CNYD

Ideas Change the World, Services Create Value

# YUANDA CHINA HOLDINGS LIMITED

*( incorporated in the Cayman Islands with limited liability )*

Stock Code：2789

Annual Report 2011

# Contents



# Corporate Information

## Directors

### Executive Directors

Kang Baohua *(Chairman)*
Tian Shouliang *(Chief executive officer)*
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

Woo Kar Tung, Raymond *(Chairman)*
Tian Shouliang
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

## 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

## Compliance Advisor

Guotai Junan Capital Limited

## Website

www.yuandacn.com

# Financial Highlights

| | 2011 | 2010 | Percentage Change |
|---|---|---|---|
| Turnover (RMB million) | **10,797.0** | 9,260.9 | 16.6% |
| Gross profit margin | **21.4%** | 22.4% | -1.0% |
| EBITDA (RMB million) | **1,204.7** | 1,195.5 | 0.8% |
| Profit attributable to equity shareholders of the Company (RMB million) | **850.3** | 806.1 | 5.5% |
| Net cash generated from/(used in) operating activities (RMB million) | **31.1** | (306.6) | 110.1% |
| Basic and diluted earnings per share (RMB) | **0.16** | 0.19 | -15.8% |
| Proposed final dividend per share (HK cents) | **4.0** | N/A | N/A |

# Corporate Culture & Mission

### Operation Philosophy
- Ideas Change the World
- Services Create Value

### Enterprise Motto
- To do things honestly
- To treat people sincerely
- To understand causes and results
- To unify theory and practice

### Corporate Mission
- For the country
- For the customers
- For the employees
- For the shareholders

### Management Concepts
- Sustainable Development
- Circular Improvement
- Statistics Analysis
- Continuous Improvement

### Product Concepts
- Service
- Quality
- Cost

### Wealth Concepts
- Wealth means responsibility

### Talent Concepts
- Judging people on his performance
- Talent comes first

### Marketing Concepts
- Identify the needs of the customers
- Create value for the customers
- Provide best services to the customers

### Culture Concepts
- Respect
- Communicate
- Understand
- Integrate
- Pursue

### Development Strategies
- Independent Brand
- Independent Intellectual Property
- Independent Marketing Network

# CHAIRMAN'S STATEMENT

Ideas Change the World, Services Create Value

# Chairman's Statement

**Kang Baohua**
*Chairman*

**2011 marks a significant milestone of the Group. The Company was successfully listed on the main board of the Stock Exchange of Hong Kong on 17 May 2011 (the "Listing Date"), thus advanced herself to a broader arena in career. The Group also secured steady profit growth in 2011, which demonstrated the leading role of the Group in the global curtain wall industry.**

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Yuanda China Holdings Limited (the "Company" or "our Company", together with its subsidiaries, "Yuanda China", "we", "us", "our", the "Group" or "our Group"), I hereby present to you the Group's development and operating results for the year ended 31 December 2011.

## Annual Results

The audited profit attributable to shareholders for the year ended 31 December 2011 was RMB850 million, representing an increase of 5.5% over 2010; a turnover of RMB10,797 million was realized, representing an increase of 16.6% year-on-year; and the earnings per share was RMB0.16. The Board proposes a final dividend of HK4 cents per share for the year ended 31 December 2011.

## Business Review

In 2011, the Group won a number of new projects both at home and abroad, undertook 226 new projects with a total contract value of approximately RMB13,652 million, representing an increase of approximately 22.9% over 2010, reflecting the Group's strategy to maintain profit growth and to enhance global market share. As at 31 December 2011, the Group has accumulated a considerable amount of order backlog, the remaining value of backlog amounted to approximately RMB17,186 million in total, which well-secured the Group's future income.

## Major Awards

Luban Awards (China's national award for construction excellence in projects) for the following projects:

1. Tianjin Digital TV Building
2. Tianjin Medical University General Hospital, Neurology Center
3. Shanghai Pudong Library (New Hall)
4. Shenyang Hang Lung Plaza
5. NPC office building
6. Changshu Rural Commercial Bank Building
7. Chenggong New City Convention Center

First Class State Scientific and Technological Progress Prize:
National Aquatics Center (Water Cube).

Provincial Achievements of Science and Technology Awards

1. Low carbon, intelligent double cycle function curtain wall.
2. Low carbon, unitized function curtain wall

Under the technology strategic guideline of "Low carbon, Function, Safety" established by the Group, industrial-leading, medium-end and high-end products of low-carbon and energy-saving characteristics have been successively developed, which enabled the Group to make a number of scientific and technological achievements as well as obtain technological patents. In 2011, the Group won the "First Class State Scientific and Technological Progress Prize", two "Provincial Achievements of Science and Technology Awards" and seven "Luban Awards" (China's national award for construction excellence in projects). The Group was awarded the "CCMSA 30th Anniversary Outstanding Enterprise".

## Business Prospects

### Key development regions in the future

With respect to overseas markets, the Group's overseas business was partly affected by the sluggish recovery of the economy in Europe and the US and the panic resulted from the debt crisis in Greece, which spread among markets. The Group, however, continued to adopt a positive strategy to exploit the overseas markets. In 2011, our newly-awarded projects in Europe soared by 139%, hitting RMB1,112 million. The Group succeeded in entering the market of Brazil in South America and won two projects. For the South-Asian region, up to the date of this report, we won the contract for World One Tower in India, which is the tallest residential building in the world. The focus on future overseas development will be in such regions like Europe, North America, South America and South Asia, and lift up the revenue from the overseas step by step by further expanding market shares in these regions.

With respect to China's market, a series of real estate adjustment and control measures in China led to a shift on real estate investment from the nearly-saturated residence market to commercial real estate investment. Several real estate developers increased their investments in the field of commercial real estate, to which they could gradually shift their focus, and looked towards to building a strategic partnership with the Group, as would effectively propel the development of China's curtain wall industry. In the meanwhile, ports, airports, railways, real estate and hotel industries related infrastructure will be benefited subsequently from the heavy investment in infrastructure as a result of the launch of the "12th Five-Year Plan for Further Promoting the Economy of the Western Regions" (the "Plan"). The Group will seize the opportunity and intensify its efforts on market exploitation. Furthermore, as a result of urbanization and the rise of Central and Western Regions, second-tier and third-tier cities have ever-increasing room for development. Based on our sales networks developed over these years, we believe that we have enormous growth potential in the future.

### Continue to strengthen the efforts in research and development

We possess 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 represents the latest industry trends, developing integrated solutions tailored to our customers' needs, improving existing products, enhancing production efficiency and reducing costs. Among our newly-awarded projects in 2011, approximately RMB1,654 million (12%) was contributed by our new curtain wall systems (mainly including double-skin energy-saving curtain wall, LED curtain wall and membrane structure curtain wall).

In addition, in 2011, we have applied for the registration of 667 new patents on our curtain wall products and technologies, of which the registration of 551 patents were accepted by the State Intellectual Property Office of China and pending for registration, and 96 patents have obtained the relevant certification of registration. By the end of 2011, the Group was the registered proprietor of 144 national patents. We are also committed to developing new and innovative curtain wall products and technologies to be used in our curtain wall projects in order to consolidate our leading position in curtain wall technology.

At a new starting point, Yuanda China is full of confidence to share an even better future with all its shareholders.

**Kang Baohua**
*Chairman*

22 March 2012

# MANAGEMENT DISCUSSION AND ANALYSIS

The turnover and the profit attributable to equity shareholders of the Company amounted to RMB10.8 billion and RMB850 million, representing an increase of 16.6% and 5.5% over last year, respectively.

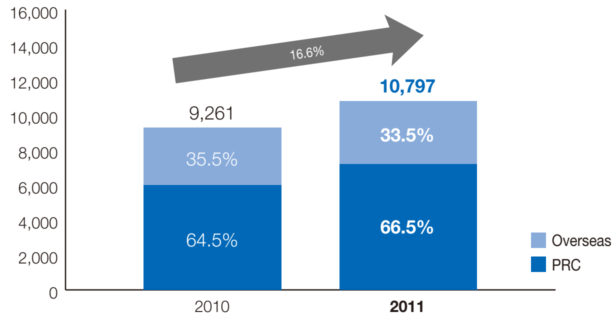
# Management Discussion and Analysis

## Business Review

The Group 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 profit attributable to equity shareholders of the Company increased by approximately 5.5% from the last corresponding year to about RMB850.3 million in 2011.

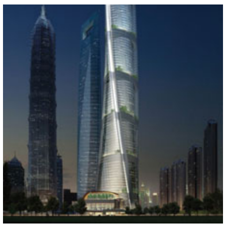
Turnover




### Newly-awarded Projects

| | **2011** | | 2010 | |
|---|---|---|---|---|
| | **Number of projects** | **RMB million** | Number of projects | RMB million |
| PRC | **178** | **10,272** | 195 | 6,577 |
| Overseas | **48** | **3,380** | 57 | 4,528 |
| Total | **226** | **13,652** | 252 | 11,105 |

In 2011, the Group undertook 226 new projects with an amount of approximately RMB13,652 million, an increase of approximately 22.9% as compared to 2010. Affected by overseas economic slowdown and the Euro debt crisis in 2011, the Group's overseas new orders were in decline. However, the PRC's demands continued to grow, with new orders' amount climbing up by 56.2%, which could compensate for the impact of the drop in overseas orders. Leveraging on its industrial leading position both in the PRC and overseas, the Group managed to secure certain landmark projects in 2011, including:



Shanghai Tower, which is situated in Shanghai, is expected to be the tallest building in the PRC and the second tallest building worldwide with a height of 632 meters and a contract amount of approximately RMB408 million

Sanya Beauty Crown 7 Star Hotel, with a contract amount of approximately RMB450 million

Leadenhall Building in London, with a contract amount of approximately RMB350 million

100 Bishop Gate in U.K., with a contract amount of approximately RMB290 million

Stadium of Dalian Sports Center, with a contract amount of approximately RMB284 million

Tianjin Kerry Center, with a contract amount of approximately RMB181 million

Headquarter of China Development Bank, with a contract amount of approximately RMB159 million

### Backlog

| | **As at 31 December 2011 Remaining value of contracts** | | As at 31 December 2010 Remaining value of contracts | |
|---|---|---|---|---|
| | **Number** | **RMB million** | Number | RMB million |
| PRC | **391** | **10,539** | 398 | 7,444 |
| Overseas | **99** | **6,647** | 91 | 6,887 |
| Total | **490** | **17,186** | 489 | 14,331 |

As at 31 December 2011, the remaining value of backlog amounted to approximately RMB17,186 million in total, which well-secured the Group's future income.

With respect to the expansion of our production capacity, part of the construction of our new plant in Anshan was completed and is expected to commence production in 2013, which will increase the annual production capacity of the Group by 1.0 million square meters. We were planning to acquire land of 150 Chinese mu in Chengdu and prepare to set up a new plant, which is expected to be put into use in 2013 and would increase the annual production capacity of the Group by 1.6 million square meters. A subsidiary in Shanghai has also been planning to purchase land. Production capacity expansion is expected to be completed by mid 2013, by then the annual production capacity would be enhanced from 2.6 million square meters to approximately 4.0 million square meters.

## Financial Review

### Turnover

For the financial year ended 31 December 2011, the Group's turnover increased by approximately RMB1,536.1 million, or 16.6%, from RMB9,260.9 million in 2010 to RMB10,797.0 million. The increase in turnover was primarily due to the following reasons:

1) The Group has consolidated its leading position in the industry in the PRC with its turnover derived from domestic projects increasing by approximately RMB1,201.8 million, or 20.1%, from RMB5,975.3 million in 2010 to RMB7,177.1 million in 2011. The increase during the year was mainly related to public facilities and commercial buildings.

2) The turnover derived from the overseas projects increased by 10.2% from RMB3,285.6 million in 2010 to RMB3,619.9 million in 2011. The increase during the year was mainly related to the construction projects in Australia, Europe and the Middle East.

### Cost of sales

During the year ended 31 December 2011, the Group's cost of sales amounted to RMB8,491.0 million, representing an increase of 18.1% over RMB7,186.7 million in 2010. The increase in cost of sales was mainly due to i) the overseas economic slowdown and prolongation of some engineering projects abroad which caused an increase in the installation cost; and ii) more investment in the research and development of the Group in 2011 with expenditure increasing around 24.0% as compared with that of 2010.

### Gross profit and gross profit margin

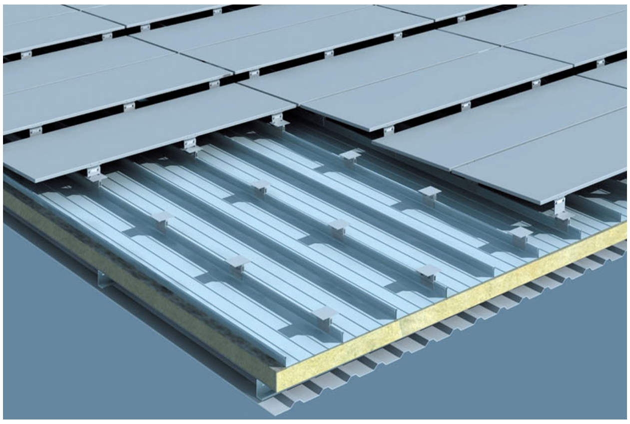
The Group's gross profit increased by RMB231.8 million, or 11.2%, from RMB2,074.2 million in 2010 to RMB2,306.0 million in 2011. Our gross profit margin dropped to 21.4% in 2011 from 22.4% in 2010. The domestic projects achieved satisfactory results with gross profit margin of 22.7%, representing a significant increase from 20.1% over 2010. With respect to overseas, the European, Russian and US markets delivered stable performances with gross profit margin remains at above 25.0%. However, due to the prolongation of some engineering projects in Australia and Middle East, more installation costs incurred which resulted in a drop of the overall gross profit margin of the overseas projects to 18.8% (2010: 26.7%).

### Other revenue

Other revenue increased by RMB5.3 million from RMB18.1 million in 2010 to approximately RMB23.4 million in 2011. This was mainly due to an increase in one-off government subsidy of RMB4.9 million.

### Other net income

Other net income primarily comprises net gain from the sale of raw materials and gain on disposal of land, property, plant and equipment. Other net income increased by RMB119.0 million from RMB0.1 million in 2010 to RMB119.1 million in 2011. This was mainly due to the disposal of fixed assets and land in 2011. When our new plant located in Shenyang was completed and commenced operation at the end of 2007, the old plant and land were resumed by the local government and cash compensation was granted which brought about net income of RMB114.2 million after deducting the costs incurred.



## Selling expenses

Selling expenses increased by RMB32.1 million, or 16.5%, from RMB194.0 million in 2010 to RMB226.1 million in 2011. Such increase was in line with an increase in turnover. Selling expenses in 2011 accounted for 2.1% of the turnover, which was similar to that of 2010.

## Administrative expenses

The Group's administrative expenses in 2011 were approximately RMB1,026.5 million as compared with RMB812.3 million in 2010, representing an increase of RMB214.2 million or 26.4%. Such increase was primarily due to:

1) an increase of RMB159.7 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 revenue growth. The average number of operation and management staff in 2011 increased by 705, or 14.5%, from last year. In order to cope with business expansion in the years ahead, the project management staff reserve was increased in early 2011 and the management believes that it is unlikely to have any substantial increment in the coming years.

2) impairment losses on trade and other receivables increased by RMB31.8 million from RMB31.2 million in 2010 to RMB63.0 million in 2011. As creditors of a project owner in Russia have applied for liquidation of the project owner, we had made bad debts provision of approximately RMB37.6 million for the outstanding payment from that owner.

Administrative expenses accounted for 9.5% of the revenue (2010: 8.8%).

## Finance costs

Finance costs increased by RMB72.0 million, or 84.9%, from approximately RMB84.8 million in 2010 to RMB156.8 million in 2011. This was primarily due to the interest expenses on the bridge loan of HK$820 million granted by Standard Chartered Bank during the year for the reorganization for the Group in preparation for the listing and the increase of average balance of other bank loans and average interest rate. The bridge loan was settled on the listing date in 2011 so it would not cause any impact in 2012.

## Income tax

Income tax slightly decreased by RMB0.6 million, or 0.3%, from RMB214.1 million in 2010 to RMB213.5 million in 2011. Our effective tax rate slightly decreased from 21.4% in 2010 to 20.5% in 2011.

## Profit attributable to our equity shareholders

For the financial year ended 31 December 2011, profit attributable to equity shareholders of the Company was approximately RMB850.3 million (2010: RMB806.1 million), representing an increase of approximately 5.5% as compared with 2010. Basic and diluted earnings per share were RMB0.16 (2010: RMB0.19), down 15.8% from 2010. This was due to the increase of shares after initial public offerings in 2010.

## Net current assets and financial resources

As at 31 December 2011, the Group's net current assets was RMB2,817.2 million (31 December 2010: net current liabilities of RMB268.2 million). The Group funds its working capital requirements through its global offering in 2011 and through cash inflow from its operations to maintain a stable financial position. As at 31 December 2011, the Group's cash and cash equivalents amounted to RMB1,944.5 million (31 December 2010: RMB533.7 million).

### Bank loans and gearing ratio

As at 31 December 2011, the Group's total bank borrowings amounted to RMB1,507.5 million (31 December 2010: RMB1,827.5 million). The Group's gearing ratio (total loans divided by total equity shareholders' interest) was 37.5% (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 2011 and the repayment of bridge loan to Standard Chartered Bank.

### Valuation of the properties

For the purpose of the listing of the Company's share on the main board of the Stock Exchange on 17 May 2011, a valuation was conducted on the property interests held by the Group. However, those property interests were still carried at historical costs less accumulated depreciation and impairment, if any, on the Group's financial statements.

By reference to the property valuation set out in Appendix IV to the Company's prospectus dated 20 April 2011, a revaluation surplus of approximately RMB412.8 million was recorded in the respect of the property interests of the Group as at 28 February 2011. If the properties were stated at that valuation, the depreciation charge per year would have increased by approximately RMB37.3 million.

### Receivables/Trade and bills payables turnover days

| | **2011** | 2010 |
|---|---|---|
| Receivables | **132 days** | 87 days |
| Trade and bills payables | **126 days** | 101 days |

The calculation of the receivables turnover days is based on the average amount of net trade and bills receivables and contract work receivables (gross amount due from customers for contract work less gross amount due to customers for contract work) as at the beginning and ending of the financial year divided by total turnover of the corresponding period and multiplied by 365 days. The calculation of the payables turnover days is based on the average amount of trade and bills payables as at the beginning and ending of the financial year divided by raw materials and installation costs of the corresponding period and multiplied by 365 days. The receivables turnover days as at 31 December 2011 increased mainly due to the slowdown of global economic growth, Europe's credit crisis and the tightened credit control in the PRC, which resulted in a longer trade receivables due from domestic and overseas customers. 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 receivables and it is expected that the receivables turnover days will decrease in 2012. On the other hand, since we have a strong and long-term relationship with most of the suppliers, the payables turnover days also increased in line with the receivables turnover days.

## Inventories and inventory turnover days

The calculation of the inventory turnover days is based on the average amount of inventories as at the beginning and the end of the financial year divided by raw materials costs of the corresponding period and multiplied by 365 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 31 December 2011 was RMB457.2 million (31 December 2010: RMB366.8 million). For the year ended 31 December 2011, inventory turnover days were 33 days, representing an increase of 4 days as compared with 29 days in 2010. The slight increase in inventories and inventory turnover days was mainly due to the commencement of more projects.

## Capital expenditure

In 2011, the Group's capital expenditure amounted to approximately RMB86.8 million, which was mainly related to the expenses incurred on acquiring land, constructing plant and equipment.

## Foreign exchange risk

The overseas projects of the Group were mainly dominated in USD, EURO, AUD, GBP, and CHF. To manage our foreign exchange risks, we have started hedging the risk of appreciation of the Renminbi against foreign currencies through entering into forward foreign exchange contracts with reputable banks.

## Charge on assets

Details of the Group's charge on assets as at 31 December 2011 are set out in Note 24 to the Financial Statements.

## Contingent liabilities

The Group's contingent liabilities as at 31 December 2011 are set out in Note 32 to the Financial Statements.

## Global offering and use of proceeds

In May 2011, the Company conducted a global offering through which 1,708,734,000 new ordinary shares were offered at a price of HK$1.50 per share. Net proceeds raised 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 31 December 2011, approximately HK$1,252 million of proceeds from the global offering (expansion of production capacity: HK$107 million; repayment of its existing debts (mainly comprised of the bridge loan of Standard Chartered Bank): HK$820 million; investment in research and development: HK$175 million; and expanding its sales and marketing network: HK$150 million) was utilized in aggregate. The remaining proceeds will be used as stated in the Prospectus and the supplementary Prospectus of the Company.

# Directors and Senior Management

## Directors

### Executive Directors

**Mr. Kang Baohua (康寶華)**, aged 58, is the founder and chairman of our Group, and was appointed as our executive Director on February 26, 2010. Mr. Kang is the vice president of the Liaoning Chamber of Commerce (遼寧省商會). Graduated from Liaoning University (遼寧大學) with a diploma in politics in 1984, Mr. Kang has over 20 years of experience in the curtain wall industry and has been responsible for the management and strategic development of our Group since 1992. Prior to founding our Group, Mr. Kang was an executive director of Shenyang Strong Wind Group Company (瀋陽強風集團公司). Since our establishment, Mr. Kang has been involved in the management of our Company, including business development, finance and corporate strategy formulation. Mr. Kang is also a director of numerous subsidiaries of the Group.

**Mr. Tian Shouliang (田守良)**, aged 48, is our chief executive officer and was appointed as our executive Director on December 18, 2010. Mr. Tian joined our Group in 1994 and has over 16 years of experience in the curtain wall industry. From 1995 to 1997, Mr. Tian was the vice general manager in production of Shenyang Yuanda Aluminium Industry Engineering Co., Ltd. (瀋陽遠大鋁業工程有限公司) ("Shenyang Yuanda"), where he was involved in curtain wall product design and managed curtain wall production systems. From 1997 to 2008, he was the vice chairman of Shenyang Yuanda Aluminium Industry Group Ltd. (瀋陽遠大鋁業集團有限公司) ("Yuanda Group") where he was in charge of operations, finance and human resources management activities. Since 2008, Mr. Tian has been the president and a director of Shenyang Yuanda, leading its business expansions and product development plans. Mr. Tian graduated from Harbin Industrial University (哈爾濱工業大學) in 1986 with a bachelor's degree in engineering specializing in the study of heat turbines.

**Mr. Guo Zhongshan (郭忠山)**, aged 47, was appointed as our executive Director on December 18, 2010. Mr. Guo joined our Group in 1994 and has over 16 years of experience in the curtain wall industry. From 1994 to 1996, Mr. Guo was the chief engineer of Shenyang Yuanda, responsible for engineering design works related to curtain wall products. From 1996 to 1997, Mr. Guo has been the vice president of Shenyang Yuanda responsible for market development in the PRC. Since 1997, Mr. Guo has been the vice president of Shenyang Yuanda. Prior to joining our Group, Mr. Guo was the technical director of Shenyang Strong Wind Company (瀋陽強風公司) from 1992 to 1993. Mr. Guo graduated from Shenyang Aviation Industrial College (瀋陽航空工業學院) with a bachelor's degree in mechanical engineering in 1986 and from Dalian Polytechnic University (大連理工大學) with a master's degree in mechanical engineering in 1992.

**Mr. Wang Yijun (王義君)**, aged 43, is the vice president of our Group, managing director of our international operations and was appointed as our executive Director on December 18, 2010. Mr. Wang joined our Group since 1993 and has more than 17 years of experience in the curtain wall industry. From 1993 to 1998, Mr. Wang held various managerial positions in Shenyang Yuanda where he managed engineering design and technology works. In 1999, Mr. Wang was the technical manager of Shenyang Yuanda Shanghai branch. Since 2000, Mr. Wang has been the general manager of the international operations of Shenyang Yuanda, responsible for developing its business in overseas markets. Mr. Wang graduated from Shenyang Aviation Industrial College (瀋陽航空工業學院) with a bachelor's degree in mechanical engineering and design in 1992. Mr. Wang is also a director of certain subsidiaries of the Group.

**Mr. Si Zuobao (思作寶)**, aged 44, is the managing director of our operations in Eastern China and was appointed as our executive Director on December 18, 2010. Mr. Si joined the Group in 1993 and has more than 17 years of experience in the curtain wall industry. From 1993 to 1995, Mr. Si was an engineering designer responsible for technical design of the Group's projects. From 1996 to 1998, Mr. Si was the vice president of sales in Shenyang Yuanda, in charge of formulating sales strategies and leading sales teams. From 1998 to 2009, Mr. Si served as the general manager of Shenyang Yuanda Shanghai branch. Since 2010, Mr. Si has been a director and the managing director of ShenyangYuanda for its business in Eastern China, leading the expansion of its presence in Eastern China. Mr. Si graduated from Jilin Industrial University (吉林工業大學) in 1991 with a bachelor's degree in engineering specializing in the study of internal combustion engines.

**Mr. Wu Qingguo (吳慶國)**, aged 42, is the managing director of our operations in Northeastern China and was appointed as our executive Director on December 18, 2010. Mr. Wu joined the Group in 1997 and has more than 13 years of experience in the curtain wall industry. He has been involved in the development and sales activities of our operations in Northeastern China since he joined us. From 1997 to 2000, Mr. Wu led the sales activities of the operations of Shenyang Yuanda in Northeastern China. From 2001 to 2008, Mr. Wu was general manager of the Northeastern China Branch of Shenyang Yuanda in charge of its operations in Northeastern China, responsible for managing its sales, production, operations and marketing activities. He was appointed the President of the Northeastern China Branch of Shenyang Yuanda in June 2008 and was appointed as a director of Shenyang Yuanda and the President of the Group's Northeastern China operations in 2010. Mr. Wu graduated from Shenyang University (瀋陽大學) with a bachelor's degree in industrial engineering management in 1992.

**Mr. Wang Lihui (王立輝)**, aged 42, was appointed as our executive Director on December 18, 2010. Mr. Wang joined our Group in 1996 and has more than 18 years of experience in accounting and finance. Mr. Wang has experience in dealing with internal control, risk management, corporate finance and taxation matters and is responsible for the overall management of our Group's financial operations. He has been involved in formulating the Group's budgets, remuneration and incentive schemes. Prior to joining us, Mr. Wang was an accountant in Northeast (No. 6) Pharmaceutical Manufacturer (東北第六製藥廠) from 1992 to 1994 and the finance director of Shenyang Wumei Shopping Centre (瀋陽物美商城) from 1995 to 1996. From 1996 to 2004, Mr. Wang was the financial manager of Shenyang Yuanda. Since 2004, Mr. Wang has been the chief accountant of Yuanda Group. Mr. Wang graduated from Anhui Trade and Finance College (安徽財貿學院) with a bachelor's degree in accounting in 1992. Mr. Wang is also a director of certain subsidiaries of the Group.

**Mr. Wang Deqiang (王德強)**, aged 43, was appointed as our executive Director on December 18, 2010. Mr. Wang joined the Group in 2002. Prior to joining the Group, Mr. Wang had served as the chief accountant at Fushun Aluminum Factory (撫順鋁廠) and as an audit assistant at Liaoning Jinxin Accounting Firm (遼寧金信會計師事務所). From 2002 to 2005, Mr. Wang was the head of the finance department of Shenyang Yuanda where he was in charge of accounting and financial affairs of the international business of Shenyang Yuanda. From 2005 to 2009, Mr. Wang was the assistant chief accountant of Shenyang Yuanda where he was responsible for the overall financial affairs of Shenyang Yuanda, including preparing the accounts of its onshore and offshore businesses, and managing the finance of the trading business of Shenyang Yuanda. Mr. Wang has been a director of Shenyang Yuanda since 2010. Mr. Wang graduated from Southern China Industrial University (中南工業大學) with a bachelor's degree in industrial engineering management in 1991.

## Independent Non-executive Directors

**Mr. Poon Chiu Kwok (潘昭國)**, aged 50, was appointed as our independent non-executive Director on 12 April 2011. Mr. Poon obtained a Master's degree in international accounting, a Bachelor's degree in laws and a Bachelor's degree in business studies. He was awarded a postgraduate diploma in laws by the University of London. He is a member and an associate instructor of the Hong Kong Securities Institute and its Professional Education Committee, an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He now serves as an executive director and company secretary of Huabao International Holdings Limited which is listed on the Stock Exchange. Mr. Poon has over 20 years of experience in regulatory affairs, commerce and investment banking. Mr. Poon worked in the Listing Division of the Stock Exchange. He had been an executive director and managing director of several investment banks. From March 2003 to June 2009, Mr. Poon served as an independent non – executive director of CATIC Shenzhen Holdings Limited (listed on the Stock Exchange). From June 2005 to June 2011, he served as an independent non-executive director of Tsingtao Brewery Company Limited (listed on the Stock Exchange and Shanghai Stock Exchange). He is currently an independent non-executive director of Ningbo Port Company Limited (listed on Shanghai Stock Exchange), Guangzhou Shipyard International Company Limited (listed on the Stock Exchange and Shanghai Stock Exchange), Sunac China Holdings Limited, China Tianrui Group Cement Company Limited and Changan Minsheng APLL Logistics Co., Ltd., which are listed on the Stock Exchange.

**Mr. Woo Kar Tung, Raymond (胡家棟)**, aged 42, was appointed as our independent non-executive Director on April 12, 2011. Mr. Woo is an executive director, chief financial officer and company secretary of IRC Limited (Hong Kong stock code: 1029). Mr. Woo has over 18 years of experience in the accounting and financial services industry. He began his career as a certified accountant at Arthur Andersen & Co where he qualified. Subsequently, he was employed in senior positions as an investment banker at ING, CITIC Securities and Credit Suisse. Mr Woo holds a Bachelor of Commerce degree. He is a member of both the Australian Society of Certified Practising Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants.

**Mr. Benny Chung Fai Pang** (**彭中輝**), aged 39, was appointed as our independent non-executive Director on April 12, 2011. Mr. Pang is the managing partner of Salans Hong Kong, an international law firm with offices in 22 cities. He is also the principal of Pang & Co, a local law firm in association with Salans Hong Kong. Between 1997 and 2009, Mr. Pang practiced as a lawyer with several international law firms in Hong Kong and Sydney. Mr. Pang received his bachelor's degree in laws from Bond University in 1996. In 1997, Mr. Pang obtained his Graduate Diploma in Legal Practice and master's degree in laws from The College of Law and the University of New South Wales, respectively. He was admitted as a legal practitioner of the Supreme Court of New South Wales in 1997 and as a solicitor of the High Court of Hong Kong in 2009. He is a member of both the Law Society of New South Wales and the Law Society of Hong Kong.

## Senior Management

**Mr. Wong Yuk (王旭)**, aged 40, is the chief financial officer of the Group and our company secretary. Mr. Wong joined our Group in December 2010. He is responsible for the Group's financial and investor relations affairs. He is our key liaison contact with the Stock Exchange and professional parties. Mr. Wong has more than 15 years of work experience and during this period of time he has worked in the professional auditing, manufacturing, trading and utility industries. He started his career in KPMG Hong Kong from September 1996 and also worked for various Hong Kong and Singapore listed companies from October 1999 to November 2010. Mr. Wong obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in 1996. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

**Mr. Xie Haizhuang (謝海狀)**, aged 44, is the chief engineer of Shenyang Yuanda. Mr. Xie joined our Group in 1995. From 1995 to 2002, Mr. Xie held positions including technical designer and technical manager, dealing with the technical aspects of curtain wall projects. He has worked on the technical design of proposals for bidding major projects. Since 2002, Mr. Xie was involved in our corporate technical development management. Graduating from Huadong Industrial College (華東工學院) in 1990, Mr. Xie holds a bachelor's degree in mechanical construction design.

**Mr. Xiong Yudi (熊宇鏑)**, aged 43, is the managing director of our Group's Southwest China operations. Mr. Xiong joined our Group in 1993. From 1993 to 1997, Mr. Xiong was the sales representative of Shenyang Yuanda, responsible for its sales activities in Beijing, Tianjin and Northeast China. From 1997 to 2001, Mr. Xiong has served as general sales manager of our Northeast China operations, and from 2001 to 2010, the general manager of our West China operations, where he managed the operation of our production facilities and formulated various policies to expand our Group's operations in Southwest China. Mr. Xiong graduated from Chongqing University (重慶大學) with a bachelor's degree in mechanical engineering in 1990.

# Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2011.

## Corporate Governance Practices

The Group strives to maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Group's corporate governance principles emphasize the importance of a quality Board, effective internal controls and accountability to shareholders.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

In the opinion of the directors, the Company has complied with all the code provisions as set out in the CG Code since the listing of the shares of the Company on the Main Board on 17 May 2011 (the "Listing Date") to the end of the financial year of 2011.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

## The Board of Directors

### Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the chief executive officer, of which the directors also undertake, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

## Board Composition

Membership of the Board is currently made up of eleven members in total, with eight executive directors and three independent non-executive directors. The composition of the Board is set out below:

**Executive Directors**

| | |
|---|---|
| Mr. Kang Baohua | *Chairman* |
| Mr. Tian Shouliang | *Chief executive officer* |
| Mr. Guo Zhongshan | |
| Mr. Wang Yijun | |
| Mr. Si Zuobao | |
| Mr. Wu Qingguo | |
| Mr. Wang Lihui | |
| Mr. Wang Deqiang | |

**Independent Non-Executive Directors**

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

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical details of the members of the Board are disclosed under the section headed “Directors and Senior Management” in this report. None of the members of the Board is related to one another.

For the period from the Listing Date to 31 December 2011, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company will comply with the Listing Rules to have at least one-third of the membership of the Board comprising independent non-executive directors by 31 December 2012.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of rule 3.13 of Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All directors, including independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

## Chairman and Chief Executive Officer

The roles and duties of the chairman and the chief executive officer of the Company are carried out by different individuals and have been clearly defined in writing.

The chairman of the Board is Mr. Kang Baohua, and the chief executive officer is Mr. Tian Shouliang. The positions of chairman and chief executive officer are held by separate persons in order to preserve independence and a balance of views and judgement. With the support of the senior management, the chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. The chief executive officer is in charge of the Company's day-to-day management and operations. The chief executive officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

## Appointment and Re-Election of Directors

Each of the executive directors of the Company is engaged on a service contract for a term of three years, and the appointment may be terminated by not less than one month's written notice. Each of the independent non-executive directors of the Company has been appointed for a term of one year and the appointment may be terminated by not less than three months' written notice.

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Nomination Committee established on 12 April 2011 is to be responsible for reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

### Nomination Committee

The Nomination Committee comprises three members, namely Mr. Kang Baohua (chairman), Mr. Poon Chiu Kwok and Mr. Pang Chung Fai, Benny, the majority of which are independent non-executive directors.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

In accordance with the Company's Articles of Association, one-third of the directors of the Company, shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting and every director shall be subject to retirement at the annual general meeting at least once every three years.

The Company's circular dated 24 April 2012 contains detailed information of the directors standing for re-election.

For the period from the Listing Date to 31 December 2011, no meeting has been convened by the Nomination Committee because the Company was listed on 17 May 2011, and all the Directors were re-designated/appointed as Directors at the Board meeting held on 12 April 2011. The Nomination Committee therefore considers that it is not necessary to review the size and composition of the Board and identify any new board member for the year ended 31 December 2011. Up to the date of this report, a meeting of the Nomination Committee was held on 22 March 2012.

## Induction and Continuing Development of Directors

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

## Board Meetings

### Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management where necessary.

Our senior management, including chief executive officer, chief financial officer and company secretary, attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary of our Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for directors' inspection.

The Company's Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

### Directors' Attendance Records

During the year ended 31 December 2011, three regular Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the Board meetings during the year ended 31 December 2011 are set out below:

| Name of Director | Attendance/ Number of Meetings |
|---|---|
| Mr. Kang Baohua | 3/3 |
| Mr. Tian Shouliang | 3/3 |
| Mr. Guo Zhongshan | 3/3 |
| Mr. Wang Yijun | 3/3 |
| Mr. Si Zuobao | 3/3 |
| Mr. Wu Qingguo | 3/3 |
| Mr. Wang Lihui | 3/3 |
| Mr. Wang Deqiang | 3/3 |
| Mr. Poon Chiu Kwok | 3/3 |
| Mr. Woo Kar Tung, Raymond | 3/3 |
| Mr. Pang Chung Fai, Benny | 3/3 |

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (the "Appendix 10") and devised its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code as set out in Appendix 10.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code and the Company Code since the Listing Date to the end of 2011.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

## Delegation by the Board

The Board undertakes responsibility for decision making in major Company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

The Board also has the full support of the chief executive officer and the senior management for the discharge of its responsibilities.

## Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2011 are set out in Note 8 to the Financial Statements.

## Remuneration Committee

The Remuneration Committee comprises three members, namely, Mr. Woo Kar Tung, Raymond (chairman), Mr. Tian Shouliang and Mr. Pang Chung Fai, Benny, the majority of which are independent non-executive directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and/or remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and the senior management for the year under review.

The Remuneration Committee held no meetings for the period from the Listing Date to 31 December 2011 because the Company was just listed on 17 May 2011 and there was no change in the policy and structure of the remuneration of the directors and senior management of the Group.

## Accountability and Audit

### Directors' Responsibilties for Financial Reporting in Respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The Management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

## Internal Controls

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor and senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

## Audit Committee

The Audit Committee comprises three independent non-executive directors, namely, Mr. Poon Chiu Kwok (Chairman), Mr. Woo Kar Tung, Raymond and Mr. Pang Chung Fai, Benny, each of which possess the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- to review the financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditors before submission to the Board
- to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors
- to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

The Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2011, the financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management systems and processes, the independence, performance and the reappointment of the external auditors and the nature and scope of audit.

The Audit Committee held one meetings for the period from the Listing Date to 31 December 2011 and the attendance records are set out below:

| Name of Director | Attendance/ Number of Meeting |
|---|---|
| Mr Poon Chiu Kwok | 1/1 |
| Mr Woo Kar Tung, Raymond | 1/1 |
| Mr Pang Chung Fai, Benny | 1/1 |

## External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 45.

During the year ended 31 December 2011, the remuneration paid/payable to the Company's external auditors, KPMG, is RMB6,500,000.

## Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders face-to-face dialogue with the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

The 2012 Annual General Meeting ("AGM") will be held on 24 May 2012. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.yuandacn.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted are available for public access.

## Shareholder Rights

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

# Report of the Board of Directors

The Directors of the Company are pleased to present their report and the audited financial statements for the year ended 31 December 2011 of the Group.

## Major Business

The Company is principally engaged in the provision of one-stop integrated curtain wall solutions for its customers to meet the technical specifications and performance requirements of their projects. The analysis of the revenue of the Group for the year is set out in Note 4 to the Financial Statements.

## Financial Statements

The profit of the Group for the year ended 31 December 2011, and the state of the Company's and of the Group's affairs as at that date are set out in the Financial Statements on pages 47 to 135.

## Share Capital

The changes in the share capital of the Company during the year are set out in Note 28(c) to the Financial Statements.

## Final Dividend

At the Board meeting held on 22 March 2012 (Tuesday), it was proposed that a final dividend of HK$0.04 per share be paid on or around 29 June 2012 (Friday) to the shareholders of the Company whose names appear on the Company's register of members on 5 June 2012 (Tuesday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 24 May 2012 (Thursday).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

## Closure of Register of Members

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 21 May 2012 (Monday) to 24 May 2012 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 18 May 2012 (Friday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 1 June 2012 (Friday) to 5 June 2012 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 31 May 2012 (Thursday).

## Reserve

Details of movements in reserve of the Group during the year ended 31 December 2011 are set out in the Consolidated Statement of Changes in Equity of the Financial Statements. Details of movements in the reserves of the Company during the year are set out in Note 28(a) to the Financial Statements.

## Distributable Reserves

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the shareholders subject to the provisions of the Company's Articles of Associations, with the sanction of an ordinary resolution, dividend may be declared and paid out of share premium account of any other fund or account which can be authorised for this propose. Details of distributable reserves of the Company are set out in Note 28(e) to the Financial Statements.

## Property, Plant and Equipments

The changes in property, plant and equipments of the Group during the year ended 31 December 2011 are set out in Note 13 to the Financial Statements.

## Major Customers and Suppliers

During the year, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 18.0% of the Group's total purchase. The percentage of turnover attributable to the Group's five largest customers accounted for approximately 8.9% of the Group's total turnover.

Save as disclosed herein, so far as is known to the Directors, none of the Directors or his/her associates and none of the shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the above-mentioned suppliers and customers. Shenyang Brilliant Elevator Co., Ltd., Metal Spray Paint Branch (瀋陽博林特電梯有限公司金屬噴塗分公司), one of the Group's major suppliers, is an indirect subsidiary of Shenyang Yuanda Aluminium Industry Group Ltd. (瀋陽遠大鋁業集團有限公司), a company owned by Mr. Kang Baohua, our chairman and controlling shareholder.

## Donation

During the year, the charitable contributions and other donations made in Hong Kong and China totalled RMB0.05 million.

## Directors

The directors in office during the year and as of the date of this report are as follows:

*Executive Directors*
Kang Baohua
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

Details of the resume of the directors and senior management are set forth in the section "Directors and Senior Management" of this report.

Pursuant to the terms of the articles of association of the Company (the "**Articles of Association**") and the Corporate Governance Code and the letters of appointments of all independent non-executive Directors, Mr. Tian Shouliang, Mr. Guo Zhongshan, Mr. Wang Yijun, Mr. Poon Chiu Kwok, Mr. Woo Kar Tung, Raymond and Mr. Pang Chung Fai, Benny, will retire in the coming annual general meeting, and being qualified, have offered to be re-elected and re-appointed at the annual general meeting.

## Service Contracts of Directors

Details of service contracts for our executive Directors and non-executive Directors are set out under the section headed "Appointment and Re-election of Directors" of the Corporate Governance Report. There was no service contract entered by the Company and any Directors to be re-elected in the coming annual general meeting stipulating that the Company may not terminate the appointment within one year without compensation payment (other than the statutory compensation).

## Directors' Interests in Contracts

Other than those transactions disclosed in Note 29 to the Financial Statements and in the section "Connected transactions" below, there was no other significant contract with any member of the Group as the contracting party and in which the Directors of the Company possessed direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

## Directors' Interests in Competitive Business

Our Chairman, Mr. Kang Baohua, owns and through Best Outlook Limited ("Best Outlook") and Neo Pioneer Limited ("Neo Pioneer") owns in aggregate approximately 53.94% of the issued share capital in the Company as at the date of this report of the Board. Mr. Kang Baohua, Best Outlook and Neo Pioneer are the controlling shareholders of the Company. Mr. Kang Baohua also owns 100% interest in Yuanda Aluminium Industry Engineering (Singapore) Pte. Ltd. ("Yuanda Singapore") through Shenyang Yuanda Aluminium Industry Group Ltd. ("Yuanda Group"), which is owned by Mr. Kang Baohua. Yuanda Singapore is primarily engaged in curtain wall works and trading as well as investment holding. Although the Company has established a wholly owned subsidiary in Singapore to carry out curtain wall contracting projects, the ability to contract for large-scale public curtain wall projects in Singapore is dependent on local contracting experience, and given the lack of direct local contracting experience, the Group has been cooperating with Yuanda Singapore on the contracting of large-scale public curtain wall projects in Singapore during the last four years and will continue to supply curtain wall products to Yuanda Singapore until the Company's wholly owned subsidiary will be able to undertake such projects in Singapore on its own. Please see the section headed "Connected Transactions" in the prospectus of the Company dated 20 April 2011 (the "Prospectus") for details. For the aforesaid purpose, Yuanda Singapore has been excluded from the deed of non-competition ("Deed of Non-competition") provided by the controlling shareholders to the Company on 12 April 2011.

We have received an annual written confirmation from each of the Company's controlling shareholders in respect of the compliance by them and their associates with the Deed of Non-competition. Each of the controlling shareholders of the Company has also confirmed that none of them has abided by the Deed of Non-competition during the year ended 31 December 2011.

The independent non-executive Directors have reviewed the Deed of Non-competition and whether the controlling shareholders have abided by the non-competition undertaking under the Deed of Non-competition. The independent non-executive Directors confirmed that they had determined that the controlling shareholders have not been in breach of the Deed of Non-competition during the year ended 31 December 2011.

Save as disclosed, no Directors nor their respective connected persons possessed any interests in any business that competed or might compete with the business that the Group conducted.

## Share Option Scheme

On 12 April 2011, the Company adopted a share option scheme ("**Share Option Scheme**") whereby the Board of 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 of Directors 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). 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 the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in 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 of Directors, 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.

## Debenture

At any time during the year the Company, its holding company or its subsidiaries were not the contracting parties of any arrangements from which the Directors could make a profit by purchasing the shares or debentures of the Company or any other companies.

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

As at the date of 31 December 2011, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of 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, are as follows:

### (i) Interest in the Company

| Name of Director | Nature of Interest | Number of Shares | Approximate Percentage of Shareholding |
|---|---|---|---|
| Kang Baohua | Beneficial owner | 728,000 (L) | 0.01% |
| | 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 Baohua.

(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) | 11.32% |
| Guo Zhongshan | Long Thrive Limited | 1,500 (L) | 11.32% |
| Wang Yijun | Long Thrive Limited | 1,500 (L) | 11.32% |
| Si Zuobao | Long Thrive Limited | 1,500 (L) | 11.32% |
| Wu Qingguo | Long Thrive Limited | 1,200 (L) | 9.06% |
| Wang Lihui | Long Thrive Limited | 850 (L) | 6.41% |

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

## Substantial Shareholders' Interests and Short Positions

As at the date 31 December 2011, 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 as recorded in the register required to be kept by the Company under section 336 of SFO, or who was directing or indirectly, interested in 5% or more of the issued share capital of the Company:

| Name | Capacity | Number of Shares | Approximate Percentage of Shareholding |
|---|---|---|---|
| Best Outlook Limited (1) | Beneficial owner | 2,579,971,923 (L) | 41.55% |
| Neo Pioneer Limited (1) | Beneficial owner | 754,281,703 (L) | 12.15% |
| Long Thrive Limited (2) | Beneficial owner | 561,555,356 (L) | 9.04% |

*Notes:*

(1) Best Outlook Limited and Neo Pioneer Limited are companies incorporated in the BVI and are wholly-owned by Mr. Kang Baohua.

(2) Long Thrive Limited is a company incorporated in the BVI and is owned by 6 Directors and 5 employees of the Company

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

## Subsidiaries

Details of the major subsidiaries of the Company as of 31 December 2011 are set out in Note 15 to the Financial Statements.

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## Connected Transactions

Following the listing of the Group on 17 May 2011 ("Listing Date"), the transactions between the Group and certain connected persons of the Group became continuing connected transactions. The Company has applied and the Stock Exchange has on 1 April 2011 granted a waiver from, among others, strict compliance with the announcement and/or shareholders' approval requirements under Rule 14A.42(3) of the Listing Rules for the continuing connected transactions set out in the prospectus of the Company.

Details of the continuing connected transactions of the Company are as follows:

## Continuing Connected Transactions Exempt from the Reporting, Announcement and Independent Shareholders' Approval Requirements

### Leases of Properties

Prior to the Listing Date, the Group leased certain properties to Shenyang Yuanda Electrical Equipment Co., Ltd. (瀋陽遠大機電裝備有限公司) and Shenyang Brilliant Elevator Co., Ltd., Metal Spray Paint Branch (瀋陽博林特電梯有限公司金屬噴塗分公司) ("Brilliant Elevator MSP Branch") for use as offices.

Each of Shenyang Yuanda Electrical Equipment Co., Ltd. and Brilliant Elevator MSP Branch is a subsidiary of Yuanda Group, which is in turn owned by Mr. Kang Baohua, our chairman and controlling shareholder, transactions between the Group and each of Shenyang Yuanda Electrical Equipment Co., Ltd. and Brilliant Elevator MSP Branch constitute connected transactions for the Group under Chapter 14A of the Listing Rules.

On 12 April 2011, the Company has entered into leasing agreements ("Leasing Agreements") with each of Shenyang Yuanda Electrical Equipment Co., Ltd. and Brilliant Elevator MSP Branch for a term of one year and three years, respectively, based on the prevailing market rates of RMB1,475,100, RMB999,600 and RMB999,600 for the year ended 31 December 2011 and the two years ending 31 December 2012 and 2013, respectively.

The rent payable by Shenyang Yuanda Electrical Equipment Co., Ltd. and Brilliant Elevator MSP Branch to the Group under the leases is based on comparable market rates. For the year ended 31 December 2011, the rent received by the Group under the Leasing Agreements were RMB0.5 million and RMB1.0 million, respectively.

## Continuing Connected Transactions Exempt from the Independent Shareholders' Approval Requirement But are Subject to the Reporting and Announcement Requirements

### Purchase of Raw Materials from Shenyang Yuancheng

Prior to the Listing Date, the Group purchased glass from Shenyang Yuancheng Insulating Glass Co., Ltd. (瀋陽遠程中空玻璃有限公司) ("Shenyang Yuancheng"), a company which is owned as to 80% by Ms. Kang Fengxian (康鳳仙) and as to 20% by her husband, Zhang Dianhai (張澱海). As Ms. Kang Fengxian is the sister of Mr. Kang Baohua, our chairman and controlling shareholder, transactions between Shenyang Yuancheng and the Group constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules. The glass supplied by Shenyang Yuancheng are used primarily for the construction of the Group's manufacturing facilities and are not used in the Group's projects.

On 12 April 2011, the Company has entered into a master purchase agreement ("Shenyang Yuancheng Purchase Agreement") with Shenyang Yuancheng pursuant to which we agreed to purchase glass from Shenyang Yuancheng for a term of three years subject to an annual cap not exceeding RMB8.0 million and RMB4.5 million and RMB4.1 million for the year ended 31 December 2011 and the two years ending 31 December 2012 and 2013, respectively.

The annual caps of the purchases of glass from Shenyang Yuancheng were calculated based on the projected demand of glass that we would purchase from Shenyang Yuancheng with reference to the market prices for glass of similar specifications.

For the year ended 31 December 2011, the total purchase from Shenyang Yuancheng for the year ended 31 December 2011 was RMB12.0 million, which exceeded the annual cap of RMB8.0 million by RMB4.0 million. In accordance with Rule 14A.36(1) of the Listing Rules, the Company has re-complied with the requirements of the Listing Rules and issued an announcement on 19 March 2012. Please refer to the announcement of the Company dated 19 March 2012 for further details.

### Supply of Curtain Wall Products to Yuanda Singapore

Prior to the Listing Date, Yuanda Singapore contracted for curtain wall projects in Singapore for which the Group supplied the curtain wall products. As Yuanda Singapore is a wholly owned subsidiary of Yuanda Group, which is owned by Mr. Kang, our chairman and Controlling Shareholder, the supply of such curtain wall products by the Group to Yuanda Singapore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The Company has established a wholly owned subsidiary in Singapore to carry out curtain wall contracting projects. However, the ability to contract for large-scale public curtain wall projects in Singapore is dependent on local contracting experience, and given the lack of direct local contracting experience, the Group has been cooperating with Yuanda Singapore on the contracting of large-scale public curtain wall projects in Singapore during the last four years and will continue to supply curtain wall products to Yuanda Singapore until the Company's wholly owned subsidiary will be able to undertake such projects in Singapore on its own.

On April 12, 2011, we entered into a master supply agreement with Yuanda Singapore ("Yuanda Singapore Supply Agreement") pursuant to which it is agreed that we will continue to supply curtain wall products to Yuanda Singapore for a term of three years subject to an annual cap not exceeding RMB120.0 million, RMB150.0 million and RMB150.0 million for the year ended 31 December 2011 and the two years ending 31 December 2012 and 2013, respectively.

The supply of curtain wall products under the Yuanda Singapore Supply Agreement were being provided based on prevailing market prices. For the year ended 31 December 2011, the supply of curtain wall products to Yuanda Singapore actually incurred by the Group amounted to RMB28.5 million.

### Purchase of Raw Materials from Shenyang Xinwan Fulong

Prior to the Listing Date, the Group purchased building materials and hardware tools from Shenyang Xinwan Fulong Commerce Co., Ltd. (瀋陽欣萬福隆商貿有限公司) ("Shenyang Xinwan Fulong"), a company which is wholly owned by Ms. Kang Fengxian (康鳳仙). As Ms. Kang is the sister of Mr. Kang Baohua, our chairman and controlling shareholder, transactions between Shenyang Xinwan Fulong and the Group constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

On 12 April 2011, the Company entered into a master purchase agreement ("Shenyang Xinwan Fulong Purchase Agreement") with Shenyang Xinwan Fulong pursuant to which we agreed to purchase building materials and hardware tools from Shenyang Xinwan Fulong for a term of three years subject to an annual cap not exceeding RMB17.0 million, RMB18.5 million and RMB20.0 million for the year ended 31 December 2011 and the two years ending 31 December 2012 and 2013, respectively. The annual caps were based on the projected demand for building materials and hardware tools that we would purchase from Shenyang Xinwan Fulong with reference to the market prices for such materials.

The annual caps of the purchases of raw materials were based on the projected demand for building materials and hardware tools that we would purchase from Shenyang Xinwan Fulong with reference to the market prices for such materials. For the year ended 31 December 2011, the total purchases from Shenyang Xinwan Fulong by the Group amounted to RMB4.9 million.

### Glass Processing and Assembly Services provided by Shanghai Jianxing

Prior to the Listing Date, Shanghai Jianxing Insulating Glass Manufacturing Co., Ltd. (上海建星中空玻璃製造有限公司) ("Shanghai Jianxing") provided glass processing and assembly services to the Group. Shanghai Jianxing is a company which is owned as to 30% by Ms. Kang Fengxian (康鳳仙) and as to 70% by her husband, Zhang Dianhai (張淑海). As Ms. Kang Fengxian is the sister of Mr. Kang Baohua, our chairman and controlling shareholder, transactions between Shanghai Jianxing and the Group constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

On 12 April 2011, the Company entered into a master services agreement ("Shanghai Jianxing Services Agreement") with Shanghai Jianxing pursuant to which we agreed to procure glass processing and assembly services from Shanghai Jianxing for a term of three years subject to an annual cap not exceeding RMB7.0 million, RMB8.5 million and RMB10.0 million for the year ended 31 December 2011 and the two years ending 31 December 2012 and 2013, respectively.

The annual caps of the glass processing and assembly services were based on the expected growth in demand for insular glass in the market and our projected demand for such services with reference to the market prices for the provision of services of a similar nature. For the year ended 31 December 2011, the service fees paid by the Group to Shanghai Jianxing amounted to RMB4.3 million.

## Continuing Connected Transactions Which are Subject to the Reporting, Announcement and Independent Shareholders' Approval Requirements

### Processing Services and Raw Materials provided by Brilliant Elevator MSP Branch

Prior to the Listing Date, Brilliant Elevator MSP Branch provided spray painting, related processing and assembly services, as well as raw materials, to the Group. As Brilliant Elevator is owned as to 54.34% by Yuanda Group and as to 22.29% by Yuanda Singapore, which is in turn a subsidiary of the Yuanda Group, the processing services and raw materials provided by Brilliant Elevator MSP Branch to the Group constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

On 12 April 2011, the Company entered into a master processing and raw materials services agreement (the "Brilliant Master Agreement") with Brilliant Elevator MSP Branch pursuant to which it agreed to provide processing services and supply raw material to us for a term of three years subject to an annual cap not exceeding RMB300.0 million, RMB330.0 million and RMB365.0 million for the year ended 31 December 2011 and the two years ending 31 December 2012 and 2013, respectively.

The annual caps were based on the historical transactional amount and the projected demand for processing services and raw materials by the Group with reference to the market rates for processing services of a similar nature and market prices for raw materials. For the year ended 31 December 2011, the processing services and raw materials provided by Brilliant Elevator MSP Branch to the Group amounted to RMB137.1 million.

Pursuant to rule 14A.37 of the Listing Rules, all independent non-executive directors of the Company have reviewed the above continuous connected transaction, and confirmed that the transactions were entered into:

1. in the ordinary and usual course of business of the Group;

2. under normal commercial terms or not less favourable terms that the Group receives or provides services from an independent third party or obtains from an independent third party; and

3. in accordance with the agreements related to the above continuous connected transaction, the terms of which are fair and reasonable and for the overall benefit of the shareholders of the Company.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditors of the Company confirmed to the Board that the aforesaid continuing connected transactions:

1. have been approved by the Board of Directors of the Company. Without qualifying their opinion, the auditor of the Company have drawn to the attention of the Board that purchases of raw materials by the Group from Shenyang Yuancheng during the year ended 31 December 2011 amounted to approximately RMB12.0 million in total of which RMB8.0 million, representing the maximum aggregate annual value (the "Cap"), was approved by the Company's Board of Directors on 12 April 2011. The total amount of RMB12.0 million, including the amount of approximately RMB4.0 million in excess of the Cap not previously approved prior to the execution of the related purchases, was approved and ratified by the Board on 22 March 2012;

2. are in accordance with the pricing policy of the Group;

3. have been entered into under the terms of the related agreements governing the transactions; and

4. have not exceeded the relevant cap allowed by the Stock Exchange in the previous waiver, except for the purchase of raw materials by the Group from Shenyang Yuancheng with an aggregate amount of approximately RMB12.0 million, which has exceeded the cap of RMB8.0 million as disclosed in the Company's prospectus dated 20 April 2011.

Pursuant to rule 14A.38 of the Listing Rules, the auditor has issued a qualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 35 to 38 of this report. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

## Employee and Remuneration Policies

As of 31 December 2011 the Group had an aggregate of 13,009 full-time employees (2010: 12,721). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale.

## Confirmation of Independent Status

The Company received the letters of confirmation of independency issued by all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board of Directors was satisfied with the independent status of all the independent non-executive Directors.

## Use of Proceeds from Initial Public Offering

In May 2011, the Group completed its initial public offering and raised net proceeds of approximately HK$2,402,947,000. For the year ended 31 December 2011, the Company has used approximately HK$820 million from such proceeds to repay the bridge loan from Standard Chartered Bank, HK$107 million for expansion of production capacity, HK$175 million for investment in research and development and of HK$150 million for expanding its sales and marketing network, respectively. The balance of the un-utilized proceeds will be applied by the Company for expansion of its production capacity, repayment of its existing debts, investment in research and development, expanding its sales and marketing network.

## Kuwait and Qatar operations

The Group owns only 49% of the equity interests of our operating companies, Yuanda Kuwait General Contracting for Buildings Underes ("Yuanda Kuwait") and Yuanda Qatar Aluminium Industry Engineering Co., W.L.L. ("Yuanda Qatar"), in Kuwait and Qatar respectively, as both Kuwait and Qatar laws do not allow foreign companies to own a majority interest in a local operating company. We had no operation in Qatar prior to the establishment of Yuanda Qatar and prior to the establishment of Yuanda Kuwait, we supplied products to a local company for projects it undertook in Kuwait.

### Yuanda Kuwait

Under Kuwait law, the Group is not allowed to own a majority interest in the local operating company. In order to enable us to govern and control the financial and operation of Yuanda Kuwait and capture its entire economic interest from its operations, we entered into an agreement on 30 March 2009 (the "Kuwait Incorporation Agreement") with Mr. Mohamed Tareq Al Essa (the "Kuwait Local Partner"), an independent third party, pursuant to which the Kuwait Local Partner agreed to be the facilitator of the Group in relation to the conduct of our business in Kuwait. Pursuant to the Kuwait Incorporation Agreement, the Kuwait Local Partner has declared that:

- all the capital and assets belong to Shenyang Yuanda;
- he has no share (and hence no voting rights) or the right to get any share in Yuanda Kuwait or any entitlement to the profit of Yuanda Kuwait;
- he is not involved in the day-to-day operation of Yuanda Kuwait, save for assisting Yuanda Kuwait with coordination with the local government authorities;
- all works in relation to tendering execution of contracts and collection of proceeds are carried out by Yuanda Kuwait under the management of Shenyang Yuanda;
- he would not be held liable for any losses; and
- the above terms in the Kuwait Incorporation Agreement is irrevocable for three years effective from the date of signing and will be automatically renewed for a similar period unless and until terminated by both parties with a notice at least 90 days in advance.

Through the above arrangement, the Group is able to control the operation of Yuanda Kuwait. As advised by our legal advisors as to Kuwait law, the Kuwait Incorporation Agreement is legal, valid and binding to its parties and constitutes legally binding and enforceable obligations against the Kuwait Local Partner under Kuwait law and is in compliance with the laws and regulations of Kuwait. Based on the above, and in accordance with relevant accounting standards, the Group consolidated Yuanda Kuwait into its consolidated financial statements as a wholly owned subsidiary.

As disclosed in the prospectus of the Company dated 20 April 2011, notwithstanding that we consider that we are able to effectively operate and conduct the business of Yuanda Kuwait under the present arrangement, we have undertaken that in order to protect the interests of the Company, we will introduce further measures, including using our best efforts to amend the terms of the Kuwait Incorporation Agreement, by entering into supplemental agreements that would include, among others, provisions that the Kuwait Local Partner will not transfer any of its shares in Yuanda Kuwait without our prior written consent, it will vote for any resolutions of Yuanda Kuwait in accordance with our instruction, and if there shall be any change to the Kuwait laws or regulations and/or policies such that a foreign entity becomes legally entitled to hold a majority interest in Yuanda Kuwait, it will promptly transfer its relevant interest in Yuanda Kuwait to the extent permitted by the then applicable laws or regulations to Shenyang Yuanda to enable us to become the majority shareholder in Yuanda Kuwait.

If the above additional measures cannot be implemented, there will not be any legal consequences to the Company arising solely as a result of our failure to enter into the supplemental agreements to implement these additional measures. However, in order to better protect our interests, we will search for a replacement for our existing local partner who is willing to enter into a cooperation agreement with us that will contain the terms of the abovementioned additional measures which are in line with the requirements of the Stock Exchange.

As of the date of this annual report, we are still negotiation with the Kuwait Local Partner on the implementation of the above additional measures and we will disclose any measures implemented and/or replacement of our existing local partner in our future annual reports.

### Yuanda Qatar

Under Qatar law, the Group is not allowed to own a majority interest in the local operating company. In order to enable us to govern and control the financial and operation of Yuanda Qatar and capture its entire economic interest from its operations, we have entered into the memorandum of association of Yuanda Qatar dated 20 January 2008 (the "Qatar Articles") with Mr. Ahmed Omar Bbhaa Ahmed (the "Qatar Local Partner"), an independent third party, and an agreement dated September 16, 2007 (the "Qatar Incorporation Agreement") entered into between Shenyang Yuanda and Actrade for Trading & Contracting, a company of which the Qatar Local Partner was the authorized signatory with respect to the governing of the operation of Yuanda Qatar.

Pursuant to the Qatar Articles and the Qatar Incorporation Agreement, Yuanda Qatar was established and held as to 51% by the Qatar Local Partner and as to 49% by Shenyang Yuanda. Pursuant to the Qatar Articles:

- representatives of Shenyang Yuanda are responsible for managing the company during the entire term of its existence;

- profits of the company will be distributed as to 95% to Shenyang Yuanda and as to 5% to the Qatar Local Partner;

The Qatar Articles were supplemented by the Qatar Incorporation Agreement pursuant to which it was agreed that:

- the Qatar Local Partner will facilitate Shenyang Yuanda to conduct business in Qatar;

- instead of receiving dividends from Yuanda Qatar, the Qatar Local Partner will be paid an annual service fee of US$40,000 plus a scalable commission calculated based on 1% to 5% of the contract value of projects Yuanda Qatar won with the assistance of the Qatar Local Partner;

- the dividends declared by Yuanda Qatar may be used to offset and settle any service fees due or payable to the Qatar Local Partner;

- save for assisting Yuanda Qatar with coordination with the local government authorities, the Qatar Local Partner is not involved in the day-to-day operations of Yuanda Qatar;

- all works in relation to tendering, execution of contracts and collection of proceeds are carried out by Yuanda Qatar under the management of Shenyang Yuanda.

As advised by our legal advisors as to Qatar law, subject to the Qatar Articles, the Qatar Incorporation Agreement is legal, valid, binding and enforceable under Qatar law, and as the Qatar Incorporation Agreement and the Qatar Articles are related to the same subject matter, the Qatar Incorporation Agreement is considered to be an explanatory to the Qatar Articles under Qatar law. Our legal advisors as to Qatar law has further advised that the Qatar Articles is a validly binding and legally enforceable document and constitutes legal, valid, binding and enforceable obligations of the parties thereto with respect to the governance of the affairs of Yuanda Qatar and is in compliance with the relevant laws and regulations of Qatar and the Qatar Incorporation Agreement is enforceable against the Qatar Local Partner.

We entered into this arrangement in Qatar in order to enable us to control and operate Yuanda Qatar and capture the economic interest from its operations, and these are supported by the following terms in the Qatar Articles and the Qatar Incorporation Agreement:

- the representatives from Shenyang Yuanda are entitled to similar responsibilities and authorities in Yuanda Qatar as board members in other subsidiaries of Shenyang Yuanda;

- the representatives from Shenyang Yuanda are responsible for managing Yuanda Qatar during the entire term of its existence and they may not be removed without the approval from Shenyang Yuanda;

- resolutions of the shareholders of Yuanda Qatar will only be valid by approval from a majority of the shareholders holding 75% of the shares in Yuanda Qatar;

- Yuanda Qatar is managed exclusively by Shenyang Yuanda and its representatives for the period of its existence. Shenyang Yuanda and its representatives shall have full and absolute authority and exclusive right to manage and operate the business of Yuanda Qatar. Such powers are irrevocable and the Qatar Local Partner may not intervene in managing the company or bind or commit Yuanda Qatar in any way whatsoever except with prior written consent from Shenyang Yuanda;

- Pursuant to the Qatar Articles, the profits of Yuanda Qatar will be distributed as to 95% to Shenyang Yuanda and as to 5% the Qatar Local Partner, while the dividends declared by Shenyang Yuanda may be used to offset and settle any service fees due or payable under the management of Shenyang Yuanda under the Qatar Incorporation Agreement.

Based on the above, and in accordance with relevant accounting standards, the Group consolidated Yuanda Qatar into its consolidated financial statement as a wholly owned subsidiary of the Group.

As disclosed in the prospectus of the Company dated 20 April 2011, notwithstanding that we consider that we are able to effectively operate and conduct the business of Yuanda Qatar under the present arrangement, we have undertaken that in order to protect the interests of the Company, we will introduce further measures, including using our best efforts to amend the terms of the Qatar Incorporation Agreement, by entering into supplemental agreements that would include, among others, provisions that the Qatar Local Partner will not transfer any of its shares in Yuanda Qatar without our prior written consent, it will vote for any resolutions of Yuanda Qatar in accordance with our instruction, and if there shall be any change to the Qatar laws or regulations and/or policies such that a foreign entity becomes legally entitled to hold a majority interest in Yuanda Qatar, it will promptly transfer its relevant interest in Yuanda Qatar to the extent permitted by the then applicable laws or regulations to Shenyang Yuanda to enable us to become the majority shareholder in Yuanda Qatar.

If the above additional measures cannot be implemented, there will not be any legal consequences to the Company arising solely as a result of our failure to enter into the supplemental agreements to implement these additional measures. However, in order to better protect our interests, we will search for a replacement for our existing local partner who is willing to enter into a cooperation agreement with us that will contain the terms of the abovementioned additional measures which are in line with the requirements of the Stock Exchange.

As of the date of this annual report, we are still negotiation with the Qatar Local Partner on the implementation of the above additional measures and we will disclose any measures implemented and/or replacement of our existing local partner in our future annual reports.

## Corporate Governance

The Company strived to maintain high corporate governance standard 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 to the Listing Rules and there being no derivation from the code provisions since the date of the Listing of the Company on the Main Board of the Stock Exchange since May 2011. Further information of the corporate governance practice of the Company is set out in the Corporate Governance Report.

## Purchase, Sale and Re-Purchase of Shares

Save for the shares offered by the Company in the Global Offering (as defined in the prospectus of the Company dated 20 April 2011) and the 208,734,000 shares issued by the Company pursuant to the over-allotment option of the Global Offering, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2011.

## Disclosure Under Rule 13.20 of the Listing Rules

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

## Events After the Reporting Period

Details of significant events after the reporting period of the Group are set out in Note 33 to the Financial Statements.

## Four Year Financial Summary

The summary of the results, assets and liabilities of the Group in the past four years is set out on page 136 of this report.

## Pre-Emptive Rights

There is no provision regarding pre-emptive rights in the Articles of Association of the Company or the ordinance of Cayman Islands. It is stipulated that any new shares shall be offered according to the respective shareholding of the existing shareholders of the Company when new shares are issued by the Company.

## Adequate Public Float

Based on information that is publicly available to the Company and within the knowledge of our Directors, the Company has maintained the prescribed minimum percentage of public float under the Listing Rules since the Listing Date to 31 December 2011.

## Auditor

The Company appointed KPMG as the Auditor of the Company for the year ended 31 December 2011. The Company will submit a resolution in the coming annual general meeting to re-appoint KPMG as the Auditor of the Company.

For and on behalf of the Board of Directors
**Kang Baohua**
*Chairman*

22 March 2012

# Independent Auditor's Report

KPMG

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

We have audited the consolidated financial statements of Yuanda China Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 47 to 135, which comprise the consolidated and the Company's statements of financial position as at 31 December 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 year then ended and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

22 March 2012

# Consolidated Income Statement

For the year ended 31 December 2011
*(Expressed in Renminbi ("RMB"))*

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **Turnover** | *4* | **10,797,007** | 9,260,912 |
| Cost of sales | | **(8,490,988)** | (7,186,741) |
| **Gross profit** | | **2,306,019** | 2,074,171 |
| Other revenue | *5* | **23,362** | 18,132 |
| Other net income | *5* | **119,119** | 119 |
| Selling expenses | | **(226,092)** | (193,983) |
| Administrative expenses | | **(1,026,545)** | (812,277) |
| **Profit from operations** | | **1,195,863** | 1,086,162 |
| Finance costs | *6(a)* | **(156,779)** | (84,805) |
| **Profit before taxation** | *4(b), 6* | **1,039,084** | 1,001,357 |
| Income tax | *7* | **(213,482)** | (214,140) |
| **Profit for the year** | | **825,602** | 787,217 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **850,324** | 806,132 |
| Non-controlling interests | | **(24,722)** | (18,915) |
| **Profit for the year** | | **825,602** | 787,217 |
| **Earnings per share** | | | |
| – Basic and diluted (RMB) | *12* | **0.16** | 0.19 |

The notes on pages 56 to 135 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 28(b).

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
*(Expressed in RMB)*

| | Note | 2011<br>RMB'000 | 2010<br>RMB'000 |
|---|---|---|---|
| **Profit for the year** | | **825,602** | 787,217 |
| **Other comprehensive income for the year (after tax and reclassification adjustments)** | *11* | | |
| Exchange differences on translation into presentation currency | | **(8,561)** | 16,502 |
| Cash flow hedge: | | | |
| net movement in the hedging reserve | | **(9,918)** | 10,493 |
| **Total comprehensive income for the year** | | **807,123** | 814,212 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **828,890** | 835,496 |
| Non-controlling interests | | **(21,767)** | (21,284) |
| **Total comprehensive income for the year** | | **807,123** | 814,212 |

The notes on pages 56 to 135 form part of these financial statements.

# Consolidated Statement of Financial Position

At 31 December 2011
*(Expressed in RMB)*

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 729,697 | 774,955 |
| Lease prepayments | 14 | 591,532 | 614,672 |
| Deferred tax assets | 25(c) | 156,931 | 95,006 |
| | | 1,478,160 | 1,484,633 |
| **Current assets** | | | |
| Inventories | 16 | 457,198 | 366,783 |
| Gross amount due from customers for contract work | 17 | 3,843,624 | 2,684,915 |
| Trade and bills receivables | 18 | 1,817,267 | 1,231,888 |
| Deposits, prepayments and other receivables | 19(a) | 537,773 | 567,234 |
| Cash and cash equivalents | 20(a) | 1,944,470 | 533,723 |
| | | 8,600,332 | 5,384,543 |
| **Current liabilities** | | | |
| Trade and bills payables | 21 | 2,671,133 | 1,792,796 |
| Gross amount due to customers for contract work | 17 | 877,246 | 883,479 |
| Receipts in advance | 22 | 99,734 | 165,692 |
| Accrued expenses and other payables | 23(a) | 584,341 | 782,843 |
| Bank and other loans | 24(a) | 1,312,462 | 1,827,474 |
| Income tax payable | 25(a) | 210,450 | 140,222 |
| Provision for warranties | 26 | 27,739 | 60,204 |
| | | 5,783,105 | 5,652,710 |
| **Net current assets/(liabilities)** | | 2,817,227 | (268,167) |
| **Total assets less current liabilities** | | 4,295,387 | 1,216,466 |

The notes on pages 56 to 135 form part of these financial statements.

# Consolidated Statement of Financial Position (continued)

At 31 December 2011
*(Expressed in RMB)*

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank loans | *24(b)* | **195,000** | – |
| Redeemable convertible preference shares | *27* | **–** | 302,201 |
| Deferred tax liabilities | *25(c)* | **1,021** | 222 |
| Provision for warranties | *26* | **79,319** | 47,365 |
| | | **275,340** | 349,788 |
| **NET ASSETS** | | **4,020,047** | 866,678 |
| **CAPITAL AND RESERVES** | *28* | | |
| Share capital | | **519,723** | 1 |
| Reserves | | **3,553,562** | 898,148 |
| **Total equity attributable to equity shareholders of the Company** | | **4,073,285** | 898,149 |
| **Non-controlling interests** | | **(53,238)** | (31,471) |
| **TOTAL EQUITY** | | **4,020,047** | 866,678 |

Approved and authorised for issue by the board of directors on 22 March 2012.

**Kang Baohua**
*Director (Chairman)*

**Tian Shouliang**
*Director*

The notes on pages 56 to 135 form part of these financial statements.

# Statement of Financial Position

At 31 December 2011
*(Expressed in RMB)*

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in a subsidiary | 15 | **1** | 1 |
| **Current assets** | | | |
| Prepayments and other receivables | 19(b) | **2,085,482** | 984,484 |
| Cash and cash equivalents | 20(b) | **256,880** | 35,593 |
| | | **2,342,362** | 1,020,077 |
| **Current liabilities** | | | |
| Accrued expenses and other payables | 23(b) | **194** | 2,718 |
| Bank loan | 24(c) | **–** | 690,592 |
| | | **194** | 693,310 |
| **Net current assets** | | **2,342,168** | 326,767 |
| **Total assets less current liabilities** | | **2,342,169** | 326,768 |
| **Non-current liabilities** | | | |
| Redeemable convertible preference shares | 27 | **–** | 302,201 |
| **Net assets** | | **2,342,169** | 24,567 |
| **Capital and reserves** | 28 | | |
| Share capital | | **519,723** | 1 |
| Reserves | | **1,822,446** | 24,566 |
| **Total equity** | | **2,342,169** | 24,567 |

Approved and authorised for issue by the board of directors on 22 March 2012.

**Kang Baohua**
*Director (Chairman)*

**Tian Shouliang**
*Director*

The notes on pages 56 to 135 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
*(Expressed in RMB)*

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in/ Share capital RMB'000 *Note 28(c)* | Capital reserve RMB'000 *Note 28(d)(ii)* | Other reserve RMB'000 *Note 28(d)(iii)* | PRC statutory reserves RMB'000 *Note 28(d)(iv)* | Exchange reserve RMB'000 *Note 28(d)(v)* | Hedging reserve RMB'000 *Note 28(d)(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 2010:** | | | | | | | | | | |
| Profit/(loss) for the year | – | – | – | – | – | – | 806,132 | 806,132 | (18,915) | 787,217 |
| Other comprehensive income | – | – | – | – | 18,871 | 10,493 | – | 29,364 | (2,369) | 26,995 |
| Total comprehensive income | – | – | – | – | 18,871 | 10,493 | 806,132 | 835,496 | (21,284) | 814,212 |
| Effect on equity arising from the disposal of a subsidiary under common control | – | – | (984) | (840) | – | – | – | (1,824) | (3,181) | (5,005) |
| Issuance of shares *(Note 28(c)(ii))* | 1 | – | – | – | – | – | – | 1 | – | 1 |
| Issuance of redeemable convertible preference shares *(Note 27)* | – | 30,541 | – | – | – | – | – | 30,541 | – | 30,541 |
| Capitalisation of reserves and retained profits | 588,679 | – | – | (82,753) | – | – | (505,926) | – | – | – |
| Effect on equity arising from a group reorganisation | (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 | – | – | (3,100) | – | – | – | – | (3,100) | 3,100 | – |
| Appropriation to reserves | – | – | – | 81,071 | – | – | (81,071) | – | – | – |
| Transactions with equity holders of the Group | (517,430) | (30,117) | 171,902 | (2,522) | – | – | (586,997) | (965,164) | (81) | (965,245) |
| **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 56 to 135 form part of these financial statements.

# Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2011
*(Expressed in RMB)*

| | Attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 *Note 28(c)* | Share premium RMB'000 *Note 28(d)(i)* | Capital reserve RMB'000 *Note 28(d)(ii)* | Other reserve RMB'000 *Note 28(d)(iii)* | PRC statutory reserves RMB'000 *Note 28(d)(iv)* | Exchange reserve RMB'000 *Note 28(d)(v)* | Hedging reserve RMB'000 *Note 28(d)(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 2011:** | | | | | | | | | | | |
| Profit/(loss) for the year | – | – | – | – | – | – | – | 850,324 | 850,324 | (24,722) | 825,602 |
| Other comprehensive income | – | – | – | – | – | (11,516) | (9,918) | – | (21,434) | 2,955 | (18,479) |
| Total comprehensive income | – | – | – | – | – | (11,516) | (9,918) | 850,324 | 828,890 | (21,767) | 807,123 |
| Conversion of redeemable convertible preference shares *(Notes 27 and 28(c)(iii))* | 1 | 332,600 | (30,541) | – | – | – | – | – | 302,060 | – | 302,060 |
| Capitalisation issue *(Note 28(c)(iii))* | 376,739 | (376,739) | – | – | – | – | – | – | – | – | – |
| Issuance of shares by initial public offering and exercise of over-allotment option *(Note 28(c)(iv))* | 142,982 | 2,001,750 | – | – | – | – | – | – | 2,144,732 | – | 2,144,732 |
| Share issuance expenses *(Note 28(c)(iv))* | – | (100,546) | – | – | – | – | – | – | (100,546) | – | (100,546) |
| Appropriation to reserves | – | – | – | – | 80,078 | – | – | (80,078) | – | – | – |
| Transactions with equity holders of the Group | 519,722 | 1,857,065 | (30,541) | – | 80,078 | – | – | (80,078) | 2,346,246 | – | 2,346,246 |
| **Balance at 31 December 2011** | 519,723 | 1,857,065 | – | 190,263 | 290,708 | (19,265) | 4,108 | 1,230,683 | 4,073,285 | (53,238) | 4,020,047 |

The notes on pages 56 to 135 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2011
*(Expressed in RMB)*

| | Note | 2011<br>RMB'000 | 2010<br>RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before taxation | | **1,039,084** | 1,001,357 |
| Adjustments for: | | | |
| Depreciation and amortisation | *6(c)* | **89,873** | 78,779 |
| Interest income | *6(a)* | **(9,027)** | (6,784) |
| Interest expenses and other borrowing costs | *6(a)* | **148,435** | 86,415 |
| Net (gain)/loss on disposal of property, plant and equipment | *5* | **(113,619)** | 1,574 |
| Changes in working capital: | | | |
| Increase in inventories | | **(90,415)** | (110,263) |
| Increase in gross amount due from customers for contract work | | **(1,158,709)** | (858,773) |
| Increase in trade and bills receivables | | **(577,833)** | (373,913) |
| Decrease/(increase) in deposits, prepayments and other receivables | | **25,620** | (32,225) |
| Increase in trade and bills payables | | **878,337** | 559,715 |
| Decrease in gross amount due to customers for contract work | | **(6,233)** | (429,415) |
| Decrease in receipts in advance | | **(65,958)** | (120,694) |
| Increase in accrued expenses and other payables | | **74,063** | 58,013 |
| (Decrease)/increase in provision for warranties | *26* | **(511)** | 24,215 |
| **Cash generated from/(used in) operations** | | **233,107** | (121,999) |
| Income tax paid | *25(a)* | **(201,987)** | (184,642) |
| **Net cash generated from/(used in) operating activities** | | **31,120** | (306,641) |
| **Investing activities** | | | |
| Payments for purchase of property, plant and equipment | | **(79,866)** | (179,320) |
| Proceeds from disposal of property, plant and equipment and land use rights | | **173,227** | 9,575 |
| Payments for land use right premiums | | **(209,963)** | (12,808) |
| Proceeds from disposal of controlling equity interests in a subsidiary under common control, net of cash disposed of | | **–** | (220) |
| Increase in time deposits | *20(a)* | **(200,132)** | – |
| Interest received | | **8,025** | 14,613 |
| **Net cash used in investing activities** | | **(308,709)** | (168,160) |

The notes on pages 56 to 135 form part of these financial statements.

For the year ended 31 December 2011
*(Expressed in RMB)*

| | *Note* | **2011** **RMB'000** | 2010 RMB'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from new bank and other loans | | **1,967,462** | 2,095,084 |
| Repayment of bank and other loans | | **(2,283,386)** | (984,938) |
| Proceeds from issuance of shares | *28(c)(ii)* | **–** | 1 |
| Proceeds from issuance of redeemable convertible preference shares | *27* | **–** | 332,132 |
| Proceeds from issuance of shares by initial public offering and exercise of over-allotment option | *28(c)(iv)* | **2,144,732** | – |
| Payments for share issuance expenses | | **(107,232)** | – |
| Net increase in advances granted to the controlling equity shareholder of the Company and his affiliates | | **(510)** | (59,842) |
| Deemed distributions to an affiliate of the controlling equity shareholder of the Company | | **–** | (990,782) |
| Dividends paid to an affiliate of the controlling equity shareholder of the Company | | **(79,302)** | (12,060) |
| Other finance costs paid | | **(137,453)** | (79,164) |
| **Net cash generated from financing activities** | | **1,504,311** | 300,431 |
| **Net increase/(decrease) in cash and cash equivalents** | | **1,226,722** | (174,370) |
| **Cash and cash equivalents at 1 January** | *20(a)* | **533,723** | 705,905 |
| **Effect of foreign exchange rate changes** | | **(16,107)** | 2,188 |
| **Cash and cash equivalents at 31 December** | *20(a)* | **1,744,338** | 533,723 |

The notes on pages 56 to 135 form part of these financial statements.

# Notes to the 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 financial statements of the Company as at and for the year ended 31 December 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 financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These 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 and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Group.

These 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 financial statements is the historical cost basis except for derivative financial instruments which are stated at their fair value (see Note 2(f)).

## 2 Significant Accounting Policies *(continued)*

### (b) Basis of preparation of the 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 financial statements and major sources of estimation uncertainty are discussed in Note 3.

### (c) 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 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 financial statements as these changes will first be effective as and when the Group enters into a relevant transaction.

The impacts of other developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

## 2 Significant Accounting Policies *(continued)*

### (c) Changes in accounting policies *(continued)*

- Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial Instruments: Disclosures*. The disclosures about the Group's financial instruments in Note 30 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

### (d) 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 year 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.

### (e) 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 consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised consolidated profits arising from intra-group transactions are eliminated in full in preparing the 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.

Non-controlling interests are presented in the consolidated statement of financial position 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 year 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.

## 2 Significant Accounting Policies *(continued)*

### (e) Subsidiaries and non-controlling interests *(continued)*

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.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss (see Note 2(k)(i)), unless the investment is classified as held-for-sale.

### (f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period 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(g).

### (g) 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.

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.

## 2 Significant Accounting Policies *(continued)*

### (h) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see Note 2(k)(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(x)).

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.

### (i) Research and development expenditure

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

### (j) 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.

## 2 Significant Accounting Policies *(continued)*

### (j) Leased assets (continued)

#### (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(k)(ii)). Amortisation is charged to the income statement on a straight-line basis over the period of the lease term.

### (k) Impairment of assets

#### (i) Impairment of investments in equity securities and receivables

Investments in equity securities and receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period 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;

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount in accordance with Note 2(k)(ii).

## 2 Significant Accounting Policies *(continued)*

### (k) Impairment of assets *(continued)*

#### (i) Impairment of investments in equity securities and receivables *(continued)*

– For receivables carried at amortised cost, 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 these receivables 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 years.

Impairment losses are written off against the corresponding assets 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 receivable 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 the end of each reporting period 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)*

### (k) Impairment of assets *(continued)*

**(ii) Impairment of other assets** *(continued)*

If any 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 years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

**(iii) Interim financial reporting and impairment**

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial statements in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(k)(i) and Note 2(k)(ii)).

### (l) 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.

## 2 Significant Accounting Policies *(continued)*

### (l) Inventories *(continued)*

When inventories are assigned to specific construction contracts, the carrying amount of those inventories is recognised as an expense in the year 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 year 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 year in which the reversal occurs.

### (m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(k)(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(k)(i)).

### (n) 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.

### (o) 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(v)(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 end of the reporting period. 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 end of the reporting period are recorded in the statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position 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 statement of financial position under "Trade receivable for contract work". Amounts received before the related work is performed are included in the statement of financial position, as a liability, as "Receipts in advance for contract work".

### (p) 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.

## 2 Significant Accounting Policies *(continued)*

### (q) 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.

At initial recognition, the liability component of the convertible preference share capital is measured at 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.

### (r) 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.

### (s) 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 year 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)*

### (s) 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.

### (t) Income tax

Income tax for the year 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 year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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.

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

## 2 Significant Accounting Policies *(continued)*

### (t) Income tax *(continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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.

### (u) 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)*

### (v) 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 statement of financial position 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)*

### (w) 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 end of the reporting period. 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 into the functional currency of the entity to which they relate 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 into the functional currency of the entity to which they relate 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. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

### (x) 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.

### (y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

## 2 Significant Accounting Policies *(continued)*

### (y) Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(iv) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(v) The entity is controlled or jointly controlled by a person identified in (a).

(vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

### (z) Segment reporting

Operating segments, and the amounts of each segment item reported in the 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 Accounting Judgements and Estimates

Note 30(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(o) and 2(v)(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 17 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 end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

### (b) Provision for warranties

As explained in Note 26, 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 the Group 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 years.

### (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(k)(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 years.

## 3 Accounting Judgements and Estimates *(continued)*

### (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.

## 4 Turnover and Segment Reporting

### (a) 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 years ended 31 December 2011 and 2010. Details of concentrations of credit risk arising from the Group's largest customers are set out in Note 30(a).

Further details regarding the Group's principal activities are disclosed below:

### (b) Segment reporting

The Group manages its businesses by geographical locations of the construction contracts. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, 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 People's Republic of China (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;

## 4 Turnover and Segment Reporting *(continued)*

### (b) 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.

#### (i) 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 and finance costs related to each segment, and depreciation, amortisation, 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 years ended 31 December 2011 and 2010.

## 4 Turnover and Segment Reporting *(continued)*

### (b) Segment reporting *(continued)*

#### (i) 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 years ended 31 December 2011 and 2010 is set out below.

| | 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** | 1,645,103 | 1,509,177 | 1,913,296 | 1,162,253 | 947,268 | 3,619,910 | 10,797,007 |
| **Reportable segment profit (adjusted EBITDA)** | 222,115 | 263,802 | 348,159 | 121,897 | 91,951 | 156,734 | 1,204,658 |
| Interest income | 242 | 577 | 715 | 108 | 350 | 3,763 | 5,755 |
| Finance costs | 2,774 | 2,425 | 3,623 | 1,597 | 1,749 | 41,709 | 53,877 |
| Depreciation and amortisation | 7,114 | 12,229 | 13,661 | 4,197 | 5,085 | 30,644 | 72,930 |
| **Reportable segment assets** | 1,540,075 | 1,000,975 | 1,729,465 | 929,487 | 663,045 | 2,713,819 | 8,576,866 |
| Additions to non-current segment assets during the year | 49,208 | 304 | 5,868 | 1,936 | 900 | 24,860 | 83,076 |
| **Reportable segment liabilities** | 743,550 | 548,416 | 822,685 | 547,231 | 470,572 | 1,291,345 | 4,423,799 |

## 4 Turnover and Segment Reporting *(continued)*

### (b) Segment reporting *(continued)*

#### (i) Segment results, assets and liabilities *(continued)*

| | 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 |
| **Revenue from external customers and reportable segment revenue** | 1,230,962 | 1,051,480 | 2,085,631 | 870,868 | 736,353 | 3,285,618 | 9,260,912 |
| **Reportable segment profit (adjusted EBITDA)** | 138,161 | 134,650 | 286,496 | 104,675 | 34,057 | 497,422 | 1,195,461 |
| Interest income | 236 | 528 | 644 | 62 | 83 | 4,667 | 6,220 |
| Finance costs | 1,559 | 663 | 2,200 | 1,278 | 828 | 32,702 | 39,230 |
| Depreciation and amortisation | 5,254 | 11,161 | 12,050 | 3,800 | 4,470 | 28,835 | 65,570 |
| **Reportable segment assets** | 1,095,640 | 864,616 | 1,289,633 | 524,467 | 435,188 | 2,119,555 | 6,329,099 |
| Additions to non-current segment assets during the year | 12,094 | 21,055 | 47,717 | 2,004 | 8,672 | 10,324 | 101,866 |
| **Reportable segment liabilities** | 566,601 | 460,005 | 718,641 | 308,028 | 323,622 | 1,169,197 | 3,546,094 |

## 4 Turnover and Segment Reporting *(continued)*

### (b) Segment reporting *(continued)*

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

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| **Revenue** | | |
| Reportable segment revenue and consolidated turnover | **10,797,007** | 9,260,912 |
| **Profit** | | |
| Reportable segment profit | **1,204,658** | 1,195,461 |
| Depreciation and amortisation | **(89,873)** | (78,779) |
| Finance costs | **(156,779)** | (84,805) |
| Net gain on disposal of property, plant and equipment and land use rights classified as unallocated corporate assets | **117,190** | 355 |
| Unallocated head office and corporate expenses | **(36,112)** | (30,875) |
| Consolidated profit before taxation | **1,039,084** | 1,001,357 |
| **Assets** | | |
| Reportable segment assets | **8,576,866** | 6,329,099 |
| Property, plant and equipment | **146,196** | 191,858 |
| Lease prepayments | **238,514** | 263,465 |
| Deferred tax assets | **156,931** | 95,006 |
| Unallocated head office and corporate assets | **1,171,957** | 198,861 |
| Elimination of receivables between segments, and segments and head office | **(211,972)** | (209,113) |
| Consolidated total assets | **10,078,492** | 6,869,176 |
| **Liabilities** | | |
| Reportable segment liabilities | **4,423,799** | 3,546,094 |
| Bank and other loans | **1,507,462** | 1,827,474 |
| Income tax payable | **210,450** | 140,222 |
| Redeemable convertible preference shares | **–** | 302,201 |
| Deferred tax liabilities | **1,021** | 222 |
| Unallocated head office and corporate liabilities | **127,685** | 395,398 |
| Elimination of payables between segments, and segments and head office | **(211,972)** | (209,113) |
| Consolidated total liabilities | **6,058,445** | 6,002,498 |

## 4 Turnover and Segment Reporting *(continued)*

### (b) Segment reporting *(continued)*

#### (iii) 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.

(i) The Group's revenue from external customers:

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| The PRC (excluding Hong Kong and Macau) (Place of domicile) | **7,177,097** | 5,975,294 |
| United Arab Emirates | **1,041,142** | 1,021,649 |
| Australia | **1,012,933** | 791,382 |
| Russian Federation ("Russia") | **194,141** | 318,094 |
| United Kingdom ("UK") | **179,210** | 85,571 |
| State of Qatar ("Qatar") | **153,763** | 103,903 |
| Switzerland | **137,589** | 91,398 |
| Republic of Azerbaijan ("Azerbaijan") | **98,561** | 14 |
| Hong Kong | **96,866** | 21,233 |
| Kingdom of Jordan | **96,574** | 123,055 |
| Kingdom of Saudi Arabia ("Saudi Arabia") | **82,865** | 1,370 |
| Socialist Republic of Vietnam ("Vietnam") | **64,275** | 158,517 |
| Republic of Mauritius | **61,054** | 5,209 |
| State of Kuwait ("Kuwait") | **59,663** | 108,966 |
| France | **58,426** | 6,344 |
| Germany | **46,269** | 91,703 |
| United States of America ("U.S.") | **23,670** | 86,466 |
| Republic of India ("India") | **22,507** | 65,675 |
| Others | **190,402** | 205,069 |
| | **3,619,910** | 3,285,618 |
| | **10,797,007** | 9,260,912 |

## 4 Turnover and Segment Reporting *(continued)*

### (b) Segment reporting *(continued)*

#### (iii) Geographic information *(continued)*

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

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Northeast China | **78,747** | 41,009 |
| North China | **55,509** | 70,960 |
| East China | **145,302** | 153,095 |
| West China | **13,961** | 16,239 |
| South China | **49,264** | 53,449 |
| Overseas | **593,736** | 599,552 |
| Head office and corporate assets | **384,710** | 455,323 |
| | **1,321,229** | 1,389,627 |

## 5 Other Revenue and Other Net Income

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| **Other revenue** | | |
| Government grants | **20,841** | 15,911 |
| Rental income from operating leases | **2,521** | 2,221 |
| | **23,362** | 18,132 |
| **Other net income** | | |
| Net gain from sale of raw materials | **5,500** | 1,693 |
| Net gain/(loss) on disposal of property, plant and equipment and land use rights *(Note (i))* | **113,619** | (1,574) |
| | **119,119** | 119 |

*Note:*

(i) The amount included a gain of RMB114.2 million arising from the expropriation of the land use rights of one of the Group's PRC subsidiaries by the local government authority during the year ended 31 December 2011.

## 6 Profit Before Taxation

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

### (a) Finance costs:

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Interest on bank advances and other borrowings wholly repayable within five years | **103,796** | 45,832 |
| Bank charges and other finance costs | **44,639** | 40,583 |
| Total borrowing costs | **148,435** | 86,415 |
| Interest income | **(9,027)** | (6,784) |
| Net foreign exchange loss | **56,873** | 15,943 |
| Forward foreign exchange contracts: cash flow hedges, reclassified from equity *(Note 11(b))* | **(39,502)** | (10,769) |
| | **156,779** | 84,805 |

No borrowing costs have been capitalised for the year ended 31 December 2011 (2010: RMBNil).

### (b) Staff costs#:

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Salaries, wages and other benefits | **1,156,894** | 935,946 |
| Contributions to defined contribution retirement plans *(Note (i))* | **80,615** | 53,385 |
| | **1,237,509** | 989,331 |

*Note:*

(i) The employees of the subsidiaries of the Group established in 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 does not have any further material obligations for payments of other retirement benefits beyond the above annual contributions.

## 6 Profit Before Taxation *(continued)*

### (c) Other items:

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Depreciation and amortisation# *(Notes 13 and 14)* | **89,873** | 78,779 |
| Impairment losses on trade and other receivables *(Notes 18(b) and 19(a))* | **62,979** | 31,173 |
| Operating lease charges in respect of land, plant and buildings, motor vehicles and other equipment# | **63,725** | 68,463 |
| Auditors' remuneration – audit services | **7,534** | 786 |
| Research and development costs# | **248,930** | 200,807 |
| Increase in provision for warranties# *(Note 26)* | **49,200** | 43,161 |
| Cost of inventories# *(Note 16(b))* | **8,490,988** | 7,186,741 |

\# Cost of inventories includes RMB652.9 million for the year ended 31 December 2011 (2010: RMB558.4 million), relating to staff costs, depreciation and amortisation expenses, operating lease charges, research and development costs and provision for warranties, which amount is also included in the respective total amounts disclosed separately 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:

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Current taxation *(Note 25(a))*: | | |
| – PRC income tax | **238,766** | 197,815 |
| – Overseas income tax | **33,449** | 20,227 |
| | **272,215** | 218,042 |
| Deferred taxation *(Note 25(b))*: | | |
| – Origination and reversal of temporary differences | **(63,587)** | (3,902) |
| – Effect on deferred tax balances resulting from a change in tax rate *(Note 7(b)(vii))* | **4,854** | – |
| | **(58,733)** | (3,902) |
| | **213,482** | 214,140 |

## 7 Income Tax *(continued)*

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

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| Profit before taxation | **1,039,084** | 1,001,357 |
| Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii), (iii) and (iv))* | **263,057** | 259,695 |
| Tax effect of non-deductible expenses *(Note (v))* | **19,002** | 13,931 |
| Tax effect of unused tax losses not recognised | **17,268** | 7,352 |
| Tax concessions *(Note (vi))* | **(90,699)** | (66,838) |
| Tax effect of change in tax rate *(Note (vii))* | **4,854** | – |
| Income tax | **213,482** | 214,140 |

*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 year ended 31 December 2011 (2010: RMBNil).

(ii) The Company and a subsidiary of the Group incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2011 (2010: 25%).

(iv) The subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong), the Cayman Islands and the British Virgin Islands, are subject to income tax rates ranging from 8.5% to 35% for the year ended 31 December 2011 pursuant to the rules and regulations of their respective countries of incorporation (2010: 8.5% to 35%).

(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, and on the portion of profits this subsidiary earned in relation to the re-investment it had made in 2007 as a percentage of this subsidiary's total paid-in capital.

## 7 Income Tax *(continued)*

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

*Notes: (continued)*

(vii) The same subsidiary mentioned in Note 7(b)(vi) has obtained approval from the tax bureau to be taxed as an enterprise with advanced and new technologies. This subsidiary will therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the two years ending 31 December 2012 and 2013. Accordingly, certain deferred tax assets and deferred tax liabilities as at 31 December 2011 have been remeasured using the preferential PRC Corporate Income Tax rate of 15%.

## 8 Directors' Remuneration

Details of directors' remuneration are set out below:

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
| **Executive directors** | | | | | |
| Mr Kang Baohua | – | – | 1,900 | – | 1,900 |
| Mr Tian Shouliang | – | 150 | 1,900 | 24 | 2,074 |
| Mr Guo Zhongshan | – | 156 | 1,900 | 24 | 2,080 |
| Mr Wang Yijun | – | 156 | 1,800 | 24 | 1,980 |
| Mr Si Zuobao | – | 167 | 2,402 | 30 | 2,599 |
| Mr Wu Qingguo | – | 165 | 1,938 | 24 | 2,127 |
| Mr Wang Lihui | – | 46 | 1,250 | 5 | 1,301 |
| Mr Wang Deqiang | – | 150 | 500 | 23 | 673 |
| **Independent non-executive directors** | | | | | |
| Mr Poon Chiu Kwok | 124 | – | – | – | 124 |
| Mr Woo Kar Tung, Raymond | 124 | – | – | – | 124 |
| Mr Pang Chung Fai, Benny | 124 | – | – | – | 124 |
| | 372 | 990 | 13,590 | 154 | 15,106 |

## 8 Directors' Remuneration *(continued)*

| | 2010 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
| **Executive directors** | | | | | |
| Mr Kang Baohua | – | – | – | – | – |
| Mr Tian Shouliang | – | 132 | 1,600 | 20 | 1,752 |
| Mr Guo Zhongshan | – | 132 | 1,500 | 20 | 1,652 |
| Mr Wang Yijun | – | 132 | 1,500 | 20 | 1,652 |
| Mr Si Zuobao | – | 160 | 3,556 | 28 | 3,744 |
| Mr Wu Qingguo | – | 131 | 2,653 | 20 | 2,804 |
| Mr Wang Lihui | – | – | – | – | – |
| Mr Wang Deqiang | – | 87 | 324 | 15 | 426 |
| **Independent non-executive directors** | | | | | |
| Mr Poon Chiu Kwok | – | – | – | – | – |
| Mr Woo Kar Tung, Raymond | – | – | – | – | – |
| Mr Pang Chung Fai, Benny | – | – | – | – | – |
| | – | 774 | 11,133 | 123 | 12,030 |

There were no amounts paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## 9 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, four (2010: two) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the one individual who is not a director is as follows:

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **148** | 2,056 |
| Discretionary bonuses | **1,894** | 4,981 |
| Retirement scheme contributions | **30** | 215 |
| | **2,072** | 7,252 |

The emoluments of the one individual who is not a director and who is amongst the five highest paid individuals of the Group is within the following bands:

| | **2011** | 2010 |
|---|---|---|
| HK$2,000,001 – HK$2,500,000 | **1** | 1 |
| HK$2,500,001 – HK$3,000,000 | **–** | 1 |
| HK$3,000,001 – HK$3,500,000 | **–** | 1 |

No emoluments were paid or payable to this employee as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

## 10 Profit Attributable to Equity Shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB35.4 million (2010: a loss of RMB6.3 million) which has been dealt with in the financial statements of the Company (see Note 28(a)).

## 11 Other Comprehensive Income

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

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Exchange differences on translation into presentation currency (before and after tax) | **(8,561)** | 16,502 |
| Cash flow hedge: | | |
| net movement in the hedging reserve | | |
| – Before tax amount | **(12,311)** | 12,825 |
| – Tax benefit/(expense) | **2,393** | (2,332) |
| – Net of tax amount | **(9,918)** | 10,493 |
| Other comprehensive income | **(18,479)** | 26,995 |

### (b) Components of other comprehensive income, including reclassification adjustments

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Cash flow hedges: | | |
| Effective portion of changes in fair value of hedging instruments recognised during the year | **27,191** | 23,594 |
| Reclassification adjustments for amounts transferred to the consolidated income statement *(Note 6(a))* | **(39,502)** | (10,769) |
| Net deferred tax credited/(charged) to the consolidated statement of comprehensive income *(Note 25(b))* | **2,393** | (2,332) |
| Net movement in the hedging reserve during the year recognised in the consolidated statement of comprehensive income | **(9,918)** | 10,493 |

## 12 Basic and Diluted Earnings Per Share

### (a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2011 is calculated based on the profit attributable to equity shareholders of the Company of RMB850.3 million and the weighted average of 5,455,985,000 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 year ended 31 December 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 year ended 31 December 2010 is calculated based on the profit attributable to equity shareholders of the Company of RMB806.1 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 year ended 31 December 2010.

The calculation of the outstanding ordinary shares during the years ended 31 December 2011 and 2010 was as follows:

| | **2011<br>'000** | 2010<br>'000 |
|---|---|---|
| Issued ordinary shares at 1 January | **10** | – |
| Effect of shares issued on 26 February 2010 and 10 November 2010 *(Note 28(c)(ii))* | **–** | 10 |
| Effect of capitalisation issue on 17 May 2011 *(Note 28(c)(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 28(c)(iii))* | **180,997** | – |
| Effect of shares issued by initial public offering on 17 May 2011 *(Note 28(c)(iv))* | **941,096** | – |
| Effect of shares issued by exercise of over-allotment option on 1 June 2011 *(Note 28(c)(iv))* | **122,381** | – |
| Weighted average number of ordinary shares at 31 December | **5,455,985** | 4,211,511 |

### (b) Diluted earnings per share

There were no dilutive potential shares outstanding for the years ended 31 December 2011 and 2010.

## 13 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 | **53** | **9,422** | **28,745** | **35,784** | **74,004** |
| Transfer in/(out) | **7,140** | **1,979** | **2,045** | **(11,164)** | **–** |
| Disposals | **(83,515)** | **(966)** | **(3,826)** | **–** | **(88,307)** |
| At 31 December 2011 | **513,671** | **321,069** | **185,797** | **51,697** | **1,072,234** |
| **Accumulated depreciation:** | | | | | |
| At 1 January 2011 | **(106,413)** | **(118,017)** | **(87,152)** | **–** | **(311,582)** |
| Charge for the year | **(26,257)** | **(26,827)** | **(23,762)** | **–** | **(76,846)** |
| Written back on disposals | **42,346** | **676** | **2,869** | **–** | **45,891** |
| At 31 December 2011 | **(90,324)** | **(144,168)** | **(108,045)** | **–** | **(342,537)** |
| **Net book value:** | | | | | |
| At 31 December 2011 | **423,347** | **176,901** | **77,752** | **51,697** | **729,697** |

## 13 Property, Plant and Equipment *(continued)*

At 31 December 2011, property certificates of certain properties with an aggregate net book value of RMB84.6 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 the title documents could not be obtained, the Controlling Shareholder agreed to indemnify the Group for all the losses and damages arising therefrom.

## 14 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 | **12,838** |
| Disposals | **(26,699)** |
| At 31 December 2011 | **626,413** |
| **Accumulated amortisation:** | |
| At 1 January 2011 | **(25,602)** |
| Charge for the year | **(13,027)** |
| Written back on disposals | **3,748** |
| At 31 December 2011 | **(34,881)** |
| **Net book value:** | |
| At 31 December 2011 | **591,532** |

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 31 December 2011, land use right certificates of certain land use rights with an aggregate carrying value of RMB32.2 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 the title documents could not be obtained, the Controlling Shareholder agreed to indemnify the Group for all the losses and damages arising therefrom.

## 15 Investment in a Subsidiary

| | The Company | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Unlisted shares, at cost | **1** | 1 |

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

| | | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|---|
| **Name of subsidiary** | **Place and date of establishment/ incorporation** | **Particulars of registered/ issued and paid-up capital** | **The Group's effective interest** | **Held by the Company** | **Held by subsidiaries** | **Principal activities** |
| Shenyang Yuanda Aluminium Industry Engineering Co., Ltd. ("Shenyang Yuanda") 瀋陽遠大鋁業工程有限公司* | The PRC 17 April 1993 | Registered and paid-up capital of United States Dollar ("USD")323,298,200 | 100% | – | 100% | Design, procurement, production, sale and installation of curtain wall systems |
| Shanghai Yuanda Aluminium Industry Engineering Co., Ltd. 上海遠大鋁業工程有限公司** | The PRC 24 March 1998 | Registered and paid-up capital of RMB15,000,000 | 100% | – | 100% | Design, procurement, production, sale and installation of curtain wall systems |
| Shenyang Haihui Technology Investment Co., Ltd. 瀋陽海慧科技投資有限公司** | The PRC 20 April 2000 | Registered and paid-up capital of RMB5,000,000 | 100% | – | 100% | Purchase of materials for group companies |
| Yuanda (UK) Co., Ltd. 遠大英國有限公司*** | UK 30 April 2002 | Issued and paid-up capital of British Pound Sterling ("GBP")500,000 | 60% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Shenyang Yuanda Metal Coating Co., Ltd. ("Yuanda Metal") 瀋陽遠大金屬噴塗有限公司** | The PRC 19 March 2003 | Registered and paid-up capital of RMB7,000,000 | 100% | – | 100% | Plating and coating of metals |
| Shenyang Yuanhai Trading Co., Ltd. 瀋陽遠海貿易有限公司** | The PRC 9 January 2004 | Registered and paid-up capital of RMB1,000,000 | 100% | – | 100% | Trading of sealant |

*(Expressed in RMB unless otherwise indicated)*

## 15 Investment in a Subsidiary *(continued)*

| Name of subsidiary | Place and date of establishment/ incorporation | Particulars of registered/ issued and paid-up capital | Proportion of ownership interest: The Group's effective interest | Held by the Company | Held by subsidiaries | Principal activities |
|---|---|---|---|---|---|---|
| Foshan Yuanda Aluminium Industry Engineering Co., Ltd. 佛山遠大鋁業工程有限公司** | The PRC 9 March 2005 | Registered and paid-up capital of RMB20,000,000 | 100% | – | 100% | Purchase of materials for and provision of services to group companies |
| LLC Yuanda Curtain Wall 遠大幕牆有限公司*** | Russia 23 November 2005 | Issued and paid-up capital of Russian Ruble 280,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Aluminium Industry Engineering (Macao), Ltd. 遠大鋁業工程(澳门)有限公司*** | Macau 22 June 2006 | Issued and paid-up capital of Macao Pataca 8,028,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Australia Pty Ltd. 遠大澳大利亞有限公司*** | Australia 5 September 2006 | Issued and paid-up capital of Australian Dollar ("AUD")1,069,291 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda USA Corporation 遠大美國有限公司*** | U.S. 16 May 2007 | Issued and paid-up capital of USD1,000,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Qatar Aluminium Industry Engineering Co., W.L.L 遠大鋁業(卡塔爾)工程有限公司*** | Qatar 11 February 2008 | Issued and paid-up capital of Qatar Riyal ("QAR")200,000 | 100%# | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Canada Enterprises Ltd. 遠大加拿大有限公司*** | Canada 15 April 2008 | Issued and paid-up capital of USD500,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Aluminium Industry Engineering (Germany) GmbH 遠大鋁業工程(德國)有限公司*** | Germany 28 April 2008 | Issued and paid-up capital of Euro100,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |

*(Expressed in RMB unless otherwise indicated)*

## 15 Investment in a Subsidiary *(continued)*

| Name of subsidiary | Place and date of establishment/ incorporation | Particulars of registered/ issued and paid-up capital | Proportion of ownership interest: The Group's effective interest | Held by the Company | Held by subsidiaries | Principal activities |
|---|---|---|---|---|---|---|
| Yuanda Aluminium Engineering (India) Private Limited ("Yuanda India") 遠大鋁業工程(印度)私人有限公司*** | India 28 July 2008 | Issued and paid-up capital of Indian Rupee ("INR")1,476,200 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Europe Ltd. 遠大歐洲有限公司*** | Switzerland 29 July 2008 | Issued and paid-up capital of Swiss Franc ("CHF")1,000,000 | 60% | – | 60% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Curtain Wall (Hong Kong) Company Limited 遠大幕牆(香港)有限公司*** | Hong Kong 14 May 2009 | Issued and paid-up capital of Hong Kong Dollar ("HK$")2,000,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Kuwait General Contracting for Buildings Underes 遠大科威特綜合建築承包有限責任公司*** | Kuwait 17 May 2009 | Issued and paid-up capital of Kuwaiti Dinar ("KWD")1,000,000 | 100%# | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Curtain Wall (Vietnam) Co., Ltd. 遠大幕牆(越南)有限責任公司*** | Vietnam 29 July 2009 | Issued and paid-up capital of USD100,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Korea Co., Ltd. 遠大韓國有限公司*** | Republic of Korea 9 November 2009 | Issued and paid-up capital of South Korean Won 966,965,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Shenyang Yuanda Aluminium Industry Engineering Co., BR 瀋陽遠大鋁業工程有限公司沙特公司*** | Saudi Arabia 21 November 2009 | Issued and paid-up capital of Saudi Arabian Riyal 500,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |

*(Expressed in RMB unless otherwise indicated)*

## 15 Investment in a Subsidiary *(continued)*

| | | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|---|
| Name of subsidiary | Place and date of establishment/ incorporation | Particulars of registered/ issued and paid-up capital | The Group's effective interest | Held by the Company | Held by subsidiaries | Principal activities |
| Well Galaxy Limited 銀康有限公司*** | The British Virgin Islands 25 February 2010 | Issued and paid-up capital of USD1 | 100% | 100% | – | Investment holding |
| Eurl Yuanda France 遠大法國有限公司*** | France 18 March 2010 | Issued and paid-up capital of Euro20,000 | 60% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda (Hong Kong) Holdings Limited 遠大(香港)控股有限公司*** | Hong Kong 23 March 2010 | Issued and paid-up capital of HK$1 | 100% | – | 100% | Investment holding |
| Endai Japan Co., Ltd. 遠大日本株式會社*** | Japan 28 April 2010 | Issued and paid-up capital of Japanese Yen 354,000,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| PT. Shenyang Yuanda Aluminium Industry Engineering 遠大鋁業工程印度尼西亞有限公司*** | Republic of Indonesia 9 June 2010 | Issued and paid-up capital of USD150,000 | 99% | – | 99% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Azerbaijan Limited Liability Company 遠大阿塞拜疆有限責任公司*** | Azerbaijan 17 December 2010 | Issued and paid-up capital of Azerbaijani Manat 400 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Curtain Wall (Singapore) Pte. Ltd. 遠大幕牆(新加坡)有限公司*** | Republic of Singapore 27 December 2010 | Issued and paid-up capital of Singapore Dollar ("SGD") 1,950,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Mexico S.A. de C.V. 遠大墨西哥可變資本有限公司*** | Mexico 29 April 2011 | Issued and paid-up capital of Mexican Peso 1,000,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |

*(Expressed in RMB unless otherwise indicated)*

## 15 Investment in a Subsidiary *(continued)*

| Name of subsidiary | Place and date of establishment/ incorporation | Particulars of registered/ issued and paid-up capital | Proportion of ownership interest: The Group's effective interest | Held by the Company | Held by subsidiaries | Principal activities |
|---|---|---|---|---|---|---|
| Haihui Curtain Wall (Cambodia) Co., Ltd. 海慧幕牆(柬埔寨)有限責任公司*** | Kingdom of Cambodia 3 May 2011 | Issued and paid-up capital of Cambodian Riel 4,000,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Brazil Aluminium Industry Engineering and Trading Import and Export Co., Ltd. 遠大巴西鋁業工程貿易進出口有限公司*** | Federative Republic of Brazil 7 July 2011 | Issued and paid-up capital of Brazilian Real 637,000 | 100% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Yuanda Italy S.R.L. 遠大意大利有限責任公司*** | Italy 14 September 2011 | Issued and paid-up capital of Euro20,000 | 60% | – | 100% | Design, procurement, assembly, sale and installation of curtain wall systems |
| Shenyang Yuanda Investment Co., Ltd. 瀋陽遠大投資有限公司** | The PRC 23 September 2011 | Registered and paid-up capital of RMB10,000,000 | 100% | – | 100% | Investment holding |
| Shenyang Yuanda Commercial Services Co., Ltd. 瀋陽遠大商務服務有限公司** | The PRC 18 November 2011 | Registered and paid-up capital of RMB1,500,000 | 100% | – | 100% | Provision of travel services to group companies |
| Shenyang Yuanda Building Materials Co., Ltd. 瀋陽遠大建材有限公司** | The PRC 14 December 2011 | Registered and paid-up capital of RMB10,000,000 | 100% | – | 100% | Production and sale of building materials |

* This company is a wholly foreign owned enterprise established in the PRC.

** These companies are limited liability companies established in the PRC.

*** These companies are limited liability companies incorporated outside of the PRC.

# The Group, through Shenyang Yuanda, owns 49% equity interests in these companies, where the remaining 51% equity interests are held on trust for Shenyang Yuanda by individuals resided in the respective jurisdictions. In accordance with the respective entrust agreements, these individuals do not have the right to vote or receive dividends declared or participate in the liquidation of these companies. Accordingly, the directors of the Company consider the Group effectively owns 100% equity interests in these companies.

## 16 Inventories

### (a) Inventories in the consolidated statement of financial position comprise:

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Raw materials | 473,939 | 382,143 |
| Less: write down of inventories | (16,741) | (15,360) |
| | 457,198 | 366,783 |

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

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Carrying amount of inventories used in construction contracts | 8,489,607 | 7,180,287 |
| Write down of inventories | 1,381 | 6,454 |
| | 8,490,988 | 7,186,741 |

## 17 Gross Amount Due from/to Customers for Contract Work

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Contract costs incurred plus recognised profits less recognised losses in connection with construction contracts in progress at year end | 19,255,189 | 14,525,992 |
| Less: progress billings | (16,288,811) | (12,724,556) |
| | 2,966,378 | 1,801,436 |
| Gross amount due from customers for contract work *(Notes (i) and (ii))* | 3,843,624 | 2,684,915 |
| Gross amount due to customers for contract work *(Note (iii))* | (877,246) | (883,479) |
| | 2,966,378 | 1,801,436 |

## 17 Gross Amount Due from/to Customers for Contract Work *(continued)*

*Notes:*

(i) Except for amounts of RMB96.6 million at 31 December 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 RMB29.8 million at 31 December 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.

## 18 Trade and Bills Receivables

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Trade receivable for contract work due from: | | |
| – Third parties | **1,854,965** | 1,297,751 |
| – Affiliates of the Controlling Shareholder | **6,941** | 22,111 |
| | **1,861,906** | 1,319,862 |
| Bills receivable for contract work | **128,165** | 20,320 |
| Trade receivable for sale of raw materials due from: | | |
| – Third parties | **1,298** | 1,645 |
| – Affiliates of the Controlling Shareholder | **1,514** | 2,717 |
| | **2,812** | 4,362 |
| | **1,992,883** | 1,344,544 |
| Less: allowance for doubtful debts *(Note 18(b))* | **(175,616)** | (112,656) |
| | **1,817,267** | 1,231,888 |

At 31 December 2011, the amount of retentions receivable from customers included in trade and bills receivables (net of allowance for doubtful debts) is RMB268.1 million (31 December 2010: RMB247.6 million).

Except for retentions receivable (net of allowance for doubtful debts) of RMB158.1 million at 31 December 2011 (31 December 2010: RMB114.4 million), all of the remaining trade and bills receivables are expected to be recovered within one year.

## 18 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 end of the reporting period:

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Within 1 month | **706,537** | 452,640 |
| More than 1 month but less than 3 months | **391,885** | 244,390 |
| More than 3 months but less than 6 months | **384,262** | 247,111 |
| More than 6 months | **334,583** | 287,747 |
| | **1,817,267** | 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 30(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(k)(i)).

The movements in the allowance for doubtful debts account during the year are as follows:

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| At 1 January | **112,656** | 82,945 |
| Impairment loss recognised | **64,479** | 31,173 |
| Uncollectible amounts written off | **(1,519)** | (1,462) |
| At 31 December | **175,616** | 112,656 |

At 31 December 2011, the Group's trade and bills receivables of RMB463.4 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 RMB175.6 million (31 December 2010: RMB112.7 million) are recognised. The Group does not hold any collateral over these balances.

## 19 Deposits, Prepayments and Other Receivables

### (a) The Group

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Prepayments for purchase of inventories *(Note (aa))* | **183,770** | 194,960 |
| Prepayments and deposits for operating leases | **42,081** | 22,636 |
| Prepayments for costs incurred in connection with the initial public offering of the Company's shares *(Note (bb))* | **–** | 7,759 |
| Deposits for construction contracts' bidding and performance *(Note (cc))* | **208,838** | 188,930 |
| Deposits for purchase of aluminium contracts | **19,947** | 56,356 |
| Advances to staff | **32,315** | 32,291 |
| Advances to third parties | **8,870** | 4,774 |
| Derivative financial instruments held as cash flow hedging instruments – forward foreign exchange contracts *(Note 30(e))* | **15,699** | 25,363 |
| Other derivatives – forward aluminium contracts *(Note 30(e))* | **–** | 7,408 |
| Amounts due from the Controlling Shareholder and his affiliates *(Note (dd))* | **1,141** | 17,395 |
| Amounts due from non-controlling interests of the Group *(Note (ee))* | **2,682** | 5,026 |
| Others | **24,878** | 8,284 |
| | **540,221** | 571,182 |
| Less: allowance for doubtful debts *(Note 19(a))* | **(2,448)** | (3,948) |
| | **537,773** | 567,234 |

*Notes:*

(aa) Included in the balance are prepayments of RMB16.0 million at 31 December 2011 (31 December 2010: RMB14.0 million) made to affiliates of the Controlling Shareholder.

(bb) 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.

(cc) 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.

(dd) 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 31 December 2011 are unsecured, non-interest bearing and have no fixed terms of repayment.

(ee) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

## 19 Deposits, Prepayments and Other Receivables *(continued)*

### (a) The Group *(continued)*

Except for amounts of RMB3.8 million at 31 December 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.

**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(k)(i)).

The movements in the allowance for doubtful debts account during the year are as follows:

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| At 1 January | **3,948** | 3,948 |
| Reversal of impairment loss | **(1,500)** | – |
| At 31 December | **2,448** | 3,948 |

At 31 December 2011, the Group's deposits, prepayments and other receivables of RMB2.4 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 RMB2.4 million (31 December 2010: RMB3.9 million) are recognised. The Group does not hold any collateral over these balances.

### (b) The Company

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| Amounts due from a subsidiary *(Note (aa))* | **2,084,480** | 984,457 |
| Prepayments and other receivables | **1,002** | 27 |
| | **2,085,482** | 984,484 |

*Note:*

(aa) The amounts due from a subsidiary are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

## 20 Cash and Cash Equivalents

### (a) The Group

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Cash at bank and in hand | **1,694,296** | 533,723 |
| Time deposits with banks | **250,174** | – |
| Cash and cash equivalents in the consolidated statement of financial position | **1,944,470** | 533,723 |
| Less: time deposits with original maturity over 3 months | **(200,132)** | – |
| Cash and cash equivalents in the consolidated cash flow statement | **1,744,338** | 533,723 |

### (b) The Company

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Cash at bank and in hand | **6,838** | 35,593 |
| Time deposits with banks | **250,042** | – |
| | **256,880** | 35,593 |

**(c)** 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.

## 21 Trade and Bills Payables

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Trade payable for purchase of inventories due to: | | |
| – Third parties | **1,905,966** | 1,121,789 |
| – Affiliates of the Controlling Shareholder | **9,832** | 68,356 |
| | **1,915,798** | 1,190,145 |
| Trade payable due to sub-contractors | **115,765** | 92,739 |
| Bills payable | **639,570** | 509,912 |
| Financial liabilities measured at amortised cost | **2,671,133** | 1,792,796 |

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

Included in trade and bills payables are creditors with the following ageing analysis as of the end of the reporting period:

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Due within 1 month or on demand | **2,092,453** | 1,526,376 |
| Due after 1 month but within 3 months | **156,941** | 81,100 |
| Due after 3 months | **421,739** | 185,320 |
| | **2,671,133** | 1,792,796 |

## 22 Receipts in Advance

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Receipts in advance for contract work *(Note (i))* | **99,734** | 163,014 |
| Receipts in advance for sale of raw materials to an affiliate of the Controlling Shareholder | **–** | 2,678 |
| | **99,734** | 165,692 |

*Note:*

(i) The balance represented advances received from customers for which the related construction work have not been commenced as of the end of the reporting period.

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

## 23 Accrued Expenses and Other Payables

### (a) The Group

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Payable for staff related costs | **351,087** | 297,954 |
| Payable for miscellaneous taxes | **83,532** | 62,114 |
| Payable for transportation and insurance expenses | **32,073** | 21,295 |
| Payable for interest expenses | **2,639** | 3,541 |
| Payable for costs incurred in connection with the initial public offering of the Company's shares | **–** | 14,445 |
| Payable for construction and purchase of property, plant and equipment | **72,103** | 60,137 |
| Deposits from sub-contractors | **24,093** | 19,665 |
| Amounts due to the Controlling Shareholder and his affiliates *(Note (i))* | **–** | 285,297 |
| Others | **13,136** | 8,070 |
| Financial liabilities measured at amortised cost | **578,663** | 772,518 |
| Derivative financial instruments held as cash flow hedging instruments – forward foreign exchange contracts *(Note 30(e))* | **5,157** | 4,825 |
| Other derivatives – forward aluminium contracts *(Note 30(e))* | **521** | – |
| Provision for outstanding legal claim | **–** | 5,500 |
| | **584,341** | 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 shares on the Stock Exchange on 17 May 2011.

Except for amounts of RMB3.6 million at 31 December 2011 (31 December 2010: RMB2.0 million), all of the accrued expenses and other payables are expected to be settled or recognised in the consolidated income statement within one year or are repayable on demand.

### (b) The Company

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Accrued expenses and other payables | **194** | 2,718 |

All of the accrued expenses and other payables are expected to be settled within one year or on demand.

## 24 Bank and Other Loans

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

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Bank loans | **1,112,640** | 1,677,489 |
| Loans from other financial institutions | **199,822** | 99,985 |
| | **1,312,462** | 1,777,474 |
| Add: current portion of long-term bank loan | **–** | 50,000 |
| | **1,312,462** | 1,827,474 |

At 31 December 2011, the Group's short-term bank and other loans (excluding the current portion of long-term bank loan) are secured as follows:

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Bank loans: | | |
| – secured by property, plant and equipment and land use rights of the Group *(Note (i))* | **484,500** | 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 | **628,140** | 586,897 |
| | **1,112,640** | 1,677,489 |
| Loans from other financial institutions: | | |
| – unguaranteed and unsecured | **199,822** | 99,985 |
| | **1,312,462** | 1,777,474 |

*Notes:*

(i) At 31 December 2011, the aggregate carrying values of the secured property, plant and equipment and land use rights of the Group are RMB386.9 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.

## 24 Bank and Other Loans *(continued)*

### (b) The Group's long-term bank loans are analysed as follows:

| | 2011<br>RMB'000 | 2010<br>RMB'000 |
|---|---|---|
| Bank loans: | | |
| – secured by property, plant and equipment and land use rights of the Group and guaranteed by an affiliate of the Controlling Shareholder *(Note (i))* | – | 50,000 |
| – secured by property, plant and equipment and land use rights of the Group *(Note (ii))* | 195,000 | – |
| | 195,000 | 50,000 |
| Less: current portion of long-term bank loan | – | (50,000) |
| | 195,000 | – |

*Notes:*

(i) 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.

(ii) At 31 December 2011, the aggregate carrying values of the secured property, plant and equipment and land use rights of the Group are RMB219.1 million (31 December 2010: RMB35.3 million).

The Group's long-term bank loans are repayable as follows:

| | 2011<br>RMB'000 | 2010<br>RMB'000 |
|---|---|---|
| Within 1 year or on demand | – | 50,000 |
| After 1 year but within 2 years | 195,000 | – |
| | 195,000 | 50,000 |

All of the non-current interest-bearing borrowings are carried at amortised cost and are not expected to be settled within one year.

At 31 December 2011, the Group's banking facilities amounted to RMB850.0 million (31 December 2010: RMB600.0 million) were utilised to the extent of RMB340.6 million (31 December 2010: RMB285.0 million).

## 24 Bank and Other Loans *(continued)*

### (c) The Company's short-term bank loan is analysed as follows:

The bank loan at 31 December 2010 was 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. This bank loan had been repaid upon the listing of the Company's shares on the Stock Exchange on 17 May 2011.

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

Details of the Group's management of liquidity risk are set out in Note 30(b).

## 25 Income Tax in the Consolidated Statement of Financial Position

### (a) Movements of current taxation in the consolidated statement of financial position are as follows:

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| Income tax payable at 1 January | **140,222** | 107,040 |
| Provision for income tax on the estimated taxable profits for the year *(Note 7(a))* | **272,215** | 218,042 |
| Credited to reserves | **–** | (218) |
| Income tax paid during the year | **(201,987)** | (184,642) |
| Income tax payable at 31 December | **210,450** | 140,222 |

## 25 Income Tax in the Consolidated Statement of Financial Position *(continued)*

### (b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

| Deferred tax arising from: | Unused tax losses RMB'000 | Depreciation allowances in excess of the related depreciation, and government grants and related depreciation RMB'000 | Write down of inventories RMB'000 | Impairment losses on trade and other receivables RMB'000 | Provision for warranties and legal claims RMB'000 | Remeasurement of the fair value of derivative financial instruments RMB'000 | Total 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 *(Note 7(a))* | (11,459) | (4,762) | 1,614 | 8,043 | 8,134 | 2,332 | 3,902 |
| Charged to reserves *(Note 11(b))* | – | – | – | – | – | (2,332) | (2,332) |
| At 31 December 2010 | **4,316** | **37,532** | **3,842** | **27,758** | **26,418** | **(5,082)** | **94,784** |
| Credited/(charged) to the consolidated income statement *(Note 7(a))* | **40,812** | **5,977** | **344** | **14,256** | **(3,842)** | **1,186** | **58,733** |
| Credited to reserves *(Note 11(b))* | **-** | **-** | **-** | **-** | **-** | **2,393** | **2,393** |
| At 31 December 2011 | **45,128** | **43,509** | **4,186** | **42,014** | **22,576** | **(1,503)** | **155,910** |

## 25 Income Tax in the Consolidated Statement of Financial Position *(continued)*

### (c) Reconciliation of deferred tax assets and liabilities recognised in the consolidated statement of financial position:

| | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| Deferred tax assets recognised in the consolidated statement of financial position | **156,931** | 95,006 |
| Deferred tax liabilities recognised in the consolidated statement of financial position | **(1,021)** | (222) |
| | **155,910** | 94,784 |

### (d) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of unused tax losses of RMB238.9 million at 31 December 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.

### (e) Deferred tax liabilities not recognised

At 31 December 2011, temporary differences relating to the retained profits of the Group's PRC subsidiaries amounted to RMB1,666.5 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 Company 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.

## 26 Provision for Warranties

| | **2011** **RMB'000** | 2010 RMB'000 |
|---|---|---|
| At 1 January | **107,569** | 83,354 |
| Additional provisions made | **49,200** | 43,161 |
| Provisions utilised | **(49,711)** | (18,946) |
| At 31 December | **107,058** | 107,569 |
| Less: amounts included under current liabilities at the end of the reporting period | **(27,739)** | (60,204) |
| | **79,319** | 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 from the date of completion of the construction contracts, depending on the terms negotiated with each customer. 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 end of the reporting period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

## 27 Redeemable Convertible Preference Shares

| | **The Group and the Company** | |
|---|---|---|
| | **2011** **RMB'000** | 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 year | **4,990** | 1,348 |
| Exchange differences on translation into presentation currency | **(5,131)** | (738) |
| Conversion during the year | **(302,060)** | – |
| At 31 December | **–** | 302,201 |

## 27 Redeemable Convertible Preference Shares *(continued)*

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(q).

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.

## 28 Capital, Reserves and Dividends

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

| | Share capital RMB'000 *Note 28(c)* | Share premium RMB'000 *Note 28(d)(i)* | Capital reserve RMB'000 *Note 28(d)(ii)* | Exchange reserve RMB'000 *Note 28(d)(v)* | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **At 26 February 2010 (date of incorporation)** | – | – | – | – | – | – |
| **Changes in equity for 2010:** | | | | | | |
| Loss for the period | – | – | – | – | (6,254) | (6,254) |
| Other comprehensive income | – | – | – | 279 | – | 279 |
| Total comprehensive income | – | – | – | 279 | (6,254) | (5,975) |
| Issuance of shares *(Note 28(c)(ii))* | 1 | – | – | – | – | 1 |
| Issuance of redeemable convertible preference shares *(Note 27)* | – | – | 30,541 | – | – | 30,541 |
| Transactions with equity shareholders of the Company | 1 | – | 30,541 | – | – | 30,542 |
| **At 31 December 2010** | 1 | – | 30,541 | 279 | (6,254) | 24,567 |
| **At 1 January 2011** | **1** | **–** | **30,541** | **279** | **(6,254)** | **24,567** |
| **Changes in equity for 2011:** | | | | | | |
| Loss for the year | **–** | **–** | **–** | **–** | **(35,425)** | **(35,425)** |
| Other comprehensive income | **–** | **–** | **–** | **6,781** | **–** | **6,781** |
| Total comprehensive income | **–** | **–** | **–** | **6,781** | **(35,425)** | **(28,644)** |
| Conversion of redeemable convertible preference shares *(Notes 27 and 28(c)(iii))* | **1** | **332,600** | **(30,541)** | **–** | **–** | **302,060** |
| Capitalisation issue *(Note 28(c)(iii))* | **376,739** | **(376,739)** | **–** | **–** | **–** | **–** |
| Issuance of shares by initial public offering and exercise of over-allotment option *(Note 28(c)(iv))* | **142,982** | **2,001,750** | **–** | **–** | **–** | **2,144,732** |
| Share issuance expenses *(Note 28(c)(iv))* | **–** | **(100,546)** | **–** | **–** | **–** | **(100,546)** |
| Transactions with equity shareholders of the Company | **519,722** | **1,857,065** | **(30,541)** | **–** | **–** | **2,346,246** |
| **At 31 December 2011** | **519,723** | **1,857,065** | **–** | **7,060** | **(41,679)** | **2,342,169** |

## 28 Capital, Reserves and Dividends *(continued)*

### (b) Dividends

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

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Final dividend proposed after the end of the reporting period of HK$0.04 per ordinary share (2010: HK$Nil per ordinary share) | **201,337** | – |

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

#### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year

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

### (c) Paid-in/Share capital

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

| | **2011** | | 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 |

## 28 Capital, Reserves and Dividends *(continued)*

### (c) Paid-in/Share capital *(continued)*

| | 2011 | | 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 31 December | **6,208,734** | **519,723** | 10 | 1 |

#### (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 USD50.0 million (see Note 27).

## 28 Capital, Reserves and Dividends *(continued)*

### (c) Paid-in/Share capital *(continued)*

#### (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 allotted and distributed as fully paid to equity 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.

### (d) Nature and purpose of reserves

#### (i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) 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(q). 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 27).

#### (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.

## 28 Capital, Reserves and Dividends *(continued)*

### (d) Nature and purpose of reserves *(continued)*

#### (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(w).

#### (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(g).

### (e) Distributable reserves

At 31 December 2011, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium) available for distribution to equity shareholders of the Company is RMB1,857.1 million (31 December 2010: RMBNil). After the end of the reporting period, the directors of the Company proposed the payment of a final dividend of HK$0.04 per ordinary share for the year ended 31 December 2011 (2010: HK$Nil per ordinary share) (see Note 28 (b)(i)). The dividend has not been recognised as a liability at the end of the reporting period.

### (f) 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.

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.

## 28 Capital, Reserves and Dividends *(continued)*

### (f) Capital management *(continued)*

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) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

During 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 31 December 2011 and 2010 was as follows:

| | The Group | |
|---|---|---|
| | **2011 RMB'000** | 2010 RMB'000 |
| Current liabilities: | | |
| Trade and bills payables | **2,671,133** | 1,792,796 |
| Bank and other loans | **1,312,462** | 1,827,474 |
| | **3,983,595** | 3,620,270 |
| Non-current liabilities: | | |
| Bank loans | **195,000** | – |
| Redeemable convertible preference shares | **–** | 302,201 |
| | **195,000** | 302,201 |
| Total debt | **4,178,595** | 3,922,471 |
| Add: proposed dividends | **201,337** | – |
| Less: cash and cash equivalents | **(1,944,470)** | (533,723) |
| **Adjusted net debt** | **2,435,462** | 3,388,748 |
| Total equity | **4,020,047** | 866,678 |
| Less: hedging reserve | **(4,108)** | (14,026) |
| Less: proposed dividends | **(201,337)** | – |
| **Adjusted capital** | **3,814,602** | 852,652 |
| **Adjusted net debt-to-capital ratio** | **64%** | 397% |

## 28 Capital, Reserves and Dividends *(continued)*

### (f) Capital management *(continued)*

| | The Company | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Current liabilities: | | |
| Bank loan | **–** | 690,592 |
| Non-current liabilities: | | |
| Redeemable convertible preference shares | **–** | 302,201 |
| Total debt | **–** | 992,793 |
| Add: proposed dividends | **201,337** | – |
| Less: cash and cash equivalents | **(256,880)** | (35,593) |
| **Adjusted net debt** | **(55,543)** | 957,200 |
| Total equity | **2,342,169** | 24,567 |
| Less: proposed dividends | **(201,337)** | – |
| **Adjusted capital** | **2,140,832** | 24,567 |
| **Adjusted net debt-to-capital ratio** | **N/A** | 3,896% |

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

## 29 Material Related Party Transactions

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

### (a) Transactions with the Controlling Shareholder and his affiliates

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| Rental income from operating leases | **1,546** | 2,221 |
| Operating lease expenses | **–** | 1,899 |
| Revenue from contract work | **49,510** | 88,523 |
| Sale of raw materials | **7,455** | 54,899 |
| Purchase of raw materials | **158,315** | 365,662 |
| Disposal of property, plant and equipment | **120** | – |
| Purchase of property, plant and equipment and land use rights | **1,971** | 267,910 |
| Net decrease in non-interest bearing advances granted to related parties | **(14,732)** | (98,035) |
| 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)** | (22,492) |

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

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| Net (decrease)/increase in non-interest bearing advances granted to related parties | **(2,192)** | 2,204 |

## 29 Material Related Party Transactions *(continued)*

### (c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 8 and certain of the highest paid employees of the Group as disclosed in Note 9, is as follows:

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| Short-term employee benefits | **18,636** | 17,877 |
| Retirement scheme contributions | **201** | 314 |
| | **18,837** | 18,191 |

Total remuneration is included in "staff costs" (see Note 6(b)).

## 30 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 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.

## 30 Financial Risk Management and Fair Values *(continued)*

### (a) Credit risk *(continued)*

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 31 December 2011, 2.6% (31 December 2010: 3.7%) and 9.7% (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 statement of financial position after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in Note 32(a), the Group does not provide any other 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 17, 18 and 19.

### (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.

## 30 Financial Risk Management and Fair Values *(continued)*

### (b) Liquidity risk *(continued)*

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and of the Company'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 end of the reporting period) and the earliest date the Group and the Company can be required to pay:

**The Group**

| | 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 | Carrying amount at 31 December RMB'000 |
| Trade and bills payables | 2,671,133 | – | – | – | 2,671,133 | 2,671,133 |
| Accrued expenses and other payables measured at amortised cost | 578,663 | – | – | – | 578,663 | 578,663 |
| Bank and other loans | 1,372,059 | 202,961 | – | – | 1,575,020 | 1,507,462 |
| | 4,621,855 | 202,961 | – | – | 4,824,816 | 4,757,258 |

| | 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 30(d)(i))*: | | | | | |
| – outflow | (748,440) | (129,798) | (12,710) | – | (890,948) |
| – inflow | 756,818 | 126,846 | 12,078 | – | 895,742 |
| Other forward foreign exchange contracts *(Note 30(d)(ii))*: | | | | | |
| – outflow | (401,984) | – | – | – | (401,984) |
| – inflow | 407,732 | – | – | – | 407,732 |

## 30 Financial Risk Management and Fair Values *(continued)*

### (b) Liquidity risk *(continued)*

**The Group** *(continued)*

| | 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 | Carrying amount at 31 December 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 |

| | 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 30(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 30(d)(ii))*: | | | | | |
| – outflow | (247,817) | (1,309) | – | – | (249,126) |
| – inflow | 251,212 | 1,328 | – | – | 252,540 |

## 30 Financial Risk Management and Fair Values *(continued)*

### (b) Liquidity risk *(continued)*

**The Company**

| | 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 | Carrying amount at 31 December RMB'000 |
| Accrued expenses and other payables | 194 | – | – | – | 194 | 194 |

| | 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 | Carrying amount at 31 December RMB'000 |
| Accrued expenses and other payables | 2,718 | – | – | – | 2,718 | 2,718 |
| Bank loan | 695,430 | – | – | – | 695,430 | 690,592 |
| Redeemable convertible preference shares | – | 331,135 | – | – | 331,135 | 302,201 |
| | 698,148 | 331,135 | – | – | 1,029,283 | 995,511 |

### (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.

## 30 Financial Risk Management and Fair Values *(continued)*

### (c) Interest rate risk *(continued)*

#### (i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period:

| | The Group | | | |
|---|---|---|---|---|
| | **2011** | | 2010 | |
| | **Effective interest rate %** | **RMB'000** | Effective interest rate % | RMB'000 |
| **Fixed rate borrowings:** | | | | |
| Bank and other loans | **6.27%** | **619,322** | 5.31% | 786,882 |
| **Variable rate borrowings:** | | | | |
| Bank and other loans | **6.52%** | **888,140** | 3.57% | 1,040,592 |
| **Total borrowings** | | **1,507,462** | | 1,827,474 |
| **Fixed rate borrowings as a percentage of total borrowings** | | **41%** | | 43% |

| | The Company | | | |
|---|---|---|---|---|
| | **2011** | | 2010 | |
| | **Effective interest rate %** | **RMB'000** | Effective interest rate % | RMB'000 |
| **Variable rate borrowings:** | | | | |
| Bank loan | **N/A** | **–** | 2.84% | 690,592 |
| **Total borrowings** | | **–** | | 690,592 |
| **Fixed rate borrowings as a percentage of total borrowings** | | **0%** | | 0% |

## 30 Financial Risk Management and Fair Values *(continued)*

### (c) Interest rate risk *(continued)*

#### (ii) Sensitivity analysis

At 31 December 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 RMB7.3 million (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 end of the reporting period and had been applied to remeasure those non-derivative financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period. 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 2010.

### (d) Currency risk

The Group is exposed to currency risk primarily through revenue from and costs incurred for contract work, and purchases of imported materials 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 USD, Euro, SGD, AUD, GBP, CHF, KWD, Bahraini Dinar ("BHD"), QAR, Canadian Dollar ("CAD"), United Arab Emirates Dirham ("AED"), RMB, HK$ and Indonesian Rupiah ("IDR").

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, and 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 overseas construction contracts.

The Group uses forward foreign exchange contracts to hedge its currency risk and classifies these as cash flow hedges. At 31 December 2011, RMB756.8 million (31 December 2010: RMB1,107.8 million) of the forward foreign exchange contracts have maturities of less than one year after the end of the reporting period, and RMB138.9 million (31 December 2010: RMB185.6 million) of the forward foreign exchange contracts have maturities of more than one year after the end of the reporting period.

At 31 December 2011, the Group had forward foreign exchange contracts hedging forecast transactions with a net fair value of RMB4.8 million (31 December 2010: RMB17.1 million) recognised as derivative financial instruments.

## 30 Financial Risk Management and Fair Values *(continued)*

### (d) Currency risk *(continued)*

#### (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 31 December 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 RMB5.7 million (31 December 2010: RMB3.4 million) 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.

#### (iii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period 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 year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

## 30 Financial Risk Management and Fair Values *(continued)*

### (d) Currency risk *(continued)*

#### (iii) Exposure to currency risk *(continued)*

**The Group**

| | 2011 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | USD<br>RMB'000 | Euro<br>RMB'000 | SGD<br>RMB'000 | AUD<br>RMB'000 | GBP<br>RMB'000 | CHF<br>RMB'000 | KWD<br>RMB'000 | BHD<br>RMB'000 | CAD<br>RMB'000 | RMB<br>RMB'000 | HK$<br>RMB'000 | IDR<br>RMB'000 |
| Gross amount due from customers for contract work | 76,027 | 19,036 | 25,394 | 2,165 | - | - | - | 10,522 | 658 | - | - | 9,534 |
| Trade and bills receivables | 795,847 | 96,414 | 25 | 212,619 | 37,044 | 59,706 | 8,637 | 182 | 9,411 | - | 2,554 | 2,774 |
| Deposits, prepayments and other receivables | - | - | - | - | 2,428 | 112,517 | - | - | - | - | - | - |
| Cash and cash equivalents | 52,175 | 991 | - | 6,399 | 138 | - | - | - | 23 | 250,520 | - | - |
| Trade and bills payables | (60,066) | (44,062) | (37) | - | - | (3,339) | - | - | - | - | (21) | - |
| Accrued expenses and other payables | (25,140) | (22) | - | - | - | - | - | - | - | - | - | - |
| Gross exposure arising from recognised assets and liabilities | 838,843 | 72,357 | 25,382 | 221,183 | 39,610 | 168,884 | 8,637 | 10,704 | 10,092 | 250,520 | 2,533 | 12,308 |
| Notional amounts of forward foreign exchange contracts used as economic hedges | (359,897) | - | - | - | - | (40,728) | - | - | (591) | - | - | - |
| Net exposure arising from recognised assets and liabilities | 478,946 | 72,357 | 25,382 | 221,183 | 39,610 | 128,156 | 8,637 | 10,704 | 9,501 | 250,520 | 2,533 | 12,308 |

## 30 Financial Risk Management and Fair Values *(continued)*

### (d) Currency risk *(continued)*

#### (iii) Exposure to currency risk *(continued)*

**The Group** *(continued)*

| | 2010 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | USD | Euro | SGD | AUD | GBP | CHF | KWD | BHD | QAR | CAD | AED | HK$ |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | 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 |

**The Company**

| | RMB | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Cash and cash equivalents | **250,373** | – |

## 30 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 end of the reporting period had changed at that date, assuming all other risk variables remained constant.

| | **2011** | | 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%** | **19,666** | 5% | 12,735 |
| | **(5%)** | **(19,666)** | (5%) | (12,735) |
| Euro | **15%** | **8,999** | 20% | 23,888 |
| | **(15%)** | **(8,999)** | (20%) | (23,888) |
| SGD | **10%** | **2,077** | 10% | 9,395 |
| | **(10%)** | **(2,077)** | (10%) | (9,395) |
| AUD | **15%** | **27,144** | 20% | 25,923 |
| | **(15%)** | **(27,144)** | (20%) | (25,923) |
| GBP | **10%** | **3,241** | 15% | 4,886 |
| | **(10%)** | **(3,241)** | (15%) | (4,886) |
| CHF | **30%** | **31,455** | 15% | 6,766 |
| | **(30%)** | **(31,455)** | (15%) | (6,766) |
| KWD | **5%** | **353** | 10% | 1,143 |
| | **(5%)** | **(353)** | (10%) | (1,143) |
| BHD | **5%** | **438** | 5% | 347 |
| | **(5%)** | **(438)** | (5%) | (347) |
| CAD | **15%** | **1,165** | 10% | 536 |
| | **(15%)** | **(1,165)** | (10%) | (536) |
| AED | **–** | **–** | 5% | 1,847 |
| | **–** | **–** | (5%) | (1,847) |
| RMB | **5%** | **12,525** | – | – |
| | **(5%)** | **(12,525)** | – | – |
| HK$ | **5%** | **104** | 5% | 302 |
| | **(5%)** | **(104)** | (5%) | (302) |
| IDR | **5%** | **503** | – | – |
| | **(5%)** | **(503)** | – | – |

## 30 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 end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, 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 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 end of the reporting period 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.

## 30 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 end of the reporting period are all measured under Level 1.

| | Level 1 | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| **Assets** | | |
| Derivative financial instruments: | | |
| – Forward foreign exchange contracts *(Note 19(a))* | **15,699** | 25,363 |
| – Forward aluminium contracts *(Note 19(a))* | **–** | 7,408 |
| | **15,699** | 32,771 |
| **Liabilities** | | |
| Derivative financial instruments: | | |
| – Forward foreign exchange contracts *(Note 23(a))* | **5,157** | 4,825 |
| – Forward aluminium contracts *(Note 23(a))* | **521** | – |
| | **5,678** | 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 31 December 2011 and 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 end of the reporting period.

## 31 Commitments

### (a) Capital commitments

At 31 December 2011, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| Commitments in respect of land and buildings, and machinery and equipment | | |
| – Contracted for | **44,308** | 35,821 |
| – Authorised but not contracted for | **67,111** | 82,605 |
| | **111,419** | 118,426 |

### (b) Operating lease commitments

At 31 December 2011, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
|---|---|---|
| Within 1 year | **16,543** | 12,957 |
| After 1 year but within 5 years | **2,562** | 6,736 |
| After 5 years | **3,834** | 3,947 |
| | **22,939** | 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.

## 32 Contingent Liabilities

### (a) Guarantees issued

At 31 December 2011, the Group has issued the following guarantees:

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Guarantees for construction contracts' bidding, performance and retentions | **2,162,281** | 2,221,102 |

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

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

(i) In December 2009, Shenyang Yuanda and Yuanda India, both wholly owned subsidiaries of the Group, jointly received a notice that they are being sued by a former sub-contractor in India in respect of Shenyang Yuanda's and Yuanda India's non-performance of the terms as stipulated in the sub-contract agreement entered into between Shenyang Yuanda and this former sub-contractor. Shenyang Yuanda has also made a counterclaim against this sub-contractor for non-performance of the sub-contract agreement. As at the date of these 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 INR1,410.8 million (equivalent to approximately RMB171.1 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/or 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 these 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 KWD11.2 million (equivalent to approximately RMB255.2 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.

## 32 Contingent Liabilities *(continued)*

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

(iii) In September 2011, Shenyang Yuanda filed a lawsuit against a customer in respect of its non-payment of RMB25.1 million arose from the work carried out for this customer by Shenyang Yuanda. In October 2011, this customer filed a counterclaim against Shenyang Yuanda for its delay of the construction work. As at the date of these financial statements, the above lawsuit is under reviewed before the High People's Court of Shandong Province. If Shenyang Yuanda is found to be liable, the total expected monetary compensation may amount to approximately RMB75.1 million. Shenyang Yuanda continues to deny any liability in respect of the counterclaim and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Shenyang Yuanda. No provision has therefore been made in respect of this counterclaim.

(iv) In addition to the lawsuits and arbitration mentioned in Notes 32(b)(i) to 32(b)(iii), certain subsidiaries of the Group are named defendants on other lawsuits or arbitrations in respect of construction work carried out by them. The directors of the Company consider the amounts involved in these lawsuits and arbitrations are insignificant to the Group, both individually and in aggregate. As at the date of these 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 RMB31.6 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.

## 33 Non-Adjusting Events After the Reporting Period

### (a) 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 glass manufacturing company through the contributions of RMB36.8 million in the form of land use rights, production plant and equipment, and cash.

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

### (b) Acquisition of assets and business from an affiliate of the Controlling Shareholder

On 9 December 2011, Yuanda Metal, a wholly owned subsidiary of the Group, entered into an acquisition agreement with Shenyang Brilliant Elevator Co., Ltd. ("Brilliant Elevator"), an affiliate of the Controlling Shareholder, to acquire the assets and business of Brilliant Elevator for a consideration subsequently determined to be RMB23.9 million.

The above acquisition has been completed on 28 February 2012. The directors of the Company have confirmed that the Group has commenced considering the potential financial impact of the above acquisition but is not yet in a position to determine the potential financial impact of the above acquisition on the Group's results of operations in future periods and financial position at future dates.

### (c) Proposed final dividends

On 22 March 2012, the directors of the Company have proposed a final dividend. Further details are disclosed in Note 28(b).

## 34 Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

## 35 Immediate and Ultimate Holding Company

The directors of the Company consider the immediate and ultimate holding company of the Company as at 31 December 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.

*(Expressed in RMB unless otherwise indicated)*

## 36 Possible Impact of New Standards, Amendments to Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2011

As at the date of these financial statements, the IASB has issued the following new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these 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 10, *Consolidated financial statements* | 1 January 2013 |
| IFRS 11, *Joint arrangements* | 1 January 2013 |
| IFRS 12, *Disclosure of interests in other entities* | 1 January 2013 |
| IFRS 13, *Fair value measurement* | 1 January 2013 |
| IAS 27, *Separate financial statements (2011)* | 1 January 2013 |
| IAS 28, *Investments in associates and joint ventures (2011)* | 1 January 2013 |
| Amendments to IFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities* | 1 January 2013 |
| Revised IAS 19, *Employee benefits* | 1 January 2013 |
| IFRIC 20, *Stripping costs in the production phase of a surface mine* | 1 January 2013 |
| Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities* | 1 January 2014 |
| IFRS 9, *Financial instruments (2009)* | 1 January 2015 |
| IFRS 9, *Financial instruments (2010)* | 1 January 2015 |
| Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: Disclosures – Mandatory effective date and transition disclosures* | 1 January 2015 |

## 36 Possible Impact of New Standards, Amendments to Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2011 *(continued)*

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 Group's 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 Group's results and financial position are prepared and presented.

# Four Year Financial Summary

*(Expressed in RMB)*

| | **2011 RMB'000** | 2010 RMB'000 | 2009 RMB'000 | 2008 RMB'000 |
|---|---|---|---|---|
| **Results** | | | | |
| Turnover | **10,797,007** | 9,260,912 | 7,062,004 | 5,911,266 |
| Profit from operations | **1,195,863** | 1,086,162 | 871,429 | 491,888 |
| Finance costs | **(156,779)** | (84,805) | (41,889) | (112,941) |
| Profit before taxation | **1,039,084** | 1,001,357 | 829,540 | 378,947 |
| Income tax | **(213,482)** | (214,140) | (181,709) | (54,287) |
| Profit for the year | **825,602** | 787,217 | 647,831 | 324,660 |
| Attributable to: | | | | |
| Equity shareholders of the Company | **850,324** | 806,132 | 660,546 | 327,841 |
| Non-controlling interests | **(24,722)** | (18,915) | (12,715) | (3,181) |
| Profit for the year | **825,602** | 787,217 | 647,831 | 324,660 |
| **Assets and liabilities** | | | | |
| Non-current assets | **1,478,160** | 1,484,633 | 1,158,849 | 1,041,909 |
| Current assets | **8,600,332** | 5,384,543 | 4,324,730 | 4,026,138 |
| Current liabilities | **(5,783,105)** | (5,652,710) | (4,377,850) | (3,546,918) |
| Net current assets/(liabilities) | **2,817,227** | (268,167) | (53,120) | 479,220 |
| Total assets less current liabilities | **4,295,387** | 1,216,466 | 1,105,729 | 1,521,129 |
| Non-current liabilities | **(275,340)** | (349,788) | (88,018) | (327,588) |
| **NET ASSETS** | **4,020,047** | 866,678 | 1,017,711 | 1,193,541 |
| **Capital and reserves** | | | | |
| Share capital | **519,723** | 1 | 517,431 | 517,431 |
| Reserves | **3,553,562** | 898,148 | 510,386 | 672,956 |
| Total equity attributable to equity shareholders of the Company | **4,073,285** | 898,149 | 1,027,817 | 1,190,387 |
| Non-controlling interests | **(53,238)** | (31,471) | (10,106) | 3,154 |
| **TOTAL EQUITY** | **4,020,047** | 866,678 | 1,017,711 | 1,193,541 |