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Yuanda China Holdings Limited
遠大中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2789)

BUSINESS UPDATE

This announcement is made by Yuanda China Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) to update the shareholders of the Company and investors on the development of the legal proceedings of the Group in Russia and Kuwait.

(a) Russia

On 20 April 2016, LLC Yuanda Curtain Wall, a wholly-owned subsidiary of the Company (“**Yuanda Russia**”), initiated a proceeding against Rasen Stroy LLC, a company incorporated in Russia and an independent third party to the Company (“**Rasen Stroy**”), in relation to matters arising from a construction agreement dated 30 January 2008 (the “**Construction Agreement**”) under which Yuanda Russia agreed to provide certain construction services to Rasen Stroy for a total amount of US\$66.36 million. Pursuant to the Construction Agreement, Rasen Stroy made an advanced payment to Yuanda Russia, representing 30% of the total construction amount payable by Rasen Stroy to Yuanda Russia (the “**Advanced Payment**”). Further, Yuanda Russia also provided two letters of guarantee in favour of Rasen Stroy in relation to (i) the Advanced Payment; and (ii) Yuanda Russia’s performance under the Construction Agreement (the “**Letters of Guarantee**”).

The construction work contemplated under the Construction Agreement had been completed since 2013. At the beginning of 2016, an amount of US\$6.5 million (being the remaining construction amount payable by Rasen Stroy under the Construction Agreement) remained outstanding. Despite repeated demands being made by Yuanda Russia, Rasen Stroy failed to pay the outstanding amount. Further, Rasen Stroy requested Yuanda Russia to extend the terms of the Letters of Guarantee and threatened that if Yuanda Russia would not agree with such extension, they would enforce the Letters of Guarantee accordingly. To protect the interests of the Company, Yuanda Russia initiated an arbitration proceeding against Rasen Stroy in the Moscow arbitration tribunal on 20 April 2016 to: (i) terminate the Construction Agreement and demand payment of the outstanding amount due from Rasen Stroy; and (ii) apply for a protection order in relation to the Letters of Guarantee so that Rasen Stroy will no longer be able to enforce the Letters of Guarantee (the “**Arbitration**”).

On 9 September 2016, the Moscow arbitration tribunal ruled that Rasen Stroy shall make payment of the outstanding amount of US\$2.78 million payable under the Construction Agreement to Yuanda Russia under the Arbitration. On the other hand, Yuanda Russia's application for a protection order in relation to the Letters of Guarantee was dismissed by the arbitration tribunal in Moscow. Given that the amount payable by Rasen Stroy pursuant to the ruling of the arbitration tribunal in Moscow court fell below the amount that Yuanda Russia was claiming for, on 9 October 2016, Yuanda Russia filed an appeal application to appeal against the amount payable by Rasen Stroy as ruled by the arbitration tribunal in Moscow. As at the date of this announcement, the appeal is still in progress.

The management of the Company has recently noted that Rasen Stroy filed a counterclaim against Yuanda Russia on 27 July 2016, counter-claiming for US\$37.4 million (the "**Counterclaim**"). Further, on 5 October 2016, the relevant tribunal ruled in favour of Rasen Stroy and that Yuanda Russia shall pay 50% of the amount that Rasen Stroy claimed for. Yuanda Russia opposes to the ruling and filed an appeal application against the ruling. As at the date of this announcement, the appeal to the ruling of the Counterclaim is still in progress.

According to the legal advice sought from the legal adviser of the Company as to Russian law, the Company has been advised that the Counterclaim was unreasonably made and that the chance of Yuanda Russia in succeeding in the appeal to the Counterclaim is probable.

(b) Kuwait

As disclosed in the annual report of the Company for the year ended 31 December 2015, in April 2009, Shenyang Yuanda received a notice that it is being sued by a construction agent in Kuwait, Al Jawad Trading & Contracting Co. ("**Al Jawad**"), in respect of damages arose from the termination of the agency agreement entered into between Shenyang Yuanda and Al Jawad (the "**Initial Claim**"). The amount claimed for by Al Jawad under the Initial Claim was 11.2 million Kuwaiti Dinar. On 10 March 2016, the relevant court in Kuwait ruled that Shenyang Yuanda shall pay damages to Al Jawad in the amount of 0.8 million Kuwaiti Dinar.

Shenyang Yuanda disagreed with the ruling to the Initial Claim and, on 4 May 2016, Shenyang Yuanda made a counterclaim (the "**Counterclaim**") against Al Jawad for damages in the amount of US\$5.9 million. Shenyang Yuanda also appealed to the ruling, though the appeal was dismissed by at the appeal court in Kuwait at a hearing held on 28 September 2016 and the appeal court in Kuwait ordered Shenyang Yuanda to pay damages to Al Jawad in the amount of 0.8 million Kuwaiti Dinar.

Shenyang Yuanda was in disagreement with the court order and on 19 October 2016, made a further appeal at the court in Kuwait. As at the date of this submission, the appeal is still in process and no ruling has been made by the relevant court in relation to Shenyang Yuanda's further appeal.

The management of the Company noted recently that Al Jawad made a further claim (the "**Further Claim**") against Shenyang Yuanda on 20 July 2016 for the exact amount under the Initial Claim. The Further Claim was dismissed in September 2016.

Shareholders of the Company and the investing public are reminded to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 9 December 2016

As at the date of this announcement, the executive Directors are Mr. Kang Baohua (chairman), Mr. Tian Shouliang (chief executive officer), Mr. Guo Zhongshan, Mr. Wang Yijun, Mr. Zhang Lei and Mr. Wang Lihui, and the independent non-executive Directors are Mr. Poon Chiu Kwok, Mr. Woo Kar Tung, Raymond and Mr. Pang Chung Fai, Benny.