be used in our curtain wall projects in order to consolidate our technological leading position.

With the Group's leading position in the PRC and the global markets, proven track record, leading research, development and design capabilities, extensive sales and marketing network around the world, strong production and processing capacity, full range of high-quality services and experienced management team, the management has full confidence in the long-term development potential of our Company. We will spare no effort to generate the maximum value and return for our shareholders.

Financial Review

Turnover

During the first half of 2011, the Group's turnover increased by approximately RMB755.4 million, or 18.7%, from RMB4,046.6 million for the first half of 2010 to approximately RMB4,802.0 million for the corresponding period of 2011. The increase in turnover was primarily due to the following reasons:

(i) The Group has consolidated its leading position in the industry in the PRC with its turnover derived from domestic projects increasing by approximately RMB680.4 million, or 27.5%, from approximately RMB2,476.6 million for the first half of 2010 to approximately RMB3,157.0 million for the corresponding period of 2011. The increase during the current period was mainly related to public facilities and commercial buildings. With its leading position in the domestic market, the Group achieved a brilliant result in Northeast China and Northern China. The turnover derived from Western China and Southern China also increased substantially as compared to the last corresponding period.

(ii) The turnover derived from the overseas projects slightly increased from approximately RMB1,570.1 million for the first half of 2010 to RMB1,645.0 million for the corresponding period of 2011. The increase during the current period was mainly related to the commercial buildings and public facilities in Australia and the Middle East.

Cost of sales

During the six months ended 30 June 2011, the Group's cost of sales amounted to approximately RMB3,659.3 million, representing an increase of 17.8% over RMB3,106.9 million for the corresponding period in last year. The increase in cost of sales was in line with the increase in sales revenue, which was mainly attributable to the stable gross profit margin of the Group.

Gross profit and gross profit margin

The Group’s gross profit increased by approximately RMB202.9 million, or 21.6%, from RMB939.7 million for the first half of 2010 to approximately RMB1,142.6 million for the first half of 2011. Our gross profit margin rose from 23.2% for the first half of 2010 to 23.8% for the first half of 2011, primarily because profits from several domestic projects were better than expected. Although the curtain wall market was highly competitive and both the raw materials and labour costs were increasing, the Group, leveraging on its leading research, development and design capabilities, high-quality production and installation facilities, full range of excellent and timely services, stringent cost control system and experienced management team, was able to complete the projects with a satisfactory level of gross profit, as well as achieving customer satisfactory.

Other revenue

Other revenue for the six months ended 30 June 2011 was approximately RMB3.6 million (six months ended 30 June 2010: RMB5.8 million), representing a decrease of approximately RMB2.2 million over the corresponding period of 2010. This was mainly due to a decrease in one-off government subsidy of RMB2.5 million.

Other net income

Other net income primarily comprises net gain from the sale of raw materials and net losses on disposal of property, plant and equipment. Other net income increased by RMB1.1 million from approximately RMB0.3 million for the first half of 2010 to about RMB1.4 million for the first half of 2011. This was mainly due to a decrease in loss on disposal of fixed assets during the first half of 2011.

Selling expenses

Selling expenses increased by RMB18.3 million, or 21.2%, from approximately RMB86.5 million for the first half of 2010 to approximately RMB104.8 million for the first half of 2011. Such increase was primarily due to (i) an increase in the number of our sales staff and salary raised in connection with our market expansion, which results in an increase of staff salaries and benefits in the amount of RMB9.6 million. During the first half of 2011, the number of our sales staff increased by 40 or 13.6% as compared to the corresponding period of last year; (ii) an increase of RMB6.0 million in expenses for business development and market expansion; and (iii) an increase of RMB1.5 million in travel expenses. Selling expenses for the first half of 2011 accounted for 2.2% of the turnover, which was similar to 2.1% for the first half of 2010.

Administrative expenses

During the six months ended 30 June 2011, the Group's administrative expenses were approximately RMB438.7 million as compared with RMB365.7 million for the first half of 2010, representing an increase of RMB73.0 million or 20.0%. Such increase was primarily due to an increase of RMB71.1 million in staff salaries and benefits as a result of salary raises and an increase in the number of our administrative staff in line with business expansion and revenue growth. The average number of operation and management staff for the first half of 2011 increased by 613, or 12.1%, from last corresponding period. Administrative expenses for the first half of 2011 accounted for 9.1% of the turnover, which was similar to 9.0% for the first half of 2010.

Finance costs

Finance costs decreased by RMB12.5 million, or 17.5%, from approximately RMB71.4 million for the first half of 2010 to approximately RMB58.9 million for the first half of 2011. This was primarily due to (i) net foreign exchange gain (included gain from forward foreign exchange contracts) for the first half of 2011 increased by approximately RMB53.8 million from the corresponding period of 2010. During the first half of 2011, we recorded net foreign exchange gain because of the appreciation of the Australian dollars, Euro and Swiss Francs against the Renminbi and the use of forward foreign exchange contract, which effectively hedged against the USD depreciation against Renminbi and made a gain of approximately RMB17.6 million; (ii) interest expenses and bank charges increased by RMB34.6 million and RMB6.2 million respectively for the first half of 2011 primarily due to the interest on the bridge loan of HK$820 million granted by Standard Chartered Bank during the period for the reorganization for the Group in preparation for the listing and the increase of average bank and other loans balance.

Income tax

Income tax increased by RMB29.8 million, or 31.9%, from approximately RMB93.5 million for the first half of 2010 to approximately RMB123.3 million for the first half of 2011. Our effective tax rate slightly increased from 22.1% for the six months ended 30 June 2010 to 22.6% for the six months ended 30 June 2011.

Profit attributable to our shareholders

For the six months ended 30 June 2011, profit attributable to shareholders of the Company was approximately RMB416.6 million (six months ended 30 June 2010: approximately RMB338.0 million), representing an increase of approximately 23.3% over the last corresponding period. For the six months ended 30 June 2011, basic and diluted earnings per share were RMB8.9 cents (six months ended 30 June 2010: RMB8.0 cents), up 11.3% from the last corresponding period).

Net current assets and financial resources

As at 30 June 2011, the Group's net current assets was RMB2,151.2 million (31 December 2010: negative RMB268.2 million). The Group funds its working capital requirements through cash inflow from its operations to maintain a stable financial position. As at 30 June 2011, the Group's cash and cash equivalents amounted to RMB1,914.6 million (31 December 2010: RMB533.7 million).

Bank loans and gearing ratio

As at 30 June 2011, the Group's bank borrowings amounted to RMB1,644.3 million (31 December 2010: RMB1,827.5 million) and the extent to which borrowings are at fixed interest rate are set out in Note 27 to the consolidated interim financial statements of this report. The Group's gearing ratio (total loans divided by total shareholders' interest) was 45.8% (31 December 2010: 210.9%). Such substantial decrease in the gearing ratio was due to the fund raised by the Group from the global offering in the first half of the year and the repayment of bridge loan to Standard Chartered Bank.

Receivables/trade and bills payables turnover days

Turnover days	Six months ended 30 June 2011	Full year ended 31 December 2010
Receivables	**126 days**	87 days
Trade and bills payables	**125 days**	101 days

The calculation of the receivables turnover days is based on the average amount of net contract work receivables (gross amount due from customers for contract work less gross amount due to customers for contract work plus trade and bills receivables net of provision) net of provision as at the beginning and ending of the relevant period divided by total turnover of the corresponding period and multiplied by 181 days or 365 days (where applicable). The receivables turnover days as at 30 June 2011 increased mainly because the construction works normally commenced after Lunar New Year holidays in China and gradually reached a peak in June, and therefore, the Group was not able to collect the receivables of the above construction works during the interim period. Moreover, under more severe competition in the industry, the Company was forced to use more working capital of its own during the initial stage of construction, which results in a longer trade receivable turnover days. To lower the credit risk, individual credit evaluations are performed on all customers. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In addition, the management has taken measures to speed up the collection of trade receivables and it is expected that the receivables turnover days will decrease by the end of this year. On the other hand, since we has a strong relationship and is a long term partner with most of the suppliers, the trade and bills payables turnover days also increased in line with the receivables turnover days.

Inventories and inventory turnover days

Our inventories primarily consist of materials used in fabrication of curtain wall products, including aluminum extrusions, glass, steel and sealant. The Group's inventory balance as at 30 June 2011 was approximately RMB444.6 million (31 December 2010: approximately RMB366.8 million). For the six months ended 30 June 2011, inventory turnover days (the average amount of inventories as at the beginning and ending of the period net of provision divided by cost of raw materials and multiplied by 181 days) was 38 days, representing an increase of 9 days as compared with 29 days for the year ended 31 December 2010. The main reasons for the increase in inventories and inventory turnover days were (i) many projects are expected to commence in the second half of the year, so we have purchased certain common materials in advance to ensure that the projects can be carried out smoothly; (ii) in anticipation of inflation, the Group has properly increased the reserve of certain raw materials which may be affected by the inflation such as steel and sealant. The management believes that the above measures will not have a significant impact on the Group's overall financial position.

Capital expenses

During the current reporting period, the Group's capital expenses amounted to approximately RMB52.5 million, which mainly related to the addition of land, plant and equipment under constructions.

Foreign exchange risk

As the overseas projects of the Group were dominated in USD, EURO, AUD, SGD, GBP, CHF and KWD, the movement in foreign exchange rates will affect the Group's financial position. To manage our foreign exchange risks, since 2009, we have started hedging the risk of appreciation of the Renminbi against foreign currencies through entering into forward foreign exchange contracts with reputable banks.

During the six months ended 30 June 2011, the Group entered into forward foreign exchange contracts denominated in U.S. dollars with an aggregated amount of about US$75.8 million in order to manage its risk exposure. As at 30 June 2011, the amount of outstanding forward foreign exchange contracts included approximately USD174.8 million, Euro8.7 million, CHF7.3 million and CAD0.3 million.

Charge on assets

Details of the Group’s charge on assets as at 30 June 2011 are set out in Note 21 to the consolidated interim financial statements of this report.

Contingent liabilities

The Group's contingent liabilities as at 30 June 2011 are set out in Note 29 to the consolidated interim financial statements of this report.

Global offering and use of proceeds

In May 2011, the Company conducted a global offering through which 6,208,734,000 ordinary shares, being new shares, were offered at a price of HK$1.50 per share. Net proceeds raised by the Company 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 supplementary prospectus dated 5 May 2011, the Company intended to use the proceeds for expansion of its production capacity, repayment of its existing debts, investment in research and development, expanding its sales and marketing network. As at 30 June 2011, excluding the portion used to repay the bridge loan from Standard Chartered Bank, the remaining proceeds from the global offering were in the process of remitting to subsidiaries in China. Except the portion used to repay the bridge loan of Standard Chartered Bank, the Company has not utilized the proceeds from the global offering.

Human resources

As of 30 June 2011, the Group had 12,729 (31 December 2010: 12,721) full-time employees in total. The Group has sound policies of management incentives and competitive remuneration, which aligns the interests of management, employees and shareholders' alike. The Group sets its remuneration policy by 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 base salary, allowances, fringe benefits including medical insurance and contributions to pension funds, as well as incentives like discretionary bonus and participation in share options.

Material acquisitions and disposal

The Group did not have any material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2011.

General information

The Group’s consolidated interim financial statements have been audited by KPMG, the auditors of the Company, in accordance with the Hong Kong Standards on Auditing. The comparative figures in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the six months ended 30 June 2010 and the related notes disclosed in the consolidated interim financial statements are derived from the management accounts of the Group and have not been audited.

Other Information

On 12 April 2011, the Company adopted a share option scheme ("Share Option Scheme") whereby the board (the "Board") of directors of the Company ("Directors") can grant options for the subscription of our shares to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "Participants") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme was 600,000,000 shares, which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the prospectus of the Company (the "Prospectus") dated 20 April 2011, but without taking into consideration the issue of any Shares that were issued under the Over-allotment Option (as defined in the Prospectus). The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Global Offering. Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to a Participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Rules Governing the Listing of Securities (the "Listing Rules")), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the share. Each grantee shall pay a consideration of HK$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

Since the Share Option Scheme was adopted, no options have been granted.

Interest and Short Positions of Directors in the Shares, Underlying Shares or Debentures

As at 30 June 2011, the interest or short positions of the Directors or chief executives of the Company in the shares of the Company ("Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code"), are as follows:

(i) Interest in our Company

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Kang Baohua	Interest of controlled corporation	3,334,253,626 (L)	53.70

Notes:

1. *Of the shares held by Mr. Kang Baohua, 2,579,971,923 Shares were held by Best Outlook Limited and 754,281,703 Shares were held by Neo Pioneer Limited, both companies are wholly-owned by Mr. Kang.*

2. *The letter "L" denotes long position in such securities.*

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of shares	Approximate percentage of shareholding
Kang Baohua	Best Outlook Limited	1 (L)	100%
Kang Baohua	Neo Pioneer Limited	1 (L)	100%
Tian Shouliang	Long Thrive Limited	1,500 (L)	7.30%
Guo Zhongshan	Long Thrive Limited	1,500 (L)	7.30%
Wu Qingguo	Long Thrive Limited	1,200 (L)	5.84%
Si Zuobao	Long Thrive Limited	1,500 (L)	7.30%
Wang Yijun	Long Thrive Limited	1,500 (L)	7.30%
Wang Lihui	Long Thrive Limited	850 (L)	4.14%

Note : The letter "L" denotes long position in such securities.

Substantial Shareholders' Interests and Short Positions

As at 30 June 2011, to the best of the Director's Knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Best Outlook Limited *(Note 1)*	Beneficial owner	2,579,971,923 (L)	41.55%
Neo Pioneer Limited *(Note 1)*	Beneficial owner	754,281,703 (L)	12.15%
Long Thrive Limited *(Note 2)*	Beneficial owner	870,940,571 (L)	14.03%

Notes:

1. *Best Outlook Limited and Neo Pioneer Limited are companies incorporated in the BVI and are wholly-owned by Mr. Kang Baohua, our chairman.*

2. *Long Thrive Limited is a company incorporated in the BVI and is owned by 6 Directors and 6 employees of our Company and Ms. Kang Fengxian, the sister of Mr. Kang Baohua.*

3. *The letter "L" denotes long position in such securities.*

Corporate Governance

The Company strived to maintain a high standard of corporate governance and complied with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. To the knowledge of the Board, the Company had fully complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules since 17 May 2011, the date of listing of the Company's shares on the Stock Exchange (the "Listing Date"), and up to 30 June 2011 there has been no deviation from the code provisions.

Model Code for Securities Transactions

The Board has adopted the Model Code for the transactions of the Company's securities. The Company has made specific enquiry to all Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code since the listing date of the Company and up to 30 June 2011.

Purchase, Sale and Re-Purchase of Shares

Save for the 208,734,000 Shares issued by the Company pursuant to the Over-allotment Option under the Global Offering (as defined in the prospectus of the Company dated 20 April 2011), there was no purchase, sale and re-purchase of any listed securities of the Company by the Company or any of its subsidiaries between the period of the Listing Date and 30 June 2011.

Changes to Information of Directors under Rule 13.51(B)(1) of the Listing Rules

The following is the change to the information of Directors required to be disclosed under Rule 13.51B(1) of the Listing Rules:

Mr. Poon Chiu Kwok was appointed an independent non-executive director of Guangzhou Shipyard International Co., Ltd. (stock code: 317), a company which its H-Shares are listed on the Stock Exchange and its A-Shares are listed on the Shanghai Stock Exchange, in May 2011 and was appointed an independent non-executive director of Sunac China Holdings Limited (stock code: 1918) in June 2011. Mr. Poon ceased to act as an independent non-executive director of Tsingtao Brewery Company Limited (stock code: 168) in June 2011 upon expiry of terms.

Sufficiency of Public Float

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float since Listing Date.

Audit Committee

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors of the Company, namely Mr. Poon Chiu Kwok, Mr. Woo Kar Tung, Raymond and Mr. Pang Chung Fai, Benny. The Audit Committee and the Company's management have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including review of the interim results of the Group for the six months ended 30 June 2011.

Publication of Interim Report

This interim report is published on the websites of the Stock Exchange (*http://www.hkex.com.hk*) and the Company (*http://www.yuandacn.com*). This report will be despatched to the shareholders of the Company and made available for review on the aforesaid websites.

Independent Auditor's Report

TO THE SHAREHOLDERS OF YUANDA CHINA HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated interim financial statements of Yuanda China Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 17 to 86, which comprise the consolidated balance sheet as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six month period then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these interim financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated interim financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated interim financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2011 and of the Group's consolidated financial performance and cash flows for the six month period then ended in accordance with International Financial Reporting Standards.

Other Matter

Without qualifying our opinion, we draw attention to Note 2(b) to the consolidated interim financial statements which states that the comparative amounts of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six month period ended 30 June 2010 and the related notes disclosed in the consolidated interim financial statements were derived from the Group's management accounts. Those comparative amounts have not been audited and we therefore do not express an audit opinion on them.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2011

Consolidated Income Statement

For the six months ended 30 June 2011
(Expressed in RMB)

		Six months ended 30 June	
	Note	2011 RMB'000	2010 RMB'000 (unaudited)
Turnover	4, 10	**4,801,985**	4,046,635
Cost of sales		**(3,659,338)**	(3,106,937)
Gross profit		**1,142,647**	939,698
Other revenue	5	**3,586**	5,829
Other net income	5	**1,364**	280
Selling expenses		**(104,777)**	(86,483)
Administrative expenses		**(438,654)**	(365,716)
Profit from operations		**604,166**	493,608
Finance costs	6(a)	**(58,938)**	(71,381)
Profit before taxation	6, 10	**545,228**	422,227
Income tax	7	**(123,272)**	(93,477)
Profit for the period		**421,956**	328,750
Attributable to:			
Equity shareholders of the Company		**416,625**	337,998
Non-controlling interests		**5,331**	(9,248)
Profit for the period		**421,956**	328,750
Earnings per share			
— Basic and diluted (RMB)	9	**0.089**	0.080

The notes on pages 25 to 86 form part of these consolidated interim financial statements.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011
(Expressed in RMB)

	Note	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000 (unaudited)
Profit for the period		**421,956**	328,750
Other comprehensive income for the period (after tax and reclassification adjustments)	8		
Exchange differences on translation into presentation currency		**(26,383)**	12,166
Cash flow hedge:			
net movement in the hedging reserve		**(15,676)**	1,285
Total comprehensive income for the period		**379,897**	342,201
Attributable to:			
Equity shareholders of the Company		**377,175**	350,752
Non-controlling interests		**2,722**	(8,551)
Total comprehensive income for the period		**379,897**	342,201

The notes on pages 25 to 86 form part of these consolidated interim financial statements.

Consolidated Balance Sheet

At 30 June 2011
(Expressed in RMB)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**775,052**	774,955
Lease prepayments	*12*	**621,244**	614,672
Deferred tax assets	*22(c)*	**106,337**	95,006
		1,502,633	1,484,633
Current assets			
Inventories	*13*	**444,564**	366,783
Gross amount due from customers for contract work	*14*	**3,153,135**	2,684,915
Trade and bills receivables	*15*	**1,425,056**	1,231,888
Deposits, prepayments and other receivables	*16*	**646,898**	567,234
Cash and cash equivalents	*17*	**1,914,562**	533,723
		7,584,215	5,384,543
Current liabilities			
Trade and bills payables	*18*	**2,055,225**	1,792,796
Gross amount due to customers for contract work	*14*	**920,879**	883,479
Receipts in advance	*19*	**92,776**	165,692
Accrued expenses and other payables	*20*	**500,183**	782,843
Bank and other loans	*21*	**1,644,322**	1,827,474
Income tax payable	*22(a)*	**170,287**	140,222
Provision for warranties	*23*	**49,353**	60,204
		5,433,025	5,652,710
Net current assets/(liabilities)		**2,151,190**	(268,167)
Total assets less current liabilities		**3,653,823**	1,216,466

The notes on pages 25 to 86 form part of these consolidated interim financial statements.

Consolidated Balance Sheet (continued)

At 30 June 2011
(Expressed in RMB)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current liabilities			
Redeemable convertible preference shares	*24*	—	302,201
Deferred tax liabilities	*22(c)*	**225**	222
Provision for warranties	*23*	**60,777**	47,365
		61,002	349,788
NET ASSETS		**3,592,821**	866,678
CAPITAL AND RESERVES			
Share capital	*25*	**519,723**	1
Reserves	*25*	**3,101,847**	898,148
Total equity attributable to equity shareholders of the Company		**3,621,570**	898,149
Non-controlling interests		**(28,749)**	(31,471)
TOTAL EQUITY		**3,592,821**	866,678

Approved and authorised for issue by the board of directors on 29 August 2011.

Kang Baohua
Director (Chairman)

Tian Shouliang
Director

The notes on pages 25 to 86 form part of these consolidated interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011
(Expressed in RMB)

	Equity attributable to equity shareholders of the Company										
	Paid-in/ Share capital RMB'000 *Note 25(b)*	Share premium RMB'000	Capital reserve RMB'000 *Note 25(c)(ii)*	Other reserve RMB'000 *Note 25(c)(iii)*	PRC statutory reserves RMB'000 *Note 25(c)(iv)*	Exchange reserve RMB'000 *Note 25(c)(v)*	Hedging reserve RMB'000 *Note 25(c)(vi)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2010	517,431	—	60,658	18,361	213,152	(26,620)	3,533	241,302	1,027,817	(10,106)	1,017,711
Changes in equity for the six months ended 30 June 2010:											
Profit/(loss) for the period (unaudited)	—	—	—	—	—	—	—	337,998	337,998	(9,248)	328,750
Other comprehensive income (unaudited)	—	—	—	—	—	11,469	1,285	—	12,754	697	13,451
Total comprehensive income (unaudited)	—	—	—	—	—	11,469	1,285	337,998	350,752	(8,551)	342,201
Effect on equity arising from the disposal of a subsidiary under common control (unaudited)	—	—	—	(984)	(840)	—	—	—	(1,824)	(3,181)	(5,005)
Balance at 30 June 2010 and 1 July 2010 (unaudited)	517,431	—	60,658	17,377	212,312	(15,151)	4,818	579,300	1,376,745	(21,838)	1,354,907
Changes in equity for the six months ended 31 December 2010:											
Profit/(loss) for the period (unaudited)	—	—	—	—	—	—	—	468,134	468,134	(9,667)	458,467
Other comprehensive income (unaudited)	—	—	—	—	—	7,402	9,208	—	16,610	(3,066)	13,544
Total comprehensive income (unaudited)	—	—	—	—	—	7,402	9,208	468,134	484,744	(12,733)	472,011
Issuance of shares (unaudited) *(Note 25(b)(ii))*	1	—	—	—	—	—	—	—	1	—	1
Issuance of redeemable convertible preference shares (unaudited) *(Note 24)*	—	—	30,541	—	—	—	—	—	30,541	—	30,541
Capitalisation of reserves and retained profits (unaudited)	588,679	—	—	—	(82,753)	—	—	(505,926)	—	—	—
Effect on equity arising from a group reorganisation (unaudited)	(1,106,110)	—	(60,658)	175,986	—	—	—	—	(990,782)	—	(990,782)
Effect on equity arising from the transfer of equity interests of a subsidiary within the Group (unaudited)	—	—	—	(3,100)	—	—	—	—	(3,100)	3,100	—
Appropriation to reserves (unaudited)	—	—	—	—	81,071	—	—	(81,071)	—	—	—
Transactions with equity holders of the Group (unaudited)	(517,430)	—	(30,117)	172,886	(1,682)	—	—	(586,997)	(963,340)	3,100	(960,240)
Balance at 31 December 2010	1	—	30,541	190,263	210,630	(7,749)	14,026	460,437	898,149	(31,471)	866,678

The notes on pages 25 to 86 form part of these consolidated interim financial statements.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2011
(Expressed in RMB)

	Equity attributable to equity shareholders of the Company										
	Share capital RMB'000 *Note 25(b)*	Share premium RMB'000 *Note 25(c)(i)*	Capital reserve RMB'000 *Note 25(c)(ii)*	Other reserve RMB'000 *Note 25(c)(iii)*	PRC statutory reserves RMB'000 *Note 25(c)(iv)*	Exchange reserve RMB'000 *Note 25(c)(v)*	Hedging reserve RMB'000 *Note 25(c)(vi)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011	1	—	30,541	190,263	210,630	(7,749)	14,026	460,437	898,149	(31,471)	866,678
Changes in equity for the six months ended 30 June 2011:											
Profit for the period	—	—	—	—	—	—	—	416,625	416,625	5,331	421,956
Other comprehensive income	—	—	—	—	—	(23,774)	(15,676)	—	(39,450)	(2,609)	(42,059)
Total comprehensive income	—	—	—	—	—	(23,774)	(15,676)	416,625	377,175	2,722	379,897
Conversion of redeemable convertible preference shares *(Notes 24 and 25(b)(iii))*	1	332,600	(30,541)	—	—	—	—	—	302,060	—	302,060
Capitalisation issue *(Note 25(b)(iii))*	376,739	(376,739)	—	—	—	—	—	—	—	—	—
Issuance of shares by initial public offering and exercise of over-allotment option *(Note 25(b)(iv))*	142,982	2,001,750	—	—	—	—	—	—	2,144,732	—	2,144,732
Share issuance expenses *(Note 25(b)(iv))*	—	(100,546)	—	—	—	—	—	—	(100,546)	—	(100,546)
Transactions with equity holders of the Group	519,722	1,857,065	(30,541)	—	—	—	—	—	2,346,246	—	2,346,246
Balance at 30 June 2011	519,723	1,857,065	—	190,263	210,630	(31,523)	(1,650)	877,062	3,621,570	(28,749)	3,592,821

The notes on pages 25 to 86 form part of these consolidated interim financial statements.

Consolidated Cash Flow Statement

For the six months ended 30 June 2011
(Expressed in RMB)

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000 (unaudited)
Operating activities			
Profit before taxation		**545,228**	422,227
Adjustments for:			
Depreciation and amortisation	*6(c)*	**43,737**	35,155
Interest income	*6(a)*	**(3,048)**	(3,679)
Interest expenses and other borrowing costs	*6(a)*	**82,399**	41,624
Net loss on disposal of property, plant and equipment	*5*	**734**	1,917
Changes in working capital:			
Increase in inventories		**(77,781)**	(121,473)
Increase in gross amount due from customers for contract work		**(468,220)**	(337,294)
Increase in trade and bills receivables		**(215,402)**	(103,723)
Increase in deposits, prepayments and other receivables		**(122,457)**	(62,898)
Increase in trade and bills payables		**262,429**	33,778
Increase/(decrease) in gross amount due to customers for contract work		**37,400**	(95,054)
Decrease in receipts in advance		**(72,916)**	(27,265)
Decrease in accrued expenses and other payables		**(118,511)**	(98,968)
Increase in provision for warranties	*23*	**2,561**	9,642
Cash used in operations		**(103,847)**	(306,011)
Income tax paid	*22(a)*	**(101,050)**	(99,500)
Net cash used in operating activities		**(204,897)**	(405,511)
Investing activities			
Payments for purchase of property, plant and equipment		**(54,495)**	(32,154)
Proceeds from disposal of property, plant and equipment		**1,350**	7,468
Payments for land use right premiums		**(185,758)**	—
Advance received in connection with government's expropriation of the Group's property, plant and equipment and land use rights	*20*	**103,000**	—
Proceeds from disposal of controlling equity interests in subsidiaries under common control, net of cash disposed of		**—**	(220)
Interest received		**3,048**	11,705
Net cash used in investing activities		**(132,855)**	(13,201)

The notes on pages 25 to 86 form part of these consolidated interim financial statements.

Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2011
(Expressed in RMB)

	Note	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000 (unaudited)
Financing activities			
Proceeds from new bank and other loans		**1,044,322**	654,985
Repayment of bank and other loans		**(1,223,386)**	(489,500)
Proceeds from issuance of shares by initial public offering and exercise of over-allotment option	*25(b)(iv)*	**2,144,732**	—
Payments for share issuance expenses	*25(b)(iv)*	**(92,787)**	—
Net decrease/(increase) in advances granted to the controlling equity shareholder of the Company and his affiliates		**631**	(72,572)
Dividends paid to an affiliate of the controlling equity shareholder of the Company		**(79,302)**	—
Other finance costs paid		**(71,470)**	(41,595)
Net cash generated from financing activities		**1,722,740**	51,318
Net increase/(decrease) in cash and cash equivalents		**1,384,988**	(367,394)
Cash and cash equivalents at 1 January	*17*	**533,723**	705,905
Effect of foreign exchange rate changes		**(4,149)**	(9,218)
Cash and cash equivalents at 30 June	*17*	**1,914,562**	329,293

The notes on pages 25 to 86 form part of these consolidated interim financial statements.

Notes to the Consolidated Interim Financial Statements

(Expressed in 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 consolidated interim financial statements of the Company as at and for the six months ended 30 June 2011 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.

Pursuant to a group reorganisation completed on 13 November 2010 (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 20 April 2011 (the "Prospectus"). The shares of the Company were listed on the Stock Exchange on 17 May 2011.

2. Significant Accounting Policies

(a) Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standards 34, *Interim financial reporting*, and 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 interim financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

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 3 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 interim financial statements.

(b) Basis of preparation of the interim financial statements

The interim financial statements for the six months ended 30 June 2011 comprise the Group.

These interim financial statements have been prepared using the merger basis of accounting as if the Group has always been in existence since 1 January 2010 (or where companies were incorporated/established at a date later than 1 January 2010, since their respective dates of incorporation/establishment), as the companies now comprising the Group were controlled by the same ultimate equity shareholder, namely Mr. Kang Baohua (the "Controlling Shareholder") before and after the Reorganisation.

The measurement basis used in the preparation of the interim financial statements is the historical cost basis except for derivative financial instruments which are stated at their fair value (see Note 2(e)).

2. Significant Accounting Policies (continued)

(b) Basis of preparation of the interim financial statements (continued)

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.

Judgements made by management in the application of IFRSs that have significant effect on the interim financial statements and major sources of estimation uncertainty are discussed in Note 32.

The comparative amounts of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2010 and related notes disclosed in the consolidated interim financial statements were derived from the Group's management accounts and have not been audited.

(c) Business combinations

Business combinations for entities under common control

Business combinations arising from transfers of equity interests in entities that are under the control of the Controlling Shareholder are accounted for as if the acquisitions had occurred at the beginning of the period or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously from the Controlling Shareholder's perspective, any difference between the Group's interest in the carrying value of the assets and liabilities acquired and the cost of transfer of equity interests in the entity is recognised directly in equity.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the interim financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the interim financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those equity interests which would result in the Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2. Significant Accounting Policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative equity interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interest in that subsidiary, with a resulting gain or loss being recognised in the income statement. Any equity interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss is in accordance with Note 2(f).

(f) Hedging

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to the income statement in the same period or periods during which the hedged forecast transaction affects the income statement.

2. Significant Accounting Policies (continued)

(f) Hedging (continued)

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to the income statement immediately.

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	20 years
Machinery and equipment	10 years
Motor vehicles and other equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(h) Research and development expenditure

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

2. Significant Accounting Policies (continued)

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

Payment made on the acquisition of land held under an operating lease is stated at cost less accumulated amortisation and impairment losses (see Note 2(j)(ii)). Amortisation is charged to the income statement on a straight-line basis over the period of the lease term.

(j) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

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

2. Significant Accounting Policies (continued)

(j) Impairment of assets (continued)

(i) Impairment of receivables (continued)

If any such evidence exists, the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material. This assessment is made collectively where receivables carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for receivables with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the receivable's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

Impairment losses are written off against the corresponding receivables directly, except for impairment losses recognised in respect of receivables whose recoveries are considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— pre-paid interests in leasehold land classified as being held under an operating lease.

2. Significant Accounting Policies (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to the income statement in the period in which the reversals are recognised.

(k) Inventories

Inventories record the cost of fixed price construction contracts as well as the cost of some raw materials waiting to be assigned to specific construction contracts. Inventories are carried at the lower of cost and net realisable value. The cost is calculated at acquisition or direct production cost. The cost of inventories includes design costs, raw materials, direct labour, other direct costs and production overheads. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion.

When inventories are assigned to specific construction contracts, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. Significant Accounting Policies (continued)

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Note 2(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 2(j)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in Note 2(u)(i). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Trade receivable for contract work". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "Receipts in advance for contract work".

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Convertible preference share capital

Convertible preference share capital is classified as equity if it is non-redeemable, or redeemable or convertible only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Convertible preference share capital that can be converted to ordinary share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

2. Significant Accounting Policies (continued)

(p) Convertible preference share capital (continued)

At initial recognition, the liability component of the convertible preference share capital is measured as fair value less attributable transaction costs. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the convertible preference share capital is converted or redeemed.

If the convertible preference share capital is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible preference share capital is redeemed, the capital reserve is released directly to retained profits.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to defined contribution retirement plans are charged to the income statement when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

2. Significant Accounting Policies (continued)

(r) Employee benefits (continued)

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. Significant Accounting Policies (continued)

(s) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant Accounting Policies (continued)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(ii) Sale of raw materials

Other income is recognised when the significant risks and rewards of ownership of the raw materials have been transferred to the customers. Other income excludes value added tax or other sales taxes and is after deduction of any trade discounts. No other income is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of raw materials, or continuing management involvement with the raw materials.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in the income statement over the useful life of the asset by way of reduced depreciation expense.

2. Significant Accounting Policies (continued)

(v) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(x) Related parties

For the purposes of the interim financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

2. Significant Accounting Policies (continued)

(x) Related parties (continued)

(iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the interim financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Changes in Accounting Policies

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

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRIC 19 has not yet had a material impact on the Group's interim financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's interim financial statements. These developments have had no material impact on the contents of these interim financial statements.

4. Turnover

The principal activities of the Group are the design, procurement, production, sale and installation of curtain wall systems.

Turnover 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 turnover for the six months ended 30 June 2011 (six months ended 30 June 2010: None (unaudited)). Details of concentration of credit risk arising from the Group's largest customers are set out in Note 27(a).

Further details regarding the Group's principal activities are disclosed in Note 10.

5. Other Revenue and Other Net Income

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Other revenue		
Government grants	**2,282**	4,764
Rental income from operating leases	**1,304**	1,065
	3,586	5,829
Other net income		
Net gain from sale of raw materials	**2,098**	2,197
Net loss on disposal of property, plant and equipment	**(734)**	(1,917)
	1,364	280

6. Profit before Taxation

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

(a) Finance costs

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Interest on bank advances and other borrowings wholly repayable within five years	**55,905**	21,342
Bank charges and other finance costs	**26,494**	20,282
Total borrowing costs	**82,399**	41,624
Interest income	**(3,048)**	(3,679)
Net foreign exchange (gain)/loss	**(2,830)**	38,740
Forward foreign exchange contracts: cash flow hedges, reclassified from equity *(Note 8(b))*	**(17,583)**	(5,304)
	58,938	71,381

No borrowing costs have been capitalised during the six months ended 30 June 2011 (six months ended 30 June 2010: RMBNil (unaudited)).

(b) Staff costs#

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Salaries, wages and other benefits	**498,771**	395,641
Contributions to defined contribution retirement plans *(Note (i))*	**35,317**	22,313
	534,088	417,954

6. Profit before Taxation (continued)

(b) Staff costs# (continued)

Note:

(i) *The employees of the subsidiaries of the Group established in the People's Republic of China (the "PRC") (the "PRC subsidiaries") participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby the PRC subsidiaries are required to contribute to the schemes at rates ranging from 10% to 22% of the employees' basic salaries. Employees of the PRC subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement age.*

The employees of the subsidiaries of the Group established outside of the PRC (the "overseas subsidiaries") participate in defined contribution retirement benefit schemes managed by the respective local government authorities, whereby the overseas subsidiaries are required to contribute to the respective schemes at rates stipulated by the relevant rules and regulations of the respective jurisdictions.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) Other items

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Depreciation and amortisation# *(Notes 11 and 12)*	**43,737**	35,155
Impairment losses on trade and other receivables *(Notes 15(b) and 16(a))*	**9,738**	16,034
Operating lease charges in respect of land, plant and buildings, motor vehicles and other equipment#	**32,207**	32,077
Auditors' remuneration — audit services	**2,709**	201
Research and development costs#	**106,934**	84,801
Increase in provision for warranties# *(Note 23)*	**20,921**	20,642
Cost of inventories# *(Note 13(b))*	**3,659,338**	3,106,937

\# *Cost of inventories includes RMB271.7 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB229.6 million (unaudited)), 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 above or in Note 6(b) for each of these types of expenses.*

7. Income Tax

(a) Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Current taxation *(Note 22(a))*:		
— PRC income tax	**124,902**	79,185
— Overseas income tax	**6,213**	14,266
	131,115	93,451
Deferred taxation *(Note 22(b))*:		
— Origination and reversal of temporary differences	**(7,843)**	26
	123,272	93,477

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

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Profit before taxation	**545,228**	422,227
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) , (iii) and (iv))*	**143,725**	101,326
Tax effect of non-deductible expenses *(Note (v))*	**6,153**	5,580
Tax effect of unused tax losses not recognised	**18,383**	8,802
Tax concessions *(Note (vi))*	**(44,989)**	(22,231)
Income tax	**123,272**	93,477

Notes:

(i) 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 2011 (six months ended 30 June 2010: RMBNil (unaudited)).

(ii) The subsidiary of the Group incorporated in the British Virgin Islands is not subject to any income tax pursuant to the rules and regulations of its country of incorporation.

7. Income Tax (continued)

Notes: (continued)

(iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2011 (six months ended 30 June 2010: 25% (unaudited)).

(iv) The subsidiaries of the Group incorporated in countries other than Hong Kong, the PRC and the British Virgin Islands are subject to income tax rates ranging from 8.5% to 35% for the six months ended 30 June 2011 pursuant to the rules and regulations of their respective countries of incorporation (six months ended 30 June 2010: 8.5% to 35% (unaudited)).

(v) The amounts mainly comprised non-deductible entertainment and other expenses in excess of the tax deductibility allowances under the PRC tax laws and regulations.

(vi) One of the Group's PRC subsidiaries is registered as a foreign investment enterprise, and according to the relevant income tax rules and regulations, this subsidiary is entitled to a 100% relief from PRC Corporate Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the year ended 31 December 2007, on a portion of profits this subsidiary earned due to the re-investment it had made in 2007.

(vii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which takes effect on 1 January 2008. According to the new tax law, the applicable income tax rate of the PRC subsidiaries of the Group has changed to 25% with effect 1 January 2008; or gradually increase to 25% over a five-year period if the PRC subsidiary was previously enjoying a preferential tax rate of below 25%.

8. Other Comprehensive Income

(a) Tax effects relating to each component of other comprehensive income

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Exchange differences on translation into presentation currency (before and after tax)	**(26,383)**	12,166
Cash flow hedge:		
net movement in the hedging reserve		
— Before tax amount	**(19,161)**	1,571
— Tax expense	**3,485**	(286)
— Net of tax amount	**(15,676)**	1,285
Other comprehensive income	**(42,059)**	13,451

8. Other Comprehensive Income (continued)

(b) Reclassification adjustments relating to components of other comprehensive income

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**(1,578)**	6,875
Reclassification adjustments for amounts transferred to the consolidated income statement *(Note 6(a))*	**(17,583)**	(5,304)
Net deferred tax charged to the consolidated statement of comprehensive income *(Note 22(b))*	**3,485**	(286)
Net movement in the hedging reserve during the period recognised in the consolidated statement of comprehensive income	**(15,676)**	1,285

9. Basic and Diluted Earnings Per Share

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2011 is calculated based on the profit attributable to equity shareholders of the Company of RMB416.6 million and the weighted average of 4,690,760,000 ordinary shares, comprising:

(i) 10,000 ordinary shares in issue as at the date of the Prospectus and 4,211,501,500 ordinary shares issued pursuant to the capitalisation issue on 17 May 2011, as if the 4,211,511,500 ordinary shares were outstanding throughout the six months ended 30 June 2011;

(ii) 685 ordinary shares issued on the conversion of the redeemable convertible preference shares and 288,487,815 ordinary shares issued pursuant to the capitalisation issue on 17 May 2011;

(iii) 1,500,000,000 ordinary shares issued on 17 May 2011 by initial public offering; and

(iv) 208,734,000 ordinary shares issued on 1 June 2011 by the exercise of the over-allotment option.

The basic earnings per share for the six months ended 30 June 2010 is calculated based on the profit attributable to equity shareholders of the Company of RMB338.0 million and the weighted average of 4,211,511,500 ordinary shares, comprising 10,000 ordinary shares in issue as at the date of the Prospectus and 4,211,501,500 ordinary shares issued pursuant to the capitalisation issue on 17 May 2011, as if the 4,211,511,500 ordinary shares were outstanding throughout the six months ended 30 June 2010.

9. Basic and Diluted Earnings Per Share (continued)

(a) Basic earnings per share (continued)

The calculation of the outstanding ordinary shares during the six months ended 30 June 2011 and 2010 was as follows:

	Six months ended 30 June	
	2011 **'000**	2010 '000 (unaudited)
Issued ordinary shares at 1 January	**10**	—
Effect of shares issued on 26 February 2010 and 10 November 2010 *(Note 25(b)(ii))*	**—**	10
Effect of capitalisation issue on 17 May 2011 *(Note 25(b)(iii))*	**4,211,501**	4,211,501
Effect of conversion of redeemable convertible preference shares and the related capitalisation issue on 17 May 2011 *(Note 25(b)(iii))*	**71,724**	—
Effect of shares issued by initial public offering on 17 May 2011 *(Note 25(b)(iv))*	**372,928**	—
Effect of shares issued by exercise of over-allotment option on 1 June 2011 *(Note 25(b)(iv))*	**34,597**	—
Weighted average number of ordinary shares at 30 June	**4,690,760**	4,211,511

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2011 and 2010.

10. 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 six reportable segments: Northeast China, North China, East China, West China, South China and Overseas. No operating segments have been aggregated to form the following reportable segments.

- Northeast China: comprised construction contracts carried out in the northeastern region of the PRC, which included Liaoning, Jilin, Heilongjiang, Shandong, Henan and Inner Mongolia provinces and autonomous region;

- North China: comprised construction contracts carried out in the northern region of the PRC, which included Hebei and Shanxi provinces, Beijing and Tianjin;

- East China: comprised construction contracts carried out in the eastern region of the PRC, which included Jiangsu, Zhejiang, Anhui and Jiangxi provinces, and Shanghai;

10. Segment Reporting (continued)

- West China: comprised construction contracts carried out in the western and northwestern regions of the PRC, which included Sichuan, Yunnan, Guizhou, Hubei, Shaanxi, Ningxia, Gansu, Qinghai and Xinjiang provinces and autonomous regions, and Chongqing;

- South China: comprised construction contracts carried out in the southern region of the PRC, which included Guangdong, Hunan, Fujian, Hainan and Guangxi provinces and autonomous region; and

- Overseas: comprised construction contracts carried out outside of the PRC.

(a) Segment results, assets and liabilities

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

Segment assets include all assets with the exception of certain property, plant and equipment and lease prepayments, deferred tax assets and other corporate assets. Segment liabilities include gross amount due to customers for contract work, trade and bills payables, receipts in advance, accrued expenses and other payables and provision for warranties managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest income and finance costs, and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue, interest income, finance costs related to each segment, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. No significant inter-segment sales have occurred for the six months ended 30 June 2011 and 2010.

10. Segment Reporting (continued)

(a) Segment results, assets and liabilities (continued)

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 2011 and 2010 is set out below.

	Six months ended 30 June 2011						
	Northeast China RMB'000	North China RMB'000	East China RMB'000	West China RMB'000	South China RMB'000	Overseas RMB'000	Total RMB'000
Revenue from external customers and reportable segment revenue	808,343	602,241	887,386	485,666	373,389	1,644,960	4,801,985
Reportable segment profit (adjusted EBITDA)	142,665	89,137	182,873	67,367	21,042	165,865	668,949
Interest income	136	381	234	31	311	1,233	2,326
Finance costs	803	533	769	281	200	16,437	19,023
Depreciation and amortisation	2,906	6,227	6,543	2,050	2,467	14,745	34,938
Additions to non-current segment assets during the period	22,137	10,332	3,456	892	244	11,258	48,319

	At 30 June 2011						
	Northeast China RMB'000	North China RMB'000	East China RMB'000	West China RMB'000	South China RMB'000	Overseas RMB'000	Total RMB'000
Reportable segment assets	1,213,962	917,112	1,393,790	709,929	505,372	2,412,789	7,152,954
Reportable segment liabilities	545,356	402,403	605,297	375,527	348,741	1,353,190	3,630,514

10. Segment Reporting (continued)

(a) Segment results, assets and liabilities (continued)

	Six months ended 30 June 2010 (unaudited)						
	Northeast China RMB'000	North China RMB'000	East China RMB'000	West China RMB'000	South China RMB'000	Overseas RMB'000	Total RMB'000
Revenue from external customers and reportable segment revenue	512,225	420,605	883,781	384,122	275,848	1,570,054	4,046,635
Reportable segment profit (adjusted EBITDA)	56,893	54,812	115,197	49,401	10,838	258,547	545,688
Interest income	127	329	414	28	38	2,630	3,566
Finance costs	681	282	985	597	332	16,806	19,683
Depreciation and amortisation	2,429	5,166	5,411	1,739	2,095	12,710	29,550
Additions to non-current segment assets during the period	5,709	3,169	4,734	708	1,754	709	16,783

	At 31 December 2010						
	Northeast China RMB'000	North China RMB'000	East China RMB'000	West China RMB'000	South China RMB'000	Overseas RMB'000	Total RMB'000
Reportable segment assets	1,095,640	864,616	1,289,633	524,467	435,188	2,119,555	6,329,099
Reportable segment liabilities	566,601	460,005	718,641	308,028	323,622	1,169,197	3,546,094

10. Segment Reporting (continued)

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Revenue		
Reportable segment revenue and consolidated turnover	**4,801,985**	4,046,635
Profit		
Reportable segment profit	**668,949**	545,688
Depreciation and amortisation	**(43,737)**	(35,155)
Finance costs	**(58,938)**	(71,381)
Unallocated head office and corporate expenses	**(21,046)**	(16,925)
Consolidated profit before taxation	**545,228**	422,227

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Assets		
Reportable segment assets	**7,152,954**	6,329,099
Property, plant and equipment	**188,773**	191,858
Lease prepayments	**260,939**	263,465
Deferred tax assets	**106,337**	95,006
Unallocated head office and corporate assets	**1,527,868**	198,861
Elimination of receivables between segments, and segments and head office	**(150,023)**	(209,113)
Consolidated total assets	**9,086,848**	6,869,176

10. Segment Reporting (continued)

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities (continued)

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Liabilities		
Reportable segment liabilities	**3,630,514**	3,546,094
Bank and other loans	**1,644,322**	1,827,474
Income tax payable	**170,287**	140,222
Redeemable convertible preference shares	**—**	302,201
Deferred tax liabilities	**225**	222
Unallocated head office and corporate liabilities	**198,702**	395,398
Elimination of payables between segments, and segments and head office	**(150,023)**	(209,113)
Consolidated total liabilities	**5,494,027**	6,002,498

(c) Geographic information

The following table sets 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 based on the segment to which they are allocated.

10. Segment Reporting (continued)

(c) Geographic information (continued)

(i) The Group's revenue from external customers

	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000 (unaudited)
The PRC (excluding Hong Kong and Macau) (Place of domicile)	**3,157,025**	2,476,581
United Arab Emirates	**451,880**	424,627
Australia	**556,825**	472,980
United Kingdom	**37,849**	39,529
United States of America	**5,507**	59,003
Germany	**20,252**	70,957
Russia Federation	**106,063**	98,824
Republic of India ("India")	**23,344**	24,466
Japan	**11,961**	11,812
State of Kuwait ("Kuwait")	**16,761**	59,838
Kingdom of Jordan	**53,426**	56,811
Socialist Republic of Vietnam	**59,259**	63,619
State of Qatar	**161,191**	63,864
Switzerland	**63,100**	20,987
Others	**77,542**	102,737
	1,644,960	1,570,054
	4,801,985	4,046,635

(ii) The Group's specified non-current assets

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Northeast China	**59,927**	41,009
North China	**74,422**	70,960
East China	**150,008**	153,095
West China	**15,073**	16,239
South China	**51,226**	53,449
Overseas	**595,928**	599,552
Head office and corporate assets	**449,712**	455,323
	1,396,296	1,389,627

11. Property, Plant and Equipment

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2010	417,862	282,289	135,045	67,017	902,213
Additions	104,981	34,037	25,396	36,402	200,816
Transfer in/(out)	75,736	44	562	(76,342)	—
Decrease through disposal of a subsidiary under common control	(7,500)	(886)	(477)	—	(8,863)
Disposals	(1,086)	(4,850)	(1,693)	—	(7,629)
At 31 December 2010	589,993	310,634	158,833	27,077	1,086,537
Accumulated depreciation:					
At 1 January 2010	(86,267)	(97,633)	(67,623)	—	(251,523)
Charge for the year	(22,980)	(24,813)	(21,371)	—	(69,164)
Decrease through disposal of a subsidiary under common control	2,509	792	430	—	3,731
Written back on disposals	325	3,637	1,412	—	5,374
At 31 December 2010	(106,413)	(118,017)	(87,152)	—	(311,582)
Net book value:					
At 31 December 2010	483,580	192,617	71,681	27,077	774,955
Cost:					
At 1 January 2011	**589,993**	**310,634**	**158,833**	**27,077**	**1,086,537**
Additions	**406**	**2,306**	**18,052**	**18,893**	**39,657**
Disposals	**—**	**(910)**	**(2,993)**	**—**	**(3,903)**
At 30 June 2011	**590,399**	**312,030**	**173,892**	**45,970**	**1,122,291**
Accumulated depreciation:					
At 1 January 2011	**(106,413)**	**(118,017)**	**(87,152)**	**—**	**(311,582)**
Charge for the period	**(13,201)**	**(12,277)**	**(11,998)**	**—**	**(37,476)**
Written back on disposals	**—**	**708**	**1,111**	**—**	**1,819**
At 30 June 2011	**(119,614)**	**(129,586)**	**(98,039)**	**—**	**(347,239)**
Net book value:					
At 30 June 2011	**470,785**	**182,444**	**75,853**	**45,970**	**775,052**

At 30 June 2011, property certificates of certain properties with an aggregate net book value of RMB163.8 million (31 December 2010: RMB166.6 million) are yet to be obtained. The Controlling Shareholder has undertaken to procure the obtaining of the title documents for the above mentioned properties. If title documents could not be obtained, the Controlling Shareholder agreed to indemnify the Group for all the losses and damages arising therefrom.

12. Lease Prepayments

	RMB'000
Cost:	
At 1 January 2010	430,621
Additions	209,653
At 31 December 2010	640,274
Accumulated amortisation:	
At 1 January 2010	(15,987)
Charge for the year	(9,615)
At 31 December 2010	(25,602)
Net book value:	
At 31 December 2010	614,672
Cost:	
At 1 January 2011	**640,274**
Additions	**12,833**
At 30 June 2011	**653,107**
Accumulated amortisation:	
At 1 January 2011	**(25,602)**
Charge for the period	**(6,261)**
At 30 June 2011	**(31,863)**
Net book value:	
At 30 June 2011	**621,244**

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 30 June 2011, land use right certificates of certain land use rights with an aggregate carrying value of RMB206.2 million (31 December 2010: RMB212.1 million) are yet to be obtained. The Controlling Shareholder has undertaken to procure the obtaining of the title documents for the above mentioned land use rights. If title documents could not be obtained, the Controlling Shareholder agreed to indemnify the Group for all the losses and damages arising therefrom.

13. Inventories

(a) Inventories in the consolidated balance sheet comprise:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Raw materials	**460,209**	382,143
Less: write down of inventories	**(15,645)**	(15,360)
	444,564	366,783

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated income statement during the period is as follows:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (unaudited)
Carrying amount of inventories used in construction contracts	**3,659,053**	3,102,655
Write down of inventories	**285**	4,282
	3,659,338	3,106,937

14. Gross Amount Due from/to Customers for Contract Work

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Contract costs incurred plus recognised profits less recognised losses in connection with construction contracts in progress at period/year end	**15,659,318**	14,525,992
Less: progress billings	**(13,427,062)**	(12,724,556)
	2,232,256	1,801,436
Gross amount due from customers for contract work *(Notes (i) and (ii))*	**3,153,135**	2,684,915
Gross amount due to customers for contract work *(Note (iii))*	**(920,879)**	(883,479)
	2,232,256	1,801,436

14. Gross Amount Due from/to Customers for Contract Work (continued)

Notes:

(i) Except for amounts of RMB74.2 million as at 30 June 2011 (31 December 2010: RMB60.4 million), all of the remaining gross amount due from customers for contract work are expected to be recovered within one year.

(ii) Included in the gross amount due from customers for contract work are amounts of RMB2.9 million at 30 June 2011 (31 December 2010: RMB58.9 million) due from affiliates of the Controlling Shareholder.

(iii) All of the gross amount due to customers for contract work are expected to be recognised as revenue within one year.

15. Trade and Bills Receivables

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivable for contract work due from:		
— Third parties	**1,465,611**	1,297,751
— Affiliates of the Controlling Shareholder	**5,544**	22,111
	1,471,155	1,319,862
Bills receivable for contract work	**71,594**	20,320
Trade receivable for sale of raw materials:		
— Third parties	**1,604**	1,645
— Affiliates of the Controlling Shareholder	**3,097**	2,717
	4,701	4,362
	1,547,450	1,344,544
Less: allowance for doubtful debts *(Note 15(b))*	**(122,394)**	(112,656)
	1,425,056	1,231,888

At 30 June 2011, the amount of retentions receivable from customers included in "trade and bills receivables" (net of allowance for doubtful debts) is RMB272.6 million (31 December 2010: RMB247.6 million).

Except for retentions receivable (net of allowance for doubtful debts) of RMB145.4 million at 30 June 2011 (31 December 2010: RMB114.4 million), all of the remaining trade and bills receivables are expected to be recovered within one year. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers.

15. Trade and Bills Receivables (continued)

(a) Ageing analysis

Included in trade and bills receivables are debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 month	**529,831**	452,640
More than 1 month but less than 3 months	**280,278**	244,390
More than 3 months but less than 6 months	**291,677**	247,111
More than 6 months	**323,270**	287,747
	1,425,056	1,231,888

Receivables that were past due but not impaired relate to a wide range of customers for whom there was no recent history of default and had a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Details on the Group's credit policy are set out in Note 27(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see Note 2(j)(i)).

The movement in the allowance for doubtful debts account during the period/year is as follows:

	Six months ended 30 June 2011 RMB'000	Year ended 31 December 2010 RMB'000
At 1 January	**112,656**	82,945
Impairment loss recognised	**9,738**	31,173
Uncollectible amounts written off	**—**	(1,462)
At 30 June/31 December	**122,394**	112,656

At 30 June 2011, the Group's trade and bills receivables of RMB445.7 million (31 December 2010: RMB400.4 million) are individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management of the Group assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB122.4 million (31 December 2010: RMB112.7 million) are recognised. The Group does not hold any collateral over these balances.

16. Deposits, Prepayments and Other Receivables

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Prepayments for purchase of inventories *(Note (i))*	**271,407**	194,960
Prepayments and deposits for operating leases	**23,787**	22,636
Prepayments for costs incurred in connection with the initial public offering of the Company's shares *(Note (ii))*	**—**	7,759
Deposits for construction contracts' bidding and performance *(Note (iii))*	**218,755**	188,930
Deposits for purchase of forward foreign exchange and aluminium contracts	**56,230**	56,356
Advances to staff	**40,168**	32,291
Advances to third parties	**8,610**	4,774
Derivative financial instruments held as cash flow hedging instruments — forward foreign exchange contracts *(Note 27(e))*	**17,345**	25,363
Other derivatives — forward aluminium contracts *(Note 27(e))*	**—**	7,408
Amounts due from the Controlling Shareholder and his affiliates *(Note (iv))*	**961**	17,395
Amounts due from non-controlling interests of the Group	**4,264**	5,026
Others	**9,319**	8,284
	650,846	571,182
Less: allowance for doubtful debts *(Note 16(a))*	**(3,948)**	(3,948)
	646,898	567,234

Notes:

(i) Included in the balance are prepayments of RMB17.6 million at 30 June 2011 (31 December 2010: RMB14.0 million) made to affiliates of the Controlling Shareholder.

(ii) The balance at 31 December 2010 was transferred to the share premium account within equity upon the listing of the Company's shares on the Stock Exchange on 17 May 2011.

(iii) The balance represented deposits placed with customers for contracts bidding and performance of contracts in progress. The deposits will be released to the Group upon the completion of the related bidding and contract work, where applicable.

(iv) The amounts at 31 December 2010 were unsecured, non-interest bearing and had been settled upon the listing of the Company's shares on the Stock Exchange on 17 May 2011. The amounts at 30 June 2011 are unsecured, non-interest bearing and have no fixed terms of repayment.

Except for amounts of RMB0.5 million at 30 June 2011 (31 December 2010: RMB2.1 million), all of the remaining deposits, prepayments and other receivables are expected to be recovered or recognised as expense within one year.

16. Deposits, Prepayments and Other Receivables (continued)

(a) Impairment of deposits, prepayments and other receivables

Impairment losses in respect of deposits, prepayments and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against deposits, prepayments and other receivables directly (see Note 2(j)(i)).

There was no movement in the allowance for doubtful debts account during the six months ended 30 June 2011 and for the year ended 31 December 2010.

At 30 June 2011, the Group's deposits, prepayments and other receivables of RMB3.9 million (31 December 2010: RMB3.9 million) are individually determined to be impaired. The individually impaired deposits, prepayments and other receivables related to debtors that were in financial difficulties. Consequently, specific allowances for doubtful debts of RMB3.9 million (31 December 2010: RMB3.9 million) are recognised. The Group does not hold any collateral over these balances.

17. Cash and Cash Equivalents

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash at bank and in hand	**1,914,562**	533,723

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

18. Trade and Bills Payables

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade payable for purchase of inventories:		
— Third parties	**1,309,188**	1,121,789
— Affiliates of the Controlling Shareholder	**66,407**	68,356
	1,375,595	1,190,145
Trade payable to sub-contractors	**188,673**	92,739
Bills payable	**490,957**	509,912
Financial liabilities measured at amortised cost	**2,055,225**	1,792,796

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

18. Trade and Bills Payables (continued)

Included in trade and bills payables are creditors with the following ageing analysis as of the balance sheet date:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Due within 1 month or on demand	**1,697,998**	1,526,376
Due after 1 month but within 3 months	**110,927**	81,100
Due after 3 months	**246,300**	185,320
	2,055,225	1,792,796

19. Receipts in Advance

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Receipts in advance for contract work *(Note (i))*	**92,776**	163,014
Receipts in advance for sale of raw materials to an affiliate of the Controlling Shareholder	**—**	2,678
	92,776	165,692

Note:

(i) The balance represented advances received from customers for which the related construction work have not commenced as of the balance sheet date.

All of the receipts in advance are expected to be recognised as revenue within one year.

20. Accrued Expenses and Other Payables

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Payable for staff related costs	**165,007**	297,954
Payable for miscellaneous taxes	**84,211**	62,114
Payable for transportation and insurance expenses	**32,206**	21,295
Payable for interest expenses	**2,586**	3,541
Payable for costs incurred in connection with the initial public offering of the Company's shares	**5,183**	14,445
Payable for construction and purchase of property, plant and equipment	**63,127**	60,137
Deposits from sub-contractors	**20,278**	19,665
Amounts due to the Controlling Shareholder and his affiliates *(Note (i))*	**—**	285,297
Others	**8,311**	8,070
Financial liabilities measured at amortised cost	**380,909**	772,518
Advance received in connection with government's expropriation of the Group's property, plant and equipment and land use rights	**103,000**	—
Derivative financial instruments held as cash flow hedging instruments — forward foreign exchange contracts *(Note 27(e))*	**15,611**	4,825
Other derivatives — forward aluminium contracts *(Note 27(e))*	**663**	—
Provision for outstanding legal claim	**—**	5,500
	500,183	782,843

Note:

(i) *The amounts at 31 December 2010 were unsecured, non-interest bearing and had been repaid upon the listing of the Company's share on the Stock Exchange on 17 May 2011.*

Except for amounts of RMB4.8 million at 30 June 2011 (31 December 2010: RMB2.0 million), all of the accrued expenses and other payables are expected to be settled or recognised in the income statement within one year.

21. Bank and Other Loans

(a) The Group's short-term bank and other loans are analysed as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Bank loans	**1,284,500**	1,677,489
Loans from other financial institutions	**359,822**	99,985
	1,644,322	1,777,474
Add: current portion of long-term bank loan	**—**	50,000
	1,644,322	1,827,474

At 30 June 2011, the Group's short-term bank and other loans (excluding the current portion of long-term bank loan) are secured as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Bank loans:		
— secured by property, plant and equipment and land use rights of the Group *(Note (i))*	**499,500**	400,000
— jointly secured by the equity interests in and loans to certain subsidiaries of the Group, the funds deposited in the account opened for the purpose of this loan and portion of the Company's shares *(Note (ii))*	**—**	690,592
— unguaranteed and unsecured	**785,000**	586,897
	1,284,500	1,677,489
Loans from other financial institutions:		
— unguaranteed and unsecured	**359,822**	99,985
	1,644,322	1,777,474

21. Bank and Other Loans (continued)

(a) (continued)

Notes:

(i) At 30 June 2011, the aggregate carrying values of the secured property, plant and equipment and land use rights of the Group are RMB501.5 million (31 December 2010: RMB423.2 million).

(ii) This bank loan had been repaid upon the listing of the Company's shares on the Stock Exchange on 17 May 2011.

(b) The Group's long-term bank loan is analysed as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Bank loan:		
— secured by property, plant and equipment and land use rights of the Group and guaranteed by an affiliate of the Controlling Shareholder	—	50,000
Less: current portion of long-term bank loan	—	(50,000)
	—	—

The bank loan at 31 December 2010 had been repaid in January 2011, and accordingly, the pledge of property, plant and equipment and land use rights and the guarantee from an affiliate of the Controlling Shareholder had been released. At 31 December 2010, the carrying values of the secured property, plant and equipment and land use rights of the Group were RMB35.3 million.

The Group's long-term bank loan is repayable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year or on demand	—	50,000

21. Bank and Other Loans (continued)

(c) None of the Group's bank and other loans is subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions.

At 30 June 2011, the Group's banking facilities amounted to RMB500.0 million (31 December 2010: RMB600.0 million) were utilised to the extent of RMB285.0 million (31 December 2010: RMB285.0 million).

Details of the Group's management of liquidity risk are set out in Note 27(b).

22. Income Tax in the Consolidated Balance Sheet

(a) Movement of current taxation in the consolidated balance sheet is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Income tax payable at 1 January	**140,222**	107,040
Provision for income tax on the estimated taxable profit for the period/year *(Note 7(a))*	**131,115**	218,042
Credited to reserves	**—**	(218)
Income tax paid during the period/year	**(101,050)**	(184,642)
Income tax payable at 30 June/31 December	**170,287**	140,222

22. Income Tax in the Consolidated Balance Sheet (continued)

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movements during the period are as follows:

Deferred tax arising from:	Unused tax losses	Depreciation allowances in excess of the related depreciation, and government grants and related depreciation	Write down of inventories	Impairment losses on trade and other receivables	Provision for warranties and legal claims	Remeasurement of the fair value of derivative financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	15,775	42,294	2,228	19,715	18,284	(5,082)	93,214
(Charged)/credited to the consolidated income statement	(11,459)	(4,762)	1,614	8,043	8,134	2,332	3,902
Charged to reserves	—	—	—	—	—	(2,332)	(2,332)
At 31 December 2010	4,316	37,532	3,842	27,758	26,418	(5,082)	94,784
Credited to the consolidated income statement *(Note 7(a))*	1,648	1,642	71	2,893	187	1,402	7,843
Charged to reserves *(Note 8(b))*	—	—	—	—	—	3,485	3,485
At 30 June 2011	**5,964**	**39,174**	**3,913**	**30,651**	**26,605**	**(195)**	**106,112**

(c) Reconciliation of deferred tax assets and liabilities recognised in the consolidated balance sheet

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Deferred tax assets recognised on the consolidated balance sheet	**106,337**	95,006
Deferred tax liabilities recognised on the consolidated balance sheet	**(225)**	(222)
	106,112	94,784

22. Income Tax in the Consolidated Balance Sheet (continued)

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB234.6 million at 30 June 2011 (31 December 2010: RMB169.8 million), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The cumulative tax losses of RMB234.6 million at 30 June 2011 will expire on or before 31 December 2016.

(e) Deferred tax liabilities not recognised

At 30 June 2011, temporary differences relating to the retained profits of the Group's PRC subsidiaries amounted to RMB1,183.7 million (31 December 2010: RMB648.6 million), of which no deferred tax liabilities in respect of the tax that would be payable on the distribution of these profits was provided as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

23. Provision for Warranties

	Six months ended 30 June 2011 RMB'000	Year ended 31 December 2010 RMB'000
At 1 January	**107,569**	83,354
Additional provisions made	**20,921**	43,161
Provisions utilised	**(18,360)**	(18,946)
At 30 June/31 December	**110,130**	107,569
Less: amounts included under current liabilities at period/year end	**(49,353)**	(60,204)
	60,777	47,365

Under the terms of the Group's construction contracts with its customers, the Group will rectify any defects arising within one to ten years of the date of completion of the construction contracts, depending on the terms negotiated with the customers. Provision is therefore made for the best estimate of the expected settlement under these construction contracts in respect of construction contracts completed within one to ten years prior to the balance sheet date. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

24. Redeemable Convertible Preference Shares

	Six months ended 30 June 2011 RMB'000	Year ended 31 December 2010 RMB'000
At 1 January	**302,201**	—
Proceeds from issuance of redeemable convertible preference shares, net of transaction costs	—	332,132
Less: amount classified as equity component	—	(30,541)
Amount classified as liability component	**302,201**	301,591
Accrued finance charges for the period/year	**4,990**	1,348
Exchange differences on translation into presentation currency	**(5,131)**	(738)
Conversion during the period	**(302,060)**	—
At 30 June/31 December	—	302,201

Pursuant to a subscription agreement entered into between the Company and Standard Chartered Private Equity (Mauritius) III Limited (the "Preference Shareholder"), the Company issued 685 redeemable convertible Series A preference shares (the "Preference Shares") to the Preference Shareholder for an aggregate subscription price of USD50.0 million on 19 November 2010.

The Preference Shares are convertible into fully paid ordinary shares of the Company at the option of the Preference Shareholder at any time or automatically converted into fully paid ordinary shares of the Company upon the occurrence of an initial public offering of the Company and listing of and permission to deal in the Company's shares on the Stock Exchange or such other internationally recognised securities exchange, in which the market capitalisation upon listing shall not be less than USD1,000.0 million. The conversion basis is one preference share to one ordinary share of the Company.

The Preference Shares are accounted for as compound financial instruments and have been recognised in accordance with the accounting policy adopted for convertible preference share capital in Note 2(p).

The Preference Shares were converted into the Company's ordinary shares on 17 May 2011. The equity component of RMB30,541,000 included in the capital reserve and the carrying amount of the liability component of RMB302,060,000 immediately before the conversion, were transferred to share capital and share premium as consideration for the ordinary shares issued upon conversion .

25. Capital, Reserves and Dividends

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMBNil (unaudited)).

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

The directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2010 (year ended 31 December 2009: RMBNil).

(b) Paid-in/Share capital

For the purpose of these interim financial statements, the paid-in capital of the Group as at 1 January 2010 (i.e. prior to the Reorganisation) represented the paid-in capital of Shenyang Yuanda Aluminium Industry Engineering Co., Ltd. ("Shenyang Yuanda"), a wholly owned subsidiary of the Group, whereas the share capital of the Group as at 31 December 2010 and 30 June 2011 represented the amount of issued and paid-up capital of the Company, with details set out below:

	At 30 June 2011		At 31 December 2010	
	No. of Shares '000	**HK$'000**	No. of Shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each *(Note (i))*	**12,000,000**	**1,200,000**	3,799	379
Preference shares of HK$0.1 each *(Note (i))*	**—**	**—**	1	1

	Six months ended 30 June 2011		Year ended 31 December 2010	
	No. of Shares '000	**RMB'000**	No. of Shares '000	RMB'000
Issued and fully paid:				
At 1 January	**10**	**1**	—	—
Issuance of shares *(Note (ii))*	**—**	**—**	10	1
Conversion of redeemable convertible preference shares *(Note (iii))*	**1**	**1**	—	—
Capitalisation issue *(Note (iii))*	**4,499,989**	**376,739**	—	—
Issuance of shares by initial public offering and exercise of over-allotment option *(Note (iv))*	**1,708,734**	**142,982**	—	—
At 30 June/31 December	**6,208,734**	**519,723**	10	1

25. Capital, Reserves and Dividends (continued)

(b) Paid-in/Share capital (continued)

(i) Authorised share capital

On 26 February 2010, the Company's date of incorporation, the Company's authorised share capital was HK$380,000, comprising 3,800,000 ordinary shares of HK$0.1 each.

On 19 November 2010, the directors of the Company passed resolutions to redesignate and reclassify the Company's authorised share capital of 3,800,000 ordinary shares into 3,799,315 authorised ordinary shares of HK$0.1 each and 685 authorised preference shares of HK$0.1 each.

On 12 April 2011, the equity shareholders of the Company resolved to increase the authorised ordinary share capital of the Company from 3,799,315 ordinary shares of HK$0.1 each to 12,000,000,000 ordinary shares of HK$0.1 each, where the 685 authorised preference shares of HK$0.1 each remained unchanged.

On 17 May 2011, upon the conversion of the redeemable convertible preference shares into 685 of the Company's ordinary shares, the authorised preference share capital of 685 preference shares of HK$0.1 each was cancelled and diminished.

(ii) Issuance of shares

The Company issued 1 ordinary share at par on 26 February 2010 and 9,999 ordinary shares at par on 10 November 2010, and the shares issued have been fully paid up.

On 19 November 2010, the Company allotted and issued 685 redeemable convertible preference shares to the Preference Shareholder for an aggregate subscription price of United States Dollar ("USD") 50.0 million.

(iii) Conversion of redeemable convertible preference shares and capitalisation issue

Pursuant to the resolutions passed by the equity shareholders of the Company on 12 April 2011 and upon the listing of the Company's shares on the Stock Exchange on 17 May 2011, the 685 redeemable convertible preference shares were converted into fully paid ordinary shares, and an additional amount of HK$449,998,931.5 (equivalent to approximately RMB376,739,000) standing to the credit of the share premium account was applied in paying up in full 4,499,989,315 ordinary shares of HK$0.1 each which were alloted and distributed as fully paid to shareholders whose names appeared on the register of members of the Company at the close of business on 12 April 2011 in proportion to their then shareholdings in the Company.

(iv) Issuance of shares by initial public offering and exercise of over-allotment option

On 17 May 2011, 1,500,000,000 ordinary shares of HK$0.1 each were issued and offered for subscription at a price of HK$1.5 each upon the listing of the shares of the Company on the Stock Exchange. On 1 June 2011, the Company exercised the over-allotment option in connection with the listing of its shares on the Stock Exchange and issued an additional 208,734,000 ordinary shares of HK$0.1 each at a price of HK$1.5 each. The proceeds of HK$170,873,400 (equivalent to approximately RMB142,982,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK$2,392,227,600 (equivalent to approximately RMB2,001,750,000) and the share issuance expenses of RMB100,546,000 were credited and debited, respectively, to the share premium account.

25. Capital, Reserves and Dividends (continued)

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law (2009 revision) of the Cayman Islands.

(ii) Capital reserve

The capital reserve at 31 December 2010 comprised the amount allocated to the unexercised equity component of the Preference Shares recognised in accordance with the accounting policy adopted for convertible preference share capital in Note 2(p). Upon the conversion of the Preference Shares into the Company's ordinary shares on 17 May 2011, the amount was transferred to share capital and share premium (see Note 24).

(iii) Other reserve

The other reserve represents (i) the aggregate amount of non-controlling interests acquired by the Group in excess of the total considerations paid; (ii) the surplus/deficit of the carrying values of the controlling equity interests in subsidiaries under common control disposed of over the considerations received; and (iii) the difference between the carrying values of the controlling equity interests in subsidiaries acquired and the considerations paid under the Reorganisation.

(iv) PRC statutory reserves

In accordance with the articles of association of the PRC subsidiaries of the Group, the PRC subsidiaries are required to set up certain statutory reserves, which are non-distributable. The appropriation to these reserves is at discretion of the directors of the PRC subsidiaries. The PRC statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(v) Exchange reserve

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Note 2(v).

(vi) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in Note 2(f).

(d) Distributable reserves

At 30 June 2011, the amount of reserves available for distribution to equity shareholders of the Company is RMB1,829.7 million (31 December 2010: RMBNil). The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

25. Capital, Reserves and Dividends (continued)

(e) Capital management (continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines adjusted net debt as total debt (which includes bank and other loans, trade and bills payables, and redeemable convertible preference shares) less cash and cash equivalents. Adjusted capital comprises all components of equity other than amounts recognised in equity relating to cash flow hedges.

During the six months ended 30 June 2011, the Group's strategy was to lower the adjusted net debt-to-capital ratio to an acceptable level via the successful listing of the Company's shares on the Stock Exchange on 17 May 2011. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 30 June 2011 was as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current liabilities:		
Trade and bills payables	**2,055,225**	1,792,796
Bank and other loans	**1,644,322**	1,827,474
	3,699,547	3,620,270
Non-current liabilities:		
Redeemable convertible preference shares	**—**	302,201
Total debt	**3,699,547**	3,922,471
Less: cash and cash equivalents	**(1,914,562)**	(533,723)
Adjusted net debt	**1,784,985**	3,388,748
Total equity	**3,592,821**	866,678
Less: hedging reserve	**1,650**	(14,026)
Adjusted capital	**3,594,471**	852,652
Adjusted net debt-to-capital ratio	**50%**	397%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. Material Related Party Transactions

In addition to the balances disclosed elsewhere in the interim financial statements, the material related party transactions entered into by the Group during the period are set out below.

(a) Transactions with the Controlling Shareholder and his affiliates

	Six months ended 30 June	
	2011 **RMB'000**	2010 RMB'000 (unaudited)
Rental income from operating leases	**994**	1,065
Operating lease expenses	**—**	819
Revenue from contract work	**22,432**	28,255
Sale of raw materials	**7,455**	23,798
Purchase of raw materials	**86,875**	152,478
Disposal of property, plant and equipment	**120**	—
Purchase of property, plant and equipment and land use rights	**—**	2,031
Net (decrease)/increase in non-interest bearing advances granted to related parties	**(15,873)**	80,558
Net decrease in interest bearing advances granted to related parties	**—**	(36,630)
Net decrease in non-interest bearing advances received from related parties	**(15,242)**	(28,644)

(b) Transactions with non-controlling interests of the Group

	Six months ended 30 June	
	2011 **RMB'000**	2010 RMB'000 (unaudited)
Net decrease in non-interest bearing advances granted to related parties	**(1,025)**	—

(c) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2011 **RMB'000**	2010 RMB'000 (unaudited)
Short-term employee benefits	**10,823**	8,986
Retirement scheme contributions	**182**	159
	11,005	9,145

27. Financial Risk Management and Fair Values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to gross amount due from customers for contract work, trade and other receivables and derivative financial instruments. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of the gross amount due from customers for contract work and the remaining trade and other receivables other than derivative financial instruments, individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers.

Transactions involving derivative financial instruments are entered into with either banks or recognised futures exchange in the PRC, and with whom the Group has signed netting agreements. Given the high credit standing of the banks and futures exchange in the PRC, the management of the Group does not expect any counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 30 June 2011, 3.1% (31 December 2010: 3.7%) and 9.1% (31 December 2010: 8.6%) of the total gross amount due from customers for contract work and trade and other receivables (excluding the amounts due from the Controlling Shareholder and his affiliates) were due from the Group's largest debtor and five largest debtors, respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from gross amount due from customers for contract work and trade and other receivables are set out in Notes 14, 15 and 16.

(b) Liquidity risk

Individual operating entities within the Group are responsible for the short term investment of their own cash surpluses, where the raising of financings are centrally managed by the head office of the Group to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

27. Financial Risk Management and Fair Values (continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the respective balance sheet date) and the earliest date the Group can be required to pay:

	At 30 June 2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and bills payables	2,055,225	—	—	—	2,055,225	2,055,225
Accrued expenses and other payables measured at amortised cost	380,909	—	—	—	380,909	380,909
Bank and other loans	1,694,069	—	—	—	1,694,069	1,644,322
	4,130,203	—	—	—	4,130,203	4,080,456

	At 30 June 2011 Contractual undiscounted cash (outflow)/inflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Derivatives settled gross:					
Forward foreign exchange contracts held as cash flow hedging instruments *(Note 27(d)(i))*:					
— outflow	(714,706)	(276,475)	(31,135)	—	(1,022,316)
— inflow	716,974	272,735	30,546	—	1,020,255
Other forward foreign exchange contracts *(Note 27(d)(ii))*:					
— outflow	(237,680)	(639)	—	—	(238,319)
— inflow	241,452	662	—	—	242,114

27. Financial Risk Management and Fair Values (continued)

(b) Liquidity risk (continued)

	At 31 December 2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and bills payables	1,792,796	—	—	—	1,792,796	1,792,796
Accrued expenses and other payables measured at amortised cost	778,018	—	—	—	778,018	778,018
Bank and other loans	1,867,652	—	—	—	1,867,652	1,827,474
Redeemable convertible preference shares	—	331,135	—	—	331,135	302,201
	4,438,466	331,135	—	—	4,769,601	4,700,489

	At 31 December 2010 Contractual undiscounted cash (outflow)/inflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Derivatives settled gross:					
Forward foreign exchange contracts held as cash flow hedging instruments *(Note 27(d)(i))*:					
— outflow	(1,090,704)	(172,553)	(12,977)	—	(1,276,234)
— inflow	1,107,771	173,532	12,055	—	1,293,358
Other forward foreign exchange contracts *(Note 27(d)(ii))*:					
— outflow	(247,817)	(1,309)	—	—	(249,126)
— inflow	251,212	1,328	—	—	252,540

27. Financial Risk Management and Fair Values (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group adopts a policy where it will negotiate with banks and financial institutions and attempt to maintain a relatively higher level of fixed rate borrowings during times when the economy is growing, in a view that interest rates will generally increase during these periods. In contrast, the Group will negotiate with banks and financial institutions and attempt to maintain a relatively lower level of fixed rate borrowings when the economy is recessing, in a view that interest rates will generally decrease during these periods.

(i) Interest rate profile

The following table details the interest rate profile of the Group at the balance sheet date:

	At 30 June 2011 Effective Interest rate %	At 30 June 2011 RMB'000	At 31 December 2010 Effective Interest rate %	At 31 December 2010 RMB'000
Fixed rate borrowings:				
Bank and other loans	**5.71%**	**1,444,322**	5.31%	786,882
Variable rate borrowings:				
Bank and other loans	**6.15%**	**200,000**	3.57%	1,040,592
Total borrowings		**1,644,322**		1,827,474
Fixed rate borrowings as a percentage of total borrowings		**88%**		43%

(ii) Sensitivity analysis

At 30 June 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB1.6 million (year ended 31 December 2010: RMB8.6 million).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those non-derivative financial instruments held by the Group which expose the Group to cash flow interest rate risk at the balance sheet date. The impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expenses of such a change in interest rates. The sensitivity analysis is performed on the same basis for the year ended 31 December 2010.

27. Financial Risk Management and Fair Values (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through revenue from contract work, purchases of imported materials and costs incurred in overseas construction contracts which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro, Singapore Dollar ("SGD"), Australian Dollar ("AUD"), British Pound Sterling ("GBP"), Swiss Franc ("CHF"), Kuwaiti Dinar ("KWD"), Bahraini Dinar ("BHD"), Qatar Riyal ("QAR"), Canadian Dollar ("CAD"), United Arab Emirates Dirham ("AED"), RMB and Hong Kong Dollar ("HK$").

A significant portion of the Group's business is overseas construction contracts, and these contracts are generally settled in currencies other than RMB. The Group uses forward foreign exchange contracts to minimise its exposure to currency risk. The Group's management believes that RMB will appreciate against most foreign currencies in the foreseeable future, accordingly, the Group will continue to increase the use of forward foreign exchange contracts to hedge its foreign currency exposure.

(i) Forecast transactions

The Group hedges portion of its estimated foreign currency exposure in respect of highly probable forecast revenue from construction contracts.

The Group uses forward foreign exchange contracts to hedge its currency risk and classifies these as cash flow hedges. At 30 June 2011, RMB717.0 million (31 December 2010: RMB1,107.8 million) of the forward foreign exchange contracts have maturities of less than one year after the balance sheet date, and RMB303.3 million (31 December 2010: RMB185.6 million) of the forward foreign exchange contracts have maturities of more than one year after the balance sheet date.

At 30 June 2011, the Group had forward foreign exchange contracts hedging forecast transactions with a net fair value of RMB2.1 million (as a liability) (31 December 2010: RMB17.1 million (as an asset)) recognised as derivative financial instruments.

(ii) Recognised assets and liabilities

Change in the fair value of forward foreign exchange contracts that economically hedge monetary assets and liabilities denominated in foreign currencies is recognised in the consolidated income statement (see Note 6(a)). At 30 June 2011, the net fair value of forward foreign exchange contracts used by the Group as economic hedges of monetary assets and liabilities denominated in foreign currencies was RMB3.8 million (as an asset) (31 December 2010: RMB3.4 million (as an asset)) recognised as derivative financial instruments.

In respect of the remaining receivables and payables denominated in currencies other than the functional currency of the entity to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

27. Financial Risk Management and Fair Values (continued)

(d) Currency risk (continued)

(iii) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the period/year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	At 30 June 2011											
	USD RMB'000	Euro RMB'000	SGD RMB'000	AUD RMB'000	GBP RMB'000	CHF RMB'000	KWD RMB'000	BHD RMB'000	QAR RMB'000	CAD RMB'000	RMB RMB'000	HK$ RMB'000
Gross amount due from customers for contract work	53,241	15,548	380	2,554	—	—	—	10,541	—	—	—	—
Trade and bills receivables	554,776	99,322	—	243,807	19,517	26,356	—	20	—	1,559	—	—
Deposits, prepayments and other receivables	—	—	—	—	9,879	59,406	3,518	—	1,778	—	—	1,663
Cash and cash equivalents	30,978	582	—	190	—	—	—	—	—	15	1,361,830	—
Trade and bills payables	(73,852)	(34,240)	(249)	—	—	—	—	—	—	—	—	—
Accrued expenses and other payables	(17,074)	(101)	—	—	—	—	—	—	—	—	—	—
Gross exposure arising from recognised assets and liabilities	548,069	81,111	131	246,551	29,396	85,762	3,518	10,561	1,778	1,574	1,361,830	1,663
Notional amounts of forward foreign exchange contracts used as economic hedges	(211,029)	(101)	—	—	—	(26,173)	—	—	—	(1,559)	—	—
Net exposure arising from recognised assets and liabilities	337,040	81,010	131	246,551	29,396	59,589	3,518	10,561	1,778	15	1,361,830	1,663

27. Financial Risk Management and Fair Values (continued)

(d) Currency risk (continued)

(iii) Exposure to currency risk (continued)

	At 31 December 2010											
	USD RMB'000	Euro RMB'000	SGD RMB'000	AUD RMB'000	GBP RMB'000	CHF RMB'000	KWD RMB'000	BHD RMB'000	QAR RMB'000	CAD RMB'000	AED RMB'000	HK$ RMB'000
Gross amount due from customers for contract work	82,467	2,462	40,145	6,823	—	—	10,439	8,466	—	—	—	—
Trade and bills receivables	485,373	161,210	51,775	144,658	30,110	3,909	—	14	—	7,777	45,156	—
Deposits, prepayments and other receivables	—	—	—	—	9,707	53,980	3,532	—	1,819	—	—	—
Cash and cash equivalents	6,411	14,147	22,155	6,948	—	—	—	—	—	1,641	—	7,375
Trade and bills payables	(4,187)	(32,678)	—	—	—	—	—	—	—	—	—	—
Accrued expenses and other payables	(12,403)	(45)	—	—	—	—	—	—	—	—	—	—
Gross exposure arising from recognised assets and liabilities	557,661	145,096	114,075	158,429	39,817	57,889	13,971	8,480	1,819	9,418	45,156	7,375
Notional amounts of forward foreign exchange contracts used as economic hedges	(243,204)	—	—	—	—	(4,144)	—	—	—	(2,896)	—	—
Net exposure arising from recognised assets and liabilities	314,457	145,096	114,075	158,429	39,817	53,745	13,971	8,480	1,819	6,522	45,156	7,375

27. Financial Risk Management and Fair Values (continued)

(d) Currency risk (continued)

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	At 30 June 2011		At 31 December 2010	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000
USD	**5%**	**13,459**	5%	12,735
	(5%)	**(13,459)**	(5%)	(12,735)
Euro	**15%**	**10,042**	20%	23,888
	(15%)	**(10,042)**	(20%)	(23,888)
SGD	**5%**	**5**	10%	9,395
	(5%)	**(5)**	(10%)	(9,395)
AUD	**10%**	**20,171**	20%	25,923
	(10%)	**(20,171)**	(20%)	(25,923)
GBP	**5%**	**1,202**	15%	4,886
	(5%)	**(1,202)**	(15%)	(4,886)
CHF	**15%**	**7,312**	15%	6,766
	(15%)	**(7,312)**	(15%)	(6,766)
KWD	**5%**	**144**	10%	1,143
	(5%)	**(144)**	(10%)	(1,143)
BHD	**5%**	**432**	5%	347
	(5%)	**(432)**	(5%)	(347)
QAR	**5%**	**73**	5%	74
	(5%)	**(73)**	(5%)	(74)
CAD	**5%**	**1**	10%	536
	(5%)	**(1)**	(10%)	(536)
AED	**—**	**—**	5%	1,847
	—	**—**	(5%)	(1,847)
RMB	**5%**	**56,856**	—	—
	(5%)	**(56,856)**	—	—
HK$	**5%**	**73**	5%	302
	(5%)	**(73)**	(5%)	(302)

27. Financial Risk Management and Fair Values (continued)

(d) Currency risk (continued)

(iv) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The sensitivity analysis is performed on the same basis for the year ended 31 December 2010.

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date in accordance with the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

27. Financial Risk Management and Fair Values (continued)

(e) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The Group's financial instruments carried at fair value at the balance sheet date are all measured under Level 1.

	Level 1	
	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Assets		
Derivative financial instruments:		
— Forward foreign exchange contracts *(Note 16)*	**17,345**	25,363
— Forward aluminium contracts *(Note 16)*	**—**	7,408
	17,345	32,771
Liabilities		
Derivative financial instruments:		
— Forward foreign exchange contracts *(Note 20)*	**15,611**	4,825
— Forward aluminium contracts *(Note 20)*	**663**	—
	16,274	4,825

(ii) Fair values of financial instruments carried at other than fair value

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2011 and 31 December 2010.

(iii) Estimation of fair values

The fair values of forward foreign exchange contracts and forward aluminium contracts are determined based on market prices at the balance sheet date.

28 Commitments

(a) Capital Commitments

At 30 June 2011, the outstanding capital commitments not provided for in the interim financial statements were summarised as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
— Contracted for	**36,636**	35,821
— Authorised but not contracted for	**78,945**	82,605
	115,581	118,426

(b) Operating lease commitment

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year	**12,638**	12,957
After 1 year but within 5 years	**5,351**	6,736
After 5 years	**3,890**	3,947
	21,879	23,640

The Group leases certain land, plant and buildings, motor vehicles and other equipment under operating leases. Except for the lease of land for a period of 50 years, the remaining leases typically run for an initial period of 1 to 10 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent lease rentals.

29. Contingent Liabilities

(a) Guarantees issued

At 30 June 2011, the Group has issued the following guarantees:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Guarantees for construction contracts' bidding, performance and retentions	**2,066,875**	2,221,102

29. Contingent Liabilities (continued)

(a) Guarantees issued (continued)

As of the balance sheet date, 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 balance sheet date 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 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-contractor agreement entered into between Shenyang Yuanda and this former sub-contractor. Shenyang Yuanda has also made a counterclaim against this sub-contractor for non-performance of the sub-contractor agreement. As at the date of the interim financial statements, the above lawsuit is under reviewed before the Arbitral Tribunal of New Delhi in India. If Shenyang Yuanda and Yuanda India are found to be liable, the total expected monetary compensation may amount to approximately Indian Rupees 1,410.8 million (equivalent to approximately RMB202.0 million) plus accrued interest. Both Shenyang Yuanda and Yuanda India continue to deny any liability in respect of the non-performance of the terms of the sub-contract agreement and, based on legal advice, the directors of the Company do not believe it is probable that the arbitration tribunal will find against Shenyang Yuanda and Yuanda India. No provision has therefore been made in respect of this claim.

(ii) In April 2009, Shenyang Yuanda received a notice that it is being sued by a construction agent in Kuwait in respect of damages arose from the termination of the agency agreement entered into between Shenyang Yuanda and this former agent. As at the date of the interim financial statements, the above lawsuit is under reviewed before the Court of First Instance in Kuwait. If Shenyang Yuanda is found to be liable, the total expected monetary compensation may amount to approximately Kuwaiti Dinar 11.2 million (equivalent to approximately RMB262.7 million). Shenyang Yuanda continues to deny any liability in respect of the claim and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Shenyang Yuanda. No provision has therefore been made in respect of this claim.

(iii) In June 2010, Yuanda Aluminium Industry Engineering (Germany) GmbH ("Yuanda Germany") filed a lawsuit against a customer in respect of its non-payment of Euro2.0 million in respect of the work carried out on this customer by Yuanda Germany. In September 2010, this customer filed a counterclaim against Yuanda Germany for non-performance of the construction contract. As at the date of the interim financial statements, the above lawsuit is under reviewed before the district court of Wiesbaden in Germany. If Yuanda Germany is found to be liable, the total expected monetary compensation may amount to approximately Euro6.1 million (equivalent to approximately RMB57.1 million). Yuanda Germany 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 Germany. No provision has therefore been made in respect of this claim.

29. Contingent Liabilities (continued)

(b) Contingent liabilities in respect of legal claims (continued)

(iv) In September 2010, Yuanda USA Corporation ("Yuanda USA") received a notice that it is being sued by a former sub-contractor in respect of Yuanda USA's non-payment of the additional costs incurred by the sub-contractor arising from the sub-contractor agreement entered into between Yuanda USA and this former sub-contractor. Yuanda USA has also made a counterclaim against this sub-contractor for non-performance of the sub-contractor agreement. As at the date of the interim financial statements, the above lawsuit is under reviewed before an arbitrator. If Yuanda USA is found to be liable, the total expected monetary compensation may amount to approximately USD2.0 million (equivalent to approximately RMB12.9 million). Yuanda USA continues to deny any liability in respect of the claim and, based on legal advice, the directors of the Company do not believe it is probable that the arbitrator will find against Yuanda USA. No provision has therefore been made in respect of this claim.

(v) In addition to the lawsuits and arbitrations mentioned in Notes 14(b)(i) to 14(b)(iv), certain subsidiaries of the Group are named defendant on other lawsuits or arbitrations in respect of construction work carried out by them. The directors of the Company consider the amounts of claim involved in these lawsuits and arbitrations are insignificant to the Group, both individually and in aggregate. As at the date of the interim financial statements, the above 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 RMB4.5 million. Based on legal advice, 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. No provision has therefore been made in this respect.

30. Non-Adjusting Post Balance Sheet Events

Establishment of an associate

On 24 August 2010, Shenyang Yuanda has entered into a memorandum of understanding (the "MOU") with a third party in the establishment of a glass manufacturing company. Pursuant to the MOU, which is subject to further negotiation between Shenyang Yuanda and this third party and the finalisation of the related agreement, Shenyang Yuanda will obtain 49% equity interests in this new company through contribution of RMB36.8 million in the form of land use rights, production plant and equipment and cash.

As at the date of the interim financial statements, the above transaction has yet to be completed.

31. Immediate and Ultimate Holding Company

The directors of the Company consider the immediate and ultimate holding company of the Company as at 30 June 2011 to be Best Outlook Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

32. Accounting Judgements and Estimates

Note 27(e) contains information about the assumptions and the risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Construction contracts

As explained in the accounting policies set out in Notes 2(n) and 2(u)(i), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the gross amount due from customers for contract work as disclosed in Note 14 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future periods as an adjustment to the amounts recorded to date.

(b) Provision for warranties

As explained in Note 23, the Group makes provisions under the warranties it gives on construction of curtain wall systems contracts, taking into account the Group's recent claim experience. As the curtain wall systems required by the customers become more complex, it is probable that the recent claim experience is not indicative of future claims that it will receive in respect of past construction of curtain wall systems. Any increase or decrease in the provision would affect the income statement in future periods.

(c) Impairment of receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the assessment of recoverability of individual receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(d) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(j)(ii). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(e) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(Expressed in RMB unless otherwise indicated)

33. Possible Impact of New Standards, Amendments to Standards and Interpretations Issued But Not Yet Effective for the Accounting Period Beginning 1 January 2011

As at the date of the interim financial statements, the IASB has issued the following new standards, amendments to standards and interpretations which are not yet effective for the accounting period beginning 1 January 2011 and which have not been adopted in the interim financial statements.

	Effective for accounting periods beginning on or after
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards — Severe hyperinflation and removal of fixed dates for first-time adopters*	1 July 2011
Amendments to IFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1 July 2012
IFRS 9, *Financial instruments (2009)* Basis for conclusions on IFRS 9 (2009) Amendments to other IFRSs and guidance on IFRS 9 (2009)	1 January 2013
IFRS 9, *Financial instruments (2010)* Basis for conclusions on IFRS 9 (2010) Implementation guidance on IFRS 9 (2010)	1 January 2013
IFRS 10, *Consolidated financial statements* Basis for conclusions on IFRS 10	1 January 2013
IFRS 11, *Joint arrangements* Basis for conclusions on IFRS 11	1 January 2013
IFRS 12, *Disclosure of interests in other entities* Basis for conclusions on IFRS 12	1 January 2013
IFRS 13, *Fair value measurement* Basis for conclusions on IFRS 13	1 January 2013
IAS 27, *Separate financial statements (2011)*	1 January 2013
IAS 28, *Investments in associates and joint ventures (2011)*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013

The directors of the Company have confirmed that the Group has commenced considering the potential impact of the above new standards, amendments to standards and interpretations but is not yet in a position to determine whether these new standards, amendments to standards and interpretations will have a significant impact on how the results of operations and financial position are prepared and presented. These new standards, amendments to standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.