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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yue Da International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**YUE DA INTERNATIONAL HOLDINGS LIMITED**

**悅達國際控股有限公司**

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

**(Stock Code: 629)**

**(I) MAJOR AND CONTINUING CONNECTED TRANSACTION:  
REVERSE FACTORING AGREEMENT  
AND  
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**SUNWAH KINGSWAY**  
**新華滙富**

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Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 41 of this circular.

A notice convening the EGM to be held at office nos. 3321-3323 and 3325, 33/F., China Merchants Tower, Shun Tak Centre, No. 168-2100 Connaught Road Central, Hong Kong at 10:00 a.m. on Tuesday, 10 November 2020 is set out on pages 51 to 52 of this circular. A form of proxy for the EGM is enclosed herein. Whether or not you are able to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, being Hong Kong Registrars Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

23 October 2020

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## DEFINITIONS

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*In this circular, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:*

“2019 Reverse Factoring Agreement”	The reverse factoring agreement entered into between the Yueda Commercial Factoring, the Suppliers and Contractors, and YDRE as disclosed in the announcement of the Company dated 30 September 2019;
“Accounts Receivables Services”	accounts receivables financing, accounts receivable management services and accounts receivable collection services;
“Annual Caps”	the annual maximum amounts of the reverse revolving credit limit and interest and factoring administration fees to be received under the Reverse Factoring Agreement for the period from 1 October 2020 to 30 September 2023;
“Articles of Association”	the articles of association of the Company;
“Board”	the board of Directors;
“Company”	Yue Da International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
“Completion”	the completion of the transactions contemplated under the Reverse Factoring Agreement in accordance with the terms therein;
“Completion Date”	the date of Completion, or such other date as the Company and the parties to the Reverse Factoring Agreement may agree in writing;
“Conditions Precedent”	The conditions precedent to the Completion as set out in the paragraph headed “Conditions Precedent” under the section headed “The Reverse Factoring Agreement” in this circular;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Dongtai”	Yueda Real Estate (Dongtai) Company Limited* (悅達地產(東台)有限公司)

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## DEFINITIONS

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“Dongfang”	Yancheng Yueda Dongfang Real Estate Company Limited* (鹽城悅達東方置業有限公司) Dongfang is directly and indirectly held as to 37% by YDRE, and 60% held by Jiangsu Yueda Dongfang Motor Parts Company limited (江蘇悅達東方汽車部件有限公司), which is indirectly held as to 60% by Jiangsu Yue Da;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the transactions contemplated under the Reverse Factoring Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huakun”	Changshu Huakun Property Development Company Limited* (常熟華坤房地產開發有限公司) Huakun is held as to 40% by YDRE and 60% by Guangzhou Ruiyue Investment Company Limited (廣州瑞悅投資有限公司), which is ultimately controlled by Mr. Shen Quan (申權);
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors established for the purpose of considering and advising the Independent Shareholders in respect of the Reverse Factoring Agreement;
“Independent Financial Adviser” or “Kingsway Capital”	Kingsway Capital Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee in respect of the Reverse Factoring Agreement;
“Independent Shareholders”	Shareholder(s) other than those required to abstain from voting on the resolution(s) relating to the Reverse Factoring Agreement at the EGM under the Listing Rules;

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## DEFINITIONS

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“Jiangsu Yue Da”	Jiangsu Yue Da Group Company Limited, a substantial shareholder of the Company interest in 100% interests in Yue Da HK and deemed interest in 69.22% of the issued share capital of the Company. Jiangsu Yue Da Group Company Limited is ultimately beneficially owned as to 100% by Yancheng City Peoples’ Government;
“JYCP”	Jiangsu Yueda Commercial Properties Company Limited* (江蘇悅達商業地產有限公司);
“Latest Practicable Date”	19 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 March 2021, or any other date as agreed between the Company and parties to the Reverse Factoring Agreement in writing;
“Main Board”	the Main Board of the Stock Exchange;
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Project Companies”	collectively, JYCP, Tianhui, Dongfang, Huakun, Dongtai, Zhiye, Shanghai and Yuefeng
“Reverse Factoring Agreement”	The Reverse Factoring Agreement dated 22 September 2020 entered into between Yueda Commercial Factoring, the Project Companies and the Company;
“Reverse Factoring Agreement Announcement”	the announcement of the Company dated 22 September 2020 in relation the Reverse Factoring Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai”	Shanghai Yueda Real Estate Development Company Limited* (上海悅達房地產發展有限公司)
“Shareholder(s)”	the holder(s) of the share(s) of the Company;

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“Suppliers and Contractors”	the suppliers and contractors of the Project Companies;
“Tianhui”	Yancheng Yueda Tianhui Real Estate Company Limited* (鹽城悅達天惠置業有限公司) Tianhui is directly and indirectly held as to 65% by YDRE, and 35% held indirectly by Jiangsu Wanke Yueda Industrial Company Limited (江蘇萬科悅達實業有限公司), which is ultimately controlled by Mr. Hu Zhangfei (胡章飛);
“YDRE”	Yueda Real Estate Group Company Limited* (悅達地產集團有限公司), which is ultimately beneficially owned as to approximately 66.36% by Jiangsu Yue Da. Besides, it is owned as to 17.25% and 16.39% by Yancheng Shiji Xincheng Real Estate Development Company Limited (“Shiji Xincheng”)(鹽城世紀新城地產開發有限公司) and Jiangsu Luyang Transportation Development Group Company Limited (“Luyang”)(江蘇綠陽交通建設集團有限公司), respectively. Both of Shiji Xincheng and Luyang are ultimately controlled by Yancheng City Peoples’ Government;
“Yueda Commercial Factoring”	Yueda (Shenzhen) Commercial Factoring Co., Ltd., a company established in the PRC and a subsidiary of the Group, which principal business is, among other things, commercial factoring;
“Yue Da Group”	Yue Da Group (H.K.) Co., Limited;
“Yuefeng”	Dafeng Yuefeng Industrial Company Limited* (大豐悅豐實業有限公司)
“Zhiye”	Yancheng Yueda Zhiye Development Company Limited* (鹽城悅達置業發展有限公司)
“%”	per cent.

\* The English translation is for identification purpose only and not an official registered name.

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## LETTER FROM THE BOARD

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### YUE DA INTERNATIONAL HOLDINGS LIMITED

### 悅達國際控股有限公司

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

**(Stock Code: 629)**

*Non-executive Directors:*

Mr. Liu Debing  
Mr. Li Biao  
Mr. Hu Huaimin

*Executive Directors:*

Mr. Sun Yuanming  
Mr. Bai Zhaoxiang  
Mr. Cai Baoxiang

*Independent non-executive Directors:*

Mr. Cui Shuming  
Dr. Liu Yongping  
Mr. Cheung Ting Kee

*Registered office:*

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

*Principal place of business in  
Hong Kong*

Office nos. 3321-3325  
33/F, China Merchants Tower  
Shun Tak Centre  
No. 168-200 Connaught Road  
Central  
Hong Kong

23 October 2020

*To the Shareholders,*

Dear Sir or Madam,

**(I) MAJOR AND CONTINUING CONNECTED TRANSACTION:  
REVERSE FACTORING AGREEMENT; AND  
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### INTRODUCTION

Reference is made to the Reverse Factoring Announcement. As disclosed in the Reverse Factoring Announcement, after trading hours on 22 September 2020, Yueda Commercial Factoring, an indirect wholly owned subsidiary of the Company, entered into the Reverse Factoring Agreement with the Project Companies and YDRE, pursuant to which Yueda Commercial Factoring agreed to grant revolving reverse factoring loan credit limits of not more than RMB180.0 million to the Project Companies in respect of their payment obligations under their contracts with the Suppliers and Contractors.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with (i) further information relating to the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules.

### THE REVERSE FACTORING AGREEMENT

The Reverse Factoring Agreement is a master agreement which sets out the principles upon which detailed terms of the definitive agreements are to be determined. Definitive factoring agreements shall be entered into between Yueda Commercial Factoring and the Project Companies and YDRE upon the grant of the factoring loans and detailed terms, including the interest rate and factoring administration fees (collectively, the “**Interest and Fees**”), the term of the factoring loan and the repayment schedule of each transaction will be determined in accordance with the principles set out in the Reverse Factoring Agreement. As at the Latest Practicable Date, it is a normal practice of the Group to enter into definitive factoring agreements with the counterparties for a term of not more than one year. Such practice shall be followed by Yueda Commercial Factoring when entering into definitive factoring agreements with the Project Companies for each transaction. The terms (including the Interest and Fees) to be offered to the Project Companies shall be no more favourable to the Project Companies than those offered to the Independent Third Parties for transactions of similar nature.

Principal terms of the Reverse Factoring Agreement:

- Date: : 22 September 2020
- Parties : (1) Huakun;  
(2) JYCP;  
(3) Tianhui;  
(4) Dongfang;  
(5) Dongtai;  
(6) Zhiye;  
(7) Shanghai;  
(8) Yuefeng;  
(9) YDRE; and  
(10) Yueda Commercial Factoring



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## LETTER FROM THE BOARD

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Reverse revolving credit limit	:	RMB180,000,000 (equivalent to approximately HK\$204,786,000)
Annual rate of return (composed of interest rate and factoring administration fees)	:	9.5-10.5%
Guarantor	:	YDRE
Availability period of the reverse factoring facilities	:	From 1 October 2020 to 30 September 2023 (the Reverse Factoring Agreement shall be conditional upon the fulfilment of the conditions precedent thereunder)

### **Pricing Policy and Internal Control Measures**

The Interest and Fees of the Reverse Factoring Agreement are determined by the parties through arm's length negotiation taking into account: (i) the credit rating of YDRE; (ii) the credit period; (iii) the reverse factoring is without recourse; (iv) that the factoring loan is guaranteed by YDRE; and (v) the interest rates and factoring administration fees of similar services offered to the Independent Third Parties.

According to the requirements of management system of the connected transactions of the Company, the finance management department of the Company is responsible for monitoring the transaction amounts relating to the proposed Annual Caps under the Reverse Factoring Agreement by consolidating and preparing statistics for the transaction amounts incurred in the continuing connected transactions on a monthly basis. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect of continuing connected transactions that are expected to exceed their Annual Caps.

The general pricing policy of the Company is based on the assessment of the factors including the credit rating of the factoror, the factoree and the guarantor, the quality of the accounts receivable or securities, structure of the transaction, tenure, repayment schedule and conditions precedent, expected bad debt ratio, fulfilment of obligations of factoror and factoree under commercial contracts, and events and amounts of default. The final internal rate of return was based on the actual borrowing cost of the Company in the market, plus a margin ranging from 250 to 450 basis point, and such margin was based on the assessment factors above.

In response to the impact of the COVID-19, the China Banking Regulation Commission and Central Bank of China further lower borrowing costs in China. As a result, the internal rate of return of the Reverse Factoring Agreement is 9.5% to 10.5%, which is lower than that of the 2019 Reverse Factoring Agreement

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## LETTER FROM THE BOARD

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### Conditions Precedent

The Reverse Factoring Agreement shall be conditional upon the following Conditions:

1. the passing by the majority of Shareholders at the EGM of all resolutions required under the Listing Rules to approve the Reverse Factoring Agreement and the transactions contemplated thereunder;
2. All necessary consents, authorisations and approvals relating to the conclusion of the Reverse Factoring Agreement and its performance having been obtained by the Company; and
3. All representations, undertakings and warranties given by the Company under the Reverse Factoring Agreement are and shall remain true, accurate, correct and complete and not misleading in all material respects.

If the Conditions set out above are not fulfilled by 31 March 2021, or such later date as may be agreed among the parties to the Reverse Factoring Agreement, the Reverse Factoring Agreement shall terminate, in which case none of the Company or any of the Project Companies shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Reverse Factoring Agreement).

If the Conditions set out above are not fulfilled by the Long Stop Date, the Reverse Factoring Agreement shall terminate, in which case none of the Company or the Parties shall have any claim against the other parties to the Reverse Factoring Agreement for costs, damages, compensation or otherwise (save in respect of any prior breach of the Reverse Factoring Agreement).

The Directors expect that the Annual Caps will be as follows:

	<b>1 October 2020 to 31 December 2020 (RMB'000)</b>	<b>1 January 2021 to 31 December 2021 (RMB'000)</b>	<b>1 January 2022 to 31 December 2022 (RMB'000)</b>	<b>1 January 2023 to 30 September 2023 (RMB'000)</b>
Reverse revolving credit limit	180,000	180,000	180,000	180,000
Annual interest and factoring administration fees	4,725	18,900	18,900	14,175

The Annual Caps above are determined with reference to 100% of the expected maximum annual factoring credit limit to be granted by Yueda Commercial Factoring.

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## LETTER FROM THE BOARD

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The existing Annual Caps under the 2019 Reverse Factoring Agreement is as follows:

	<b>1 November 2019 to 31 December 2019 (RMB'000)</b>	<b>1 January 2020 to 31 December 2020 (RMB'000)</b>	<b>1 January 2021 to 31 December 2021 (RMB'000)</b>	<b>1 January 2022 to 31 October 2022 (RMB'000)</b>
Reverse revolving credit limit	90,000	90,000	90,000	90,000

The existing credit limit was utilized at the amount of RMB89,679,000 as at 31 August 2020 and it is the highest amount utilized since the entering of the 2019 Reverse Factoring Agreement.

The Company confirms that for the purposes of Rules 14A.55, 14A.56 and 14A.71(6) of the Listing Rules, the relevant contracts in respect of the Reverse Factoring Agreement during the relevant years will be made available for independent non-executive Directors' and the Company's auditors' review to ensure the relevant continuing connected transactions have been entered into in accordance with the terms, pricing policies and internal control measures set out above in this announcement. The details of the continuing connected transactions will be disclosed in the Company's future annual reports accordingly.

### INFORMATION ON THE PARTIES TO THE REVERSE FACTORING AGREEMENT

The Company is an investment holding company incorporated in the Cayman Islands and the issued Shares of which are listed on the Stock Exchange. The Group is principally engaged in the provision of factoring, accounts receivable management and collection and factoring consultancy services.

The Company provides services of both Factoring and Reverse Factoring. Factoring means provision of factoring credit limit to suppliers with high credit rating, and to provide factoring services based on the accounts receivables, which represent the amounts for supply of goods and services, to be received by these suppliers. Reverse Factoring means provision of reverse factoring limit to customers with high credit rating, and to provide factoring services based on the accounts payable, which represent the amounts for purchase of goods and services, to be paid by these customers. There is no material difference between factoring and reverse factoring in the process of granting factoring loan, where suppliers transfer the accounts receivable to the Company, the Company pays on behalf of the customers to the suppliers and the customers repay the Company upon maturity of the factoring loan. The only difference is the identity of applicants. Since the Company provides the reverse revolving credit limit to the Project Companies, who will apply for the credit limit to settle the accounts payable to its suppliers and contractors in the operation of property development, the Reverse Factoring Agreement is reverse factoring in nature.

Huakun is a company established in the PRC on 8 June 2005 and is principally engaged in property development in the PRC.

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## LETTER FROM THE BOARD

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JYCP is a company established in the PRC on 18 November 2013 and is principally engaged in property development and commercial property management in the PRC.

Tianhui is a company established in the PRC on 29 February 2012 and is principally engaged in property development.

Dongfang is a company established in the PRC on 23 December 2011 and is principally engaged in property development and management in the PRC.

Dongtai is a company established in the PRC on 15 November 2019 and is principally engaged in property development and management in the PRC.

Zhiye is a company established in the PRC on 1 July 2010 and is principally engaged in property development and management in the PRC.

Shanghai is a company established in the PRC on 27 August 2009 and is principally engaged in property development and management in the PRC.

Yuefeng is a company established in the PRC on 23 November 2005 and is principally engaged in property development in the PRC.

YDRE is a company established in the PRC on 20 March 1993 and is principally engaged in property development and management and sales of construction materials in the PRC. YDRE is 66.36% owned by Jiangsu Yue Da and it is the major arm of property business of Jiangsu Yue Da. Under the 2019 Reverse Factoring Agreement, the credit period is from 1 November 2019 to 31 October 2022 and the credit period of definitive factoring agreements made under the 2019 Reverse Factoring Agreement are within one year.

### **REASONS FOR AND BENEFITS OF THE REVERSE FACTORING AGREEMENT**

The Group is principally engaged in the factoring related business in the PRC. Yueda Commercial Factoring (as the factor) provides financing and accounts receivable management services to its customers (as seller) in return for interest and administration fee income payments with comprehensive rates of return ranging from approximately 9.5% to 11.5%, composed of interest rate per annum (approximately 7% to 9%), and factoring administration fee income per annum (approximately 2% to 4%). To determine the annual rate of return of the Reverse Factoring Agreement, the Company took reference to (i) The credit rating of YDRE, which was referenced to the total revenue of RMB1,944 million and total net profit of RMB364 million for the year ended 31 December 2019 and the total assets of RMB9,368 million as at 31 December 2019 of YDRE; (ii) the credit period of the 2019 Reverse Factoring Agreement of 3 years and the definitive factoring agreement made under the 2019 Reverse Factoring Agreement of no more than 1 year; and (iii) the annual rate of return of factoring agreements formed with independent third parties in 2020, which is in the range of 8.5% to 11.0%. After taking consideration of the factors as stated in the general pricing policy and the factors stated above, we concluded that the interest rate of the Reverse Factoring Agreement is no less favourable to the Company than those offered to independent customers. The Directors consider that the Reverse Factoring Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

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## LETTER FROM THE BOARD

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Given that the Reverse Factoring Agreement is being conducted in the ordinary and usual course of business of Yueda Commercial Factoring, which will contribute profit to the Company over the financing term, is under normal commercial terms, and is beneficial to the Group in its business expansion and establishment of long term business relationship with YDRE and the Project Companies, the Directors are of the view that the terms of the Reverse Factoring Agreement are fair and reasonable and that it is in the interests of the Company and Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

As at the date of this circular, Yue Da Group, together with its associates, is interested in 808,979,333 Shares (representing approximately 69.22% of the issued share capital of the Company) and is a controlling Shareholder within the meaning of the Listing Rules. Yue Da Group is the shareholder of 66.36% of the issued shares of YDRE. In addition, as at the date of this circular, (i) Huakun is held as to 40% by YDRE; (ii) JYCP is held as to 100% by YDRE; (iii) Tianhui is directly and indirectly held as to 65% by YDRE; and (iv) Dongfang is directly and indirectly held as to 37% by YDRE; (v) Dongtai is held as to 100% by YDRE; (vi) Zhiye is held as to 100% by YDRE; (vii) Shanghai is held as to 100% by YDRE; and (viii) Yuefeng is held as to 12.36% by YDRE and 87.64% by Yue Da Group. Accordingly, each of the Project Companies is a connected person of the Company and the transaction under the Reverse Factoring Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

In addition, as one of the applicable percentage ratios in respect of the Reverse Factoring Agreement is more than 25% but is less than 75%, the Reverse Factoring Agreement constitutes a major and continuing connected transaction for the Company under the Listing Rules and is subject to announcement, reporting and Independent Shareholders' approval requirements under the Listing Rules.

### INDEPENDENT FINANCIAL ADVISER

Kingsway Capital Limited has been appointed as the Independent Financial Adviser by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Reverse Factoring Agreement. The letter from the Independent Financial Adviser is set out on pages 16 to 41 of this circular.

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## LETTER FROM THE BOARD

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### EGM

The EGM will be convened by the Company at office nos. 3321-3323 and 3325, 33/F., China Merchants Tower, Shun Tak Centre, No. 168-2100 Connaught Road Central, Hong Kong on Tuesday, 10 November 2020, at 10:00 a.m. at which the ordinary resolution will be proposed to consider and, if thought fit, approve the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder. Notice convening the EGM has been despatched to the Shareholders on 23 October 2020, a copy of which is set out on pages 51 to 52 of this circular.

The proxy form for use at the EGM is enclosed with the notice of the EGM despatched to the Shareholders on 23 October 2020. Whether or not you are able to attend (if you are so entitled to) the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return them as soon as possible to the Company's Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and in any event not later than 48 hours before the time appointed for holding the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, have been formed to advise the Independent Shareholders, among other things, whether the terms of the Reverse Factoring Agreement (including the proposed Annual Caps) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to recommend the Independent Board Committee and the Independent Shareholders in this regard.

Yue Da Group and its associates who hold together, directly or indirectly, approximately 69.22% of the entire issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and save as disclosed above, no other Shareholder has any material interest in the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder, and accordingly no other Shareholder is required to abstain from voting on any of the resolution(s) to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Director has a material interest in the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder and was required to abstain from voting at the meeting of the Board approving Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser) considered that the transactions contemplated under the Reverse Factoring Agreement are conducted in the ordinary and usual course of business of the Group and the terms of the Reverse Factoring Agreement (including the proposed Annual Caps) are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**Yue Da International Holdings Limited**  
**Cai Baoxiang**  
*Executive Director*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**YUE DA INTERNATIONAL HOLDINGS LIMITED**

**悅達國際控股有限公司**

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

**(Stock Code: 629)**

23 October 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTION:  
REVERSE FACTORING AGREEMENT**

**INTRODUCTION**

We refer to the circular dated 23 October 2020 (the “**Circular**”) of Yue Da International Holdings Limited (the “**Company**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Under the Listing Rules, the terms of the Reverse Factoring Agreement are required to be approved by the Independent Shareholders at the EGM. We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Reverse Factoring are fair and reasonable and to make recommendation as to whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to consider and, if thought fit, approve the Reverse Factoring Agreement.

Kingsway Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Reverse Factoring Agreement.

We wish to draw your attention to the letter from the Board (as set out on pages 5 to 13 of the Circular), the letter of advice from the Independent Financial Adviser (as set out on pages 16 to 41 of this Circular) and the appendices to the Circular.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having taken into account the advice and recommendations of the Independent Financial Adviser, we consider that the terms of the Reverse Factoring Agreement are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Reverse Factoring Agreement and the transaction contemplated thereunder.

Yours faithfully,

For and on behalf of the

**Independent Board Committee of  
Yue Da International Holdings Limited**

**Cui Shuming**

**Liu Yongping**

**Cheung Ting Kee**

*Independent Non-Executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Kingsway to the Independent Board Committee and the Independent Shareholders in relation to the Reverse Factoring Agreement, and the transactions contemplated thereunder which has been prepared for the purpose of inclusion in this circular.*

**SUNWAH KINGSWAY**  
**新華滙富**

Kingsway Capital Limited  
7/F, Tower One,  
Lippo Centre,  
89 Queensway,  
Hong Kong

23 October 2020

To the Independent Board Committee, the Independent Shareholders of  
Yue Da International Holdings Ltd

Dear Sirs,

### **MAJOR AND CONTINUING CONNECTED TRANSACTION REVERSE FACTORING AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the independent board committee (the “**Independent Board Committee**”) of Yue Da International Holdings Ltd (the “**Company**”) and the Independent Shareholders in relation to the Reverse Factoring Agreement, the Annual Caps and the transactions contemplated thereunder (the “**Continuing Connected Transaction**”), details of which are set out in the Letter from the Board (“**Letter**”) contained in this circular of the Company dated 23 October 2020 to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 22 September 2020, on 22 September 2020, Yueda Commercial Factoring, an indirect wholly owned subsidiary of the Company, entered into the Reverse Factoring Agreement with the Project Companies and YDRE, pursuant to which Yueda Commercial Factoring agreed to grant reverse revolving factoring loan credit limit of not more than RMB180.0 million to the Project Companies in respect of their payment obligations under their contracts with the Suppliers and Contractors.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, Yue Da Group, together with its associates, is interested in 808,979,333 Shares (representing approximately 69.22% of the issued share capital of the Company) and is a controlling Shareholder within the meaning of the Listing Rules. Yue Da Group is the shareholder of approximately 66.36% of the issued shares of YDRE. In addition, as at the Latest Practicable Date, (i) Huakun is held as to 40% by YDRE; (ii) JYCP is held as to 100% by YDRE; (iii) Tianhui is directly and indirectly held as to 65% by YDRE; (iv) Dongfang is directly and indirectly held as to 37% by YDRE, (v) Dongtai is held as to 100% by YDRE; (vi) Zhiye is held as to 100% by YDRE; (vii) Shanghai is held as to 100% by YDRE; and (viii) Yuefeng is held as to 12.36% by YDRE and 87.64% by Yue Da Group. Accordingly, each of the Project Companies is a connected person of the Company and the transaction under the Reverse Factoring Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. In addition, as one of the applicable percentage ratios in respect of the Reverse Factoring Agreement is more than 25% but is less than 75%, the Reverse Factoring Agreement constitutes a major and continuing connected transaction for the Company under the Listing Rules and is subject to announcement, reporting and Independent Shareholders' approval requirements under the Listing Rules.

The EGM will be held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution to approve the Reverse Factoring Agreement and the transactions contemplated thereunder. Save for Yue Da Group and its associates who hold together, directly or indirectly, approximately 69.22% of the entire issued share capital of the Company as at the Latest Practicable Date, no other Shareholder has any material interest in the Reverse Factoring Agreement and the transactions contemplated thereunder. Yue Da Group and its associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Reverse Factoring Agreement and the transactions contemplated thereunder. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution in respect of the Reverse Factoring Agreement and the transactions contemplated thereunder at the EGM.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, which comprises Mr. Cui Shuming, Dr. Liu Yongping and Mr. Cheung Ting Kee, all being independent non-executive Directors, has been formed to give advice and recommendation to the Independent Shareholders, among other things, whether the terms of the Reverse Factoring Agreement (including the proposed Annual Caps) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Kingsway Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendation as to whether the Continuing Connected Transaction are conducted in the ordinary and usual course of business of the Group and whether the terms of the Reverse Factoring Agreement (and the proposed Annual Caps thereunder) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Kingsway Capital Limited and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transaction.

We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Kingsway Capital Limited did not provide any service to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the Reverse Factoring Agreement.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, statements, opinions and representations which are set out in the Circular or supplied to us by the Directors and the management of the Company. We have also reviewed the published information of the Company, including the annual report for the year ended 31 December 2019 (the “**2019 Annual Report**”) and the interim report for the six months ended 30 June 2020 (the “**2020 Interim Report**”). We have assumed that the information and facts provided and opinion expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have also relied on certain publicly available information and we have assumed such information to be accurate and reliable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to believe that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us reaching an informed view and justifying our reliance on the information provided, so as to provide a reasonable basis for our opinion. The Directors and the management of the Company have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true up to the time of the EGM, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change of such representations.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Continuing Connected Transaction.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### 1. Background information of the Group

The Company is an investment holding company incorporated in the Cayman Islands and the issued shares of which are listed on the Main Board of the Stock Exchange. The Group was principally engaged in (i) factoring related business (the “**Factoring Operations**”), which offers trade finance, sales ledger management, customer credit rating, accounts receivable management and collection, credit risk guarantee, supply chain management and other related solutions, and (ii) the exploration, mining and processing of metal minerals (the “**Mining Operations**”) in the People’s Republic of China (“**PRC**”). Upon disposal of a wholly owned subsidiary in October 2019, the Group ceased the Mining Operations.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**2. Financial information of the Group**

**A. Financial performance of the Group**

Set forth below are (i) the audited consolidated financial results of the Group for the two financial years ended 31 December 2018 and 31 December 2019 (“**FY2018**” and “**FY2019**”, respectively) as extracted from the 2019 Annual Report; and (ii) the unaudited consolidated financial results of the Group for the six months ended 30 June 2019 and 30 June 2020 (“**IH2019**” and “**IH2020**”, respectively) as extracted from the 2020 Interim Report:

	<b>FY2018</b>	<b>FY2019</b>	<b>IH2019</b>	<b>IH2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Continuing operations</b>				
<b>(Factoring Operations)</b>				
Revenue				
– Interest income	32,448	35,963	18,488	14,892
– Management fee income	10,522	14,726	7,092	6,353
– Factoring consultancy services income	<u>2,099</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>45,069</u>	<u>50,689</u>	<u>25,580</u>	<u>21,245</u>
Profit/(loss) and total comprehensive income/ (expense) for the year/period	(46,785)	7,821	6,909	2,863
<b>Discontinued operations (Mining Operations)</b>				
Revenue	42,360	13,665	16,972	–
Profit/(loss) and total comprehensive income/(expense) for the year/period	(650)	22,356	(2,985)	–
<b>Profit (loss) and total comprehensive income (expense) for the year/period attributable to owners of the Company</b>	(47,435)	30,177	3,924	2,863

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) *FY2019 vs FY2018*

### Factoring Operations

The Group's revenue from Factoring Operations increased by 12.5% from approximately RMB45.1 million for FY2018 to approximately RMB50.7 million for FY2019. Such increase was primarily due to the increase in interest income and management fee income from approximately RMB32.4 million and RMB10.5 million respectively in FY2018 to approximately RMB36.0 million and RMB14.7 million respectively in FY2019 while net off by the decrease in factoring consultancy services income from approximately RMB2.1 million in FY2018 to nil in FY2019.

Profit and total comprehensive income for the year from Factoring Operations also increased by 116.7% from a loss of approximately RMB46.8 million for FY2018 to a profit of approximately RMB7.8 million for FY2019. Such increase was primarily due to (i) the improvement in the interest and management fee income in FY2019, (ii) record of a net exchange gain of approximately RMB0.4 million for FY2019 while a net exchange loss of approximately RMB39.8 million was recorded for FY2018, and (iii) decrease in the administration and finance costs in FY2019.

### Mining Operations

As advised by the management of the Company, since 2018, given the environment for the mining business was uncertain because several sets of new laws and regulations relating to the preservation of mines came into force which required stringent measures to be put in place to step up the standards of ecosystem and environmental protection, and work safety, the Group has shifted its business focus from mining business to factoring business, since then, the Directors of the Group endeavor to seek business opportunities in the financial industry to diversify the Group's business stream. As a result, the Group recorded improvement in the results from the Factoring Operations in FY2019.

In October 2019, the Group disposed Baoshan Feilong Nonferrous Metal Co., Limited, a subsidiary of the Company, to Yue Da Group, an immediate holding company of the Company (the "**Disposal**") and recorded a disposal gain of approximately RMB34.6 million. After the disposal, the Group ceased the Mining Operations.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's revenue from Mining Operations decreased by 67.7% from approximately RMB42.4 million in FY2018 to approximately RMB13.7 million in FY2019 while the profit and total comprehensive income from Mining Operations increased from a loss of approximately RMB0.7 million for FY2018 to a profit of approximately RMB22.4 million for FY2019. The profit for FY2019 was primarily attributable to the disposal gain as mentioned above.

(ii) *1H2020 vs 1H2019*

Factoring Operations

The Group's revenue from Factoring Operations decreased by 16.9% from approximately RMB25.6 million for 1H2019 to approximately RMB21.2 million for 1H2020. Such decrease was primarily due to the decrease in factoring loans granted during the period as a result of the slowdown economy of China in late 2019 and the coronavirus (“**COVID-19**”) outbreak in early 2020, which lead to the Group took a more conservative approach in granting factoring loans. With the decrease in factoring loans granted during the period, the interest income and management fee income generated also dropped accordingly. As at 30 June 2020, the factoring loan with total principal amount of approximately RMB 529.7 million was granted (30 June 2019: approximately RMB555.0 million)

The Group's profit and total comprehensive income for the period from Factoring Operations decreased by approximately 58.6% from approximately RMB6.9 million for 1H2019 to approximately RMB2.9 million for 1H2020. The decrease was primarily attributable to (i) the decrease in the interest income and management fee income during the period as mentioned above, and (ii) a net exchange loss of approximately RMB6.6 million was recorded for 1H2020 when compared to a net exchange gain of approximately RMB2.6 million for 1H2019 as a result of the depreciation of RMB during the 1H2020.

Mining Operations

Since the Mining Operations was discontinued in October 2019, no revenue and profit were generated from this segment during 1H2020.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***B. Financial positions of the Group***

Set out below are the consolidated financial positions of the Group as at 30 June 2020 as extracted from the 2020 Interim Report:

	<b>As at 30 June 2020</b> <i>RMB'000</i> (unaudited)
Non-current assets	1,970
Current assets	814,417
Non-current liabilities	4,647
Current liabilities	439,631
Net current assets	374,786
Net assets	372,109

As disclosed in the 2020 Interim Report, as at 30 June 2020, non-current assets of the Group amounted to approximately RMB2.0 million which mainly included deferred tax assets and non-current factoring receivables of approximately RMB1.1 million and RMB0.4 million respectively. Current assets amounted to approximately RMB814.4 million, which mainly included current factoring receivables and pledged bank deposit of approximately RMB525.6 million and RMB217.5 million respectively. Non-current liabilities amounted to approximately RMB4.6 million, which was deferred tax liabilities. Current liabilities amounted to approximately RMB439.6 million, which mainly included bank borrowings of approximately RMB403.7 million. The gearing ratio of the Group as at 30 June 2020 as expressed as total liabilities to total assets was approximately 54.4%.

### **3. Background Information on the parties to the Reverse Factoring Agreement**

Yueda Commercial Factoring is a company established in the PRC and a subsidiary of the Group, of which its principal business is providing financing and accounts receivable management services to its customers in return for interest and administration fee income payments.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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YDRE is a company established in the PRC on 20 March 1993 and is principally engaged in property development and management and sales of construction materials in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 66.36% by Jiangsu Yue Da. Besides, it is owned as to 17.25% and 16.39% by Yancheng Shiji Xincheng Real Estate Development Company Limited (“**Shiji Xincheng**”) and Jiangsu Luyang Transportation Development Group Company Limited (“**Luyang**”), respectively. Both of Shiji Xincheng and Luyang are ultimately controlled by Yancheng City Peoples’ Government;

Huakun is a company established in the PRC on 8 June 2005 and is principally engaged in property development in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 40% by YDRE and 60% by Guangzhou Ruiyue Investment Company Limited, which is ultimately controlled by Mr. Shen Quan.

JYCP is a company established in the PRC on 18 November 2013 and is principally engaged in property development and commercial property management in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 100% by YDRE.

Tianhui is a company established in the PRC on 29 February 2012 and is principally engaged in property development. As at the Latest Practicable Date, it is beneficially owned as to 65% by YDRE and 35% indirectly by Jiangsu Wanke Yueda Industrial Company Limited, which is ultimately controlled by Mr. Hu Zhangfei.

Dongfang is a company established in the PRC on 23 December 2011 and is principally engaged in property development and management in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 37% by YDRE and 60% by Jiangsu Yueda Dongfang Motor Parts Company Limited, which is indirectly held as to 60% by Jiangsu Yue Da.

Dongtai is a company established in the PRC on 15 November 2019 and is principally engaged in property development and management in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 100% by YDRE.

Zhiye is a company established in the PRC on 1 July 2010 and is principally engaged in property development and management in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 100% by YDRE.

Shanghai is a company established in the PRC on 27 August 2009 and is principally engaged in property development and management in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 100% by YDRE.

Yuefeng is a company established in the PRC on 23 November 2005 and is principally engaged in property development in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 12.36% by YDRE and 87.64% by Yue Da Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Reasons for entering into the Reverse Factoring Agreement

As set out in the Letter, the Directors considered that the Reverse Factoring Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, entering into the Reverse Factoring Agreement will contribute profit to the Company over the financial term and is beneficial to the Group in its business expansion and establishment of long term business relationship with YDRE and the Project Companies.

Given the Group's principal business as mentioned above is providing financing and accounts receivable management services to its customers in return for interest and administration fee income payments, we considered that the Reverse Factoring Agreement falls within the Group's ordinary and usual course of business. As a result, additional revenue will be generated from the Reverse Factoring Agreement.

Furthermore, as disclosed in the 2019 Annual Report, due to slowdown of economy in China in late 2019 and the COVID-19 outbreak in early 2020, due diligence on certain potential new customers was put on hold and have been postponed to a later date. Given the Group has past business relationship with YDRE and some of the Project Companies, we considered that it will be beneficial to the Group to enter into the Reverse Factoring Agreement with its existing customers during the economic downturn.

Having considered that (i) the Reverse Factoring Agreement fall within the Group's ordinary and usual course of business, and (ii) both YDRE and some of the Project Companies are existing customers of the Group, we concur with the Directors' view that entering into the Reverse Factoring Agreement will contribute profit to the Company over the financial term and is beneficial to the Group in its business expansion and establishment of long term business relationship with YDRE and the Project Companies

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Principal terms of the Reverse Factoring Agreement

The principal terms of the Reverse Factoring Agreement are set out below:

Date	22 September 2020
Parties	(1) Huakun; (2) JYCP; (3) Tianhui; (4) Dongfang; (5) Dongtai; (6) Zhiye; (7) Shanghai; (8) Yuefeng; (9) YDRE; and (10) Yueda Commercial Factoring
Reverse Revolving Credit Limit	RMB180,000,000 (equivalent to approximately HK\$204,786,000)
Annual rate of return (composed of interest rate and factoring administration fees)	9.5% – 10.5%
Guarantor	YDRE
Availability period of the reverse factoring facilities	From 1 October 2020 to 30 September 2023

As set out in the Letter, the interest rate and factoring administration fees of the Reverse Factoring Agreement are determined by the parties through arm's length negotiation taking into account: (i) the credit rating of YDRE; (ii) the credit period; (iii) the reverse factoring is without reverse; (iv) that the factoring loan is guaranteed by YDRE; and (v) the interest rates and factoring administration fees of similar services offered to the independent third parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To ensure the interest rates and factoring administration fees to be offered under the Reverse Factoring Agreement shall be no more favorable to the Project Companies than those offered to the independent third parties for similar services, we have performed comparable analysis on the terms of the Reverse Factoring Agreement with the terms of (i) framework agreements entered into by the Group with independent third parties, (ii) definitive agreements entered into by the Group with independent third parties, and (iii) factoring agreements entered into by companies listed on the Stock Exchange (with similar transactions nature).

For the framework and definitive agreements which the Group entered into with independent third parties for comparable analysis, it included both factoring agreements and reverse factoring agreements. As stated in the Letter, the Company provides services of both factoring and reverse factoring. Factoring means the Group provide factoring credit limit to suppliers with high credit rating, and to provide factoring services based on the accounts receivables, which represent the amounts for supply of goods and services, to be received by these suppliers. Reverse factoring means the Group provide factoring credit limit to customers with high credit rating, and to provide factoring services based on the accounts payable, which represent the amounts for purchase of goods and services, to be paid by these customers. As advised by the management of the Company, there is no material difference between factoring and reverse factoring in the process of granting factoring loan from the perspective of the Group where suppliers transfer the accounts receivable to the Group, the Group pays on behalf of the customers to the suppliers and the customers repay the Group upon maturity of the factoring loan. Also, in both scenario, the Group will determine the terms of the agreements based on similar factors which included but not limited to the credit rating of the factoror, factoree and guarantor, the quality of the accounts receivable or securities, structure of the transaction, tenure, repayment schedule and conditions precedent, expected bad debt ratio, fulfilment of obligations of factoror and factoree under commercial contracts, and events and amounts of default (“**Assessment Factors**”). Having considered that factoring and reverse factoring transaction is similar in nature and the Company will considered similar factors when determine the detail terms of the factoring/reverse factoring agreement, we are of the view that the comparison included both factoring and reverse factoring agreement which the Group entered into with independent third parties is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Framework Agreement Comparison*

As advised by the management of the Company, the Group has entered into seven framework agreements with independent third parties during the period commencing from 1 October 2019, being approximately twelve-months period preceding the commencement date of the availability period of the reverse factoring facilities as set out in the Reverse Factoring Agreement, up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period, covering a full year prior to the commencement date of the availability period of the reverse factoring facilities is appropriate, given that (i) it represents a reasonable period to review the terms of the most recent framework agreements entered into by the Group with independent third parties, and (ii) further extend the review period may not be appropriate as the terms of framework agreements will be affected by the prevailing economic conditions at the times when the Group negotiated the terms with independent third parties.

Among the seven framework agreements that the Group entered into with independent third parties during the Review Period, we noted that (i) the revolving credit limit ranged from RMB45 million to RMB190 million, (ii) the annual rate and return ranged from 8.5% to 11.0%, and (iii) the available period of the factoring facilities is approximately one year.

Based on our review, we noted that both the revolving credit limit of RMB 180 million and the annual rate and return 9.5% to 10.5% of the Reverse Factoring Agreement fall within the range of those charged to the independent third parties and are no more favourable to the Project Companies than those offered to the independent third parties for similar services.

For the available period of the factoring facilities, the three years period under the Reverse Factoring Agreement is longer than those seven framework agreements entered into by the Group with independent third parties during the Review Period, which is approximately one year. As advised by the management of the Company, when determined the length of the framework agreements, factors including length of business relationship, credibility, loan default history of the borrower and guarantor will be considered case by case. In the opinion of the management of the Company, given that YDRE and the Project Companies maintains good business relationship with the Group since the 2019 Reverse Factoring Agreement and have good credibility with no loan default record, a three years period is considered fair and reasonable.

As advised by the management, when the Company assess the terms (including the length) of the Reverse Factoring Agreement, the management has taken into consideration the credit rating of YDRE, being the guarantor of the Reverse Factoring Agreement, which was referenced to the total revenue of approximately RMB1,943.5 million and total net profit of approximately RMB364.5 million for the year ended 31 December 2019 and the total assets of approximately RMB9,367.6 million as at 31 December 2019 of YDRE.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed the audit report of YDRE for the last three financial years and also the unaudited management account of YDRE for the eight months ended 31 August 2020, key financial information is set out in the table below:

	Year ended 31 December 2017 <i>RMB million</i>	Year ended 31 December 2018 <i>RMB million</i>	Year ended 31 December 2019 <i>RMB million</i>	Eight months ended 31 August 2020 <i>RMB million</i> (Unaudited)
Revenue	2,130.5	1,672.5	1,943.5	1,046.6
Net profit	35.1	380.7	364.5	335.7
Cash and Bank balance	553.7	757.2	831.6	922.8
Net Assets	1,233.5	1,578.0	5,022.4	5,333.8

As shown in the table above, we noted that YDRE maintained a positive revenue and net profit for the last three financial years, it also maintained a strong financial position which was supported by an average cash and bank balance and net assets of approximately RMB714.2 million and RMB2,611.3 million respectively over the last three financial years. Based on the financial information we have reviewed, we concur with the view of the management that YDRE has a good credibility.

We were further advised by the management of the Company that, even the framework agreement has a term longer than one year, it is the normal practice of the Group to enter into definitive factoring agreements with the counterparties for a term of not more than one year. The Directors of the Group confirmed us that such practice will be followed for the definitive agreements to be entered into with the Project Companies. We have reviewed all the definitive factoring agreements entered into by the Group with Project Companies under the 2019 Factoring Agreement and all of them are with a term of approximately 12 months.

Given that (i) it is the Group's purpose to establish a long term business relationship with YDRE and the Project Companies, (ii) both YDRE and the Project Companies have good credibility with no loan default record, (iii) the definitive factoring agreements to be entered into with the Project Companies shall not be more than one year which follow the practice with independent third parties, and (iv) the transactions under the Reverse Factoring Agreement constitute continuing connected transaction for the Company under the Listing Rules and it will be costly for the Company to sought for shareholders' approval for renewal the framework agreement annually, we are of the opinion that the term of the Reverse Factoring Agreement of three years is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We also noted that the range of annual rate of return of the Reverse Factoring Agreement of 9.5% to 10.5% was lower than the range of annual rate of return of the 2019 Reverse Factoring Agreement of 10.0% to 12.0%. The Group entered into the 2019 Reverse Factoring Agreement with Project Companies and YDRE approximately twelve months before the Reverse Factoring Agreement. As stated in the Letter, the general pricing policy of the Company is based on the assessment of various Assessment Factors. The final rate of return was based on the actual borrowing cost of the Company in the market, plus a margin ranging from 250 to 450 basis point, and such margin was based on the assessment on those Assessment Factors. As further stated in the Letter, in response to the impact of the COVID-19 in 2020, the China Banking Regulation Commission and Central Bank of China further lower borrowing costs in China which lead to a lower of the rate of return of the Group's factoring services. We have reviewed the annual rate of return of the framework agreements which the Group entered into with independent third parties during (i) the Review Period and (ii) twelve months preceding the Review Period ("**Prior Period**"). We noted that the annual rate of return of the framework agreements which the Group entered into with independent third parties during the Review Period ranged between 8.5% to 11.0% with a median of 9.75% while the annual rate of return of the framework agreements which the Group entered into with independent third parties during the Prior Period ranged between 9.5% to 11.5% with a median of 10.5%. This demonstrated that the annual rate of return of the framework agreements which the Group entered into with independent third parties was decreasing during the Review Period when compared to Prior Period, therefore, we considered that the decrease of annual rate of return of the Reverse Factoring Agreement when compared to the 2019 Reverse Factoring Agreement was in line with the decreasing trend of the annual rate of return the Group charged to independent third parties. Furthermore, despite there is a decrease of annual rate of return of the Reverse Factoring Agreement, the median of the range of annual rate of return (i.e. 10.0%) of the Reverse Factoring Agreement still higher than the median of the annual rate of return which the Group charged to independent third parties (i.e. 9.75%) during the Review Period. Based on the above, we considered that the lower range of annual rate of return under the Reverse Factoring Agreement is fair and reasonable to the Company and the independent shareholders as a whole.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Definitive Agreement Comparison*

As advised by the management of the Company and discussed above, a definitive factoring agreement will be entered into between the Company and the counterparty upon the grant of the factoring loans and the details terms, including the annual rate of return, the term, of each loan will be determined in accordance with the principles set out in the framework agreements. We have reviewed 31 of definitive agreements, which represents all definitive agreements entered into by the Group with independent third parties during the Review Period (“**Definitive Agreements**”), which was confirmed by the management of the Company as an exhaustive list of definitive agreements during the relevant period.

Among the Definitive Agreements, we noted that (i) the principal amount of the Definitive Agreements ranged between RMB 3 million to RMB 90 million, (ii) the terms of the Definitive Agreements ranged between six months to 12 months, (iii) the annual rate and return ranged between 9.4% to 10.5% per annum, and (iv) all the Definitive Agreements were provided with guarantee or security.

Based on our review, we noted that the revolving credit limit of the Reverse Factoring Agreement of RMB180 million is higher than range of the principal amount of the Definitive Agreements, we were advised by the management of the Company that the RMB 180 million credit limit is the limit under the framework agreement and it will be shared among the Project Companies. The principal amount to be granted under the definitive agreements to be entered into with Project Companies will be determined case by case and subject to the Company’s internal control procedures to ensure the principal amount granted to each individual Project Company is fair and reasonable.

We also noted that (i) the annual rate and return 9.5% to 10.5% of the Reverse Factoring Agreement fall within the range of those charged to the independent third parties, (ii) the expected term of definitive agreements to be entered with Project Companies of not more than one year (i.e. 12 months) falls within the range of the Definitive Agreements entered into with independent third parties.

Having considered the above findings under the Definitive Agreements comparison, we are of the view that the terms of the Reverse Factoring Agreement is fair and reasonable and no favourable to the Project Companies than those offered to the independent third parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Listed Companies Comparison*

To further assess the fairness and reasonableness of the terms of the Reverse Factoring Agreement, we have identified a list of factoring agreements entered into by companies listed on the Stock Exchange (“**Listed Companies Comparables**”) with announcement published during the Review Period. We have set out several criteria to limit the samples to those factoring transactions with structure similar to the Reverse Factoring Agreement, details of each criteria is discussed below:

- (i) *Factoring transactions (including both factoring and reverse factoring transactions)*

The Reverse Factoring Agreement is a reverse factoring transaction, as discussed under paragraph headed “Principal terms of the Reverse Factoring Agreement” in this letter, given that there is no material difference between factoring and reverse factoring transactions from the perspective of the Group in both scenario as the Group will consider similar Assessment Factors when determine the terms for each individual factoring loans, therefore, the inclusion of both factoring and reverse factoring transactions is considered reasonable;

- (ii) *Borrower of the factoring loan is PRC based company*

As stated under paragraph headed “Background Information on the parties to the Reverse Factoring Agreement” in this letter, all the Project Companies are company incorporated and operated in PRC, thus we have limited the Listed Companies Comparables to those factoring loan borrower is a PRC based company because we are of the view that the terms of factoring loan will share certain degrees of the economic condition and/or government regulation of specific geographical location, therefore, limiting the Listed Companies Comparables to those factoring loan borrower which is PRC based company is considered reasonable;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(iii) Factoring loan secured by guarantee*

The factoring loan under the Reverse Factoring Agreement will be secured by corporate guarantee from YDRE. As discussed under paragraph headed “Principal terms of the Reverse Factoring Agreement” of this letter, the Group will determine the terms of the agreements based on various Assessment Factors and whether the factoring loan is secured by guarantee is one of the factor to be considered. We are of the view that whether the factoring loan is secured by guarantee is a major factor which will affect the terms of the factoring loan, as guarantee will reduce the default risk of the Group given that the Group will be able to demand loan repayment from the guarantor in the event of default. It might be more ideal to further limit the sample size with more Assessment Factors, however, not every factoring agreements entered into by companies listed on the Stock Exchange with announcement published during the Review Period will publicly disclose every factors they have assessed when entering into the agreements. Given the insufficient public information, limiting the Listed Companies Comparables to those factoring loan secured by guarantee is considered reasonable.

To the best of our endeavor, we believe that the list of the Listed Companies Comparables is an exhaustive list of factoring agreements entered into by listed companies meeting the aforesaid search criteria and is a fair and representative sample to be taken for general reference of the recent market conditions on factoring loans with similar structure to the Reverse Factoring Agreement. We are of the view that the listed companies comparison is for a general reference only as the terms of each individual factoring loan is subject to various factors including the credibility of the borrower, credibility of the guarantor, value of the security and cost of financing of the lender and these factors may not be the same as the Group. That said, since the Listed Companies Comparables are the recent factoring transactions announced to the public, we consider that it is still an appropriate basis to assess the fairness and reasonableness of the terms of the Reverse Factoring Agreement. Our relevant findings are summarised in the table below:

Company name (stock code)	Date of announcement <i>dd/mm/yyyy</i>	Principal amount <i>RMB million</i>	Term <i>approx mth</i>	Annual rate of return <i>(Note 1)</i> %	With guarantee/ security
Pak Tak International Limited (2668)	1/14/2020	35.0	6	9.00%	Guarantee
Pak Tak International Limited (2668)	1/20/2020	11.9	5	13.3% <sup>(Note 2)</sup>	Guarantee
Haitong UniTrust International Leasing Co., Ltd. (1905)	3/9/2020	43.3	7	5.98% <sup>(Note 3)</sup>	Guarantee
Haitong UniTrust International Leasing Co., Ltd. (1905)	3/9/2020	44.7	7	5.98% <sup>(Note 3)</sup>	Guarantee

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Date of announcement dd/mm/yyyy	Principal amount RMB million	Term approx mth	Annual rate of return (Note 1) %	With guarantee/ security
Haitong UniTrust International Leasing Co., Ltd. (1905)	3/9/2020	105.0	8	8.51% <sup>(Note 3)</sup>	Guarantee
Haitong UniTrust International Leasing Co., Ltd. (1905)	3/9/2020	94.7	8	8.51% <sup>(Note 3)</sup>	Guarantee
Haitong UniTrust International Leasing Co., Ltd. (1905)	3/9/2020	50.0	7	5.98% <sup>(Note 3)</sup>	Guarantee
Haitong UniTrust International Leasing Co., Ltd. (1905)	3/9/2020	51.8	7	5.98% <sup>(Note 3)</sup>	Guarantee
Haitong UniTrust International Leasing Co., Ltd. (1905)	3/9/2020	50.1	7	5.98% <sup>(Note 3)</sup>	Guarantee
Haitong UniTrust International Leasing Co., Ltd. (1905)	3/9/2020	50.9	7	5.98% <sup>(Note 3)</sup>	Guarantee
Haitong UniTrust International Leasing Co., Ltd. (1905)	3/9/2020	50.9	7	5.98% <sup>(Note 3)</sup>	Guarantee
Haitong UniTrust International Leasing Co., Ltd. (1905)	3/9/2020	58.1	7	5.98% <sup>(Note 3)</sup>	Guarantee
Momentum Financial Holdings Limited (1152)	3/16/2020	15.0	6	12.00%	Guarantee and security
Poly Culture Group Corporation Limited (3636)	3/18/2020	43.0	9	7.50%	Guarantee
NOVA Group Holdings Limited (1360)	3/25/2020	257.7	3 to 7	16.00%	Guarantee
NOVA Group Holdings Limited (1360)	3/25/2020	61.7	4 to 18	9.75% <sup>(Note 4)</sup>	Guarantee
NOVA Group Holdings Limited (1360)	3/25/2020	46.0	10	13.5% <sup>(Note 5)</sup>	Guarantee
Hong Kong ChaoShang Group Limited (2322)	4/8/2020	8.0	12	15.00%	Guarantee
Sunwah Kingsway Capital Holdings Limited (188)	4/8/2020	7.3	6	10.00%	Guarantee
Wealthy Way Group Limited (3848)	5/6/2020	50.0	5	18.00%	Guarantee
Hong Kong ChaoShang Group Limited (2322)	6/10/2020	23.0	12	12.00%	Guarantee
Pak Tak International Limited (2668)	6/19/2020	9.9	12	18.00% <sup>(Note 6)</sup>	Guarantee and security
	Minimum	7.3	3	5.98%	
	Maximum	257.7	18	18.00%	
	Average	53.1	7.8	9.95%	
<b>The Group (629)</b>		<b>180</b>	<b>36</b>	<b>9.50% to 10.50%</b>	<b>Guarantee</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The annual rate of return composed of interest expenses and factoring administration fees and presented as a percentage of the factoring loan principal amount.
2. Pursuant to the announcement of Pak Tak International Limited, the annual rate of return ranged between 11.0% to 15.6% per annum, an average of 13.3% is adopted for comparison purpose.
3. Pursuant to the announcement of Haitong UniTrust International Leasing Co., Ltd, the annual rate of return is expressed in dollar amount, such amount was annualized according to the term of the factoring loan and divided by the factoring loan principal amount as a percentage for comparison purpose.
4. Pursuant to the announcement of NOVA Group Holdings Limited, the annual rate of return comprised 1% of management fee and interest rate ranged between 2.5% to 15.0% per annum, an average of 8.75% of interest rate is adopted and the total annual rate of return is 9.75% for comparison purpose.
5. Pursuant to the announcement of NOVA Group Holdings Limited, the annual rate of return comprised 1% of management fee and interest rate ranged between 10.0% to 15.0% per annum, an average of 12.5% of interest rate is adopted and the total annual rate of return is 13.5% for comparison purpose.
6. Pursuant to the announcement of Pak Tak International Limited, the annual rate of return comprised 14.0% of interest rate and a fixed service fee of RMB395,000, equivalent to approximately 4% of the principal loan amount, therefore, the annual rate of return of 18.0% is adopted for comparison purpose.

Based on the above table, we noted that (i) the principal amount of Listed Companies Comparables ranged between RMB7.3 million to RMB257.7 million, which the principal amount of the Reverse Factoring Agreement of RMB180 million falls within the range, (ii) the terms of the Listed Companies Comparables ranged from three months to 18 months, which the expected term of definitive agreements to be entered with Project Companies of not more than one year (i.e. 12 months) falls within the range of the Listed Companies Comparables, and (iii) the annual rate of return ranged from 5.98% to 18.00%, with an average of 9.95%, the range of annual rate of return of the Reverse Factoring Agreement of 9.5% to 10.5% fall within the range of the annual rate of return of the Listed Companies Comparables and the average annual rate of return of the Reverse Factoring Agreement of 10.0% is higher than the average of the annual rate of return of the Listed Companies Comparables.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered (i) the annual rate of return of the Reverse Factoring Agreement falls within the range of those framework agreements and definitive agreements entered into by the Group and independent third parties and falls within the range of the Listed Companies Comparables, (ii) the revolving credit limit of the Reverse Factoring Agreement falls within the range of the framework agreements entered into by the Group and the Listed Companies Comparables and it is commercially justifiable despite it is higher than the Definitive Agreements, (iii) the expected term of definitive agreements to be entered with Project Companies of not more than one year (i.e. 12 months) falls within the range of those framework agreements and definitive agreements entered into by the Group and independent third parties and also the Listed Companies Comparables, (iv) the terms of the definitive agreements to be entered with Project Companies will be assessed case by case in accordance to the Group's internal control procedures (as further discussed below), and (v) the three years term of the Reverse Factoring Agreement is justifiable as the Reverse Factoring Agreement is a continuing connected transaction which will be costly for the Company to sought for shareholders' approval for renewal annually, we are of the view that the terms of the Reverse Factoring Agreement are on normal commercial terms and fair and reasonable so far as to the Independent Shareholders are concerned.

### 6. Basis of the Proposed Annual Caps

The Proposed Annual Caps for the three years from 1 October 2020 to 30 September 2023, in relation to the annual reverse revolving credit limit and the annual aggregate amounts of interest and administration fee income from the Reverse Factoring Agreement (“**Proposed Annual Caps**”) are as follows:

	From 1 October 2020 to 31 December 2020 <i>RMB'000</i>	From 1 January 2021 to 31 December 2021 <i>RMB'000</i>	From 1 January 2022 to 31 December 2022 <i>RMB'000</i>	From 1 January 2023 to 30 September 2023 <i>RMB'000</i>
Reverse revolving credit limit	180,000	180,000	180,000	180,000
Annual interest and factoring administration fee	4,725	18,900	18,900	14,175

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The reverse revolving credit limit of RMB180 million represents approximately 31.1% of the aggregate factoring credit limits of the Groups' signed factoring agreements which were effective as at 31 August 2020 of RMB579.7 million.

The management of the Company confirmed that they have determined the Proposed Annual Caps based on (i) the historical transaction amounts under the 2019 Reverse Factoring Agreement, and (ii) the anticipated increase in reverse factoring loan demand from Project Companies. We have reviewed the calculation of the Proposed Annual Cap for interest and factoring administration fee and noted that it is calculated based on the assumption that the reverse revolving credit limit will be utilised in full and the interest and factoring administration fee is 10.5% (being the maximum rate under the terms of the Reverse Factoring Agreement). We considered the calculation was properly compiled according to the terms of the Reverse Factoring Agreement and is fair and reasonable.

The following table sets out (i) the approved annual caps, (ii) the historical amounts utilized, and (iii) the utilisation rate of the approved annual caps between the period of 1 November 2019 to 31 August 2020 under the 2019 Reverse Factoring Agreement:

	<b>Approved Annual Cap RMB'000</b>	<b>From 1 November 2019 to 31 August 2020 RMB'000</b>	<b>Utilisation rate %</b>
Reverse revolving credit limit	90,000	89,679 <sup>1</sup>	99.6
Annual interest and factoring administration fee	10,800 <sup>2</sup>	5,846	54.1

*Note 1:* Amount represents the maximum outstanding reverse revolving credit loan granted during the period

*Note 2:* Calculated on a pro-rata basis.

As shown in the table above, between 1 November 2019 to 31 August 2020, the maximum outstanding reverse revolving credit loan granted to the Project Companies amounted to approximately RMB89.7 million and the total interest and factoring administration fee income accrued from Project Companies amount to approximately RMB5.8 million which represents an utilisation rate of approximately 99.6% and 54.1% to the approved annual caps respectively, which indicating that the existing annual cap has been nearly fully utilised. As at the Latest Practicable Date, the outstanding amount of reverse revolving credit loan granted to the Project Companies amounted to approximately RMB 89.7 million.

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As further discussed with the management, the management expected that the demand for reverse factoring loan from the Project Companies will be increased having considered that (i) the Project Companies continue carried out property development projects in the PRC which will incur further payment obligations under their contracts with the material suppliers and construction works contractors involved in the projects, which the Project Companies require funding to settle the payment obligations; (ii) the number of Project Companies increased from four companies in the 2019 Reverse Factoring Agreement to eight in the Reverse Factoring Agreement; and (iii) the expected recovery of the PRC property market after the COVID-19 crisis.

We have reviewed a list of expected reverse factoring loan amount required by each Project Companies under the Reverse Factoring Agreement from the management of the Company. Per discussion with the management, we understood that the expected amount was estimated by each Project Company based on the projects which they expect to carry out. Based on the list, we noted that for certain 2019 Project Companies (such as Huakun, JYCP and Dongfang), the expected reverse factoring loan amount required is higher than the current outstanding reverse factoring loan they have borrowed from the Company. This illustrated that the reverse factoring loan demand from Project Companies is expected to increase under the Reverse Factoring Agreement.

Despite the property market in PRC was being affected by the COVID-19 outbreak since early 2020, given the COVID-19 crisis recently subsides, the property market in the PRC begins to slowly emerge from the COVID-19 shutdown in the second quarter of 2020. According to the data from the National Bureau of Statistics of China, new construction work starts measured by floor area rose 68.9% in the second quarter of 2020, compared with a 48.8% drop in the first quarter of 2020, value of new contracts signed by construction enterprises also rose 67.7% in the second quarter of 2020, when compared to a 53.9% drop in the first quarter of 2020. These statistics provide a sign of gradually recover of the PRC property market from the COVID-19 crisis.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, according to the data released by International Monetary Fund in June 2020, despite the global economy is expected to contract by 4.9% in 2020, including the United States by 8.0% and Euro area by 10.2%, PRC is among the few economies which could register an expansion with a forecast economic growth of 1.0% in 2020 under the current difficult circumstances and it is also forecasted to grow significantly at 8.2% for 2021. The property market in PRC may likely benefit from the strong recovery of economy. As at the Latest Practicable Date, we noted that the COVID-19 situation in PRC is improving and there is a gradual easing of control and lockdown measures, the economic activities in the PRC is expected gradually resuming to normal, we believe this will assist the recovery of the PRC property market and maintain the momentum to develop steadily in the long run.

Given that (i) the existing annual cap for the reverse revolving credit loan and interest and factoring administration fee were nearly fully utilised with utilisation rate of approximately 99.6% and 54.1% as at 31 August 2020 respectively, (ii) the number of Project Companies increased from four companies in the 2019 Reverse Factoring Agreement to eight in the Reverse Factoring Agreement; and (iii) the expected increasing demand from the Project Companies for revolving factoring loan in the coming years taking into account the property market in the PRC is gradually recovering from the COVID-19 crisis and the forecast strong growth in the PRC economy in 2021, we are of the view that the Proposed Annual Cap for the Reverse Factoring Agreement is fair and reasonable and in the interests of the Company and Shareholders as a whole.

### **7. Internal Control Measures**

As set out in the Letter and as advised by the management of the Company, the Group has adopted the following internal control procedures to ensure that the transactions under the Reverse Factoring Agreement will be conducted on a normal commercial terms, and in accordance with the principal terms set out in the Reverse Factoring Agreement and are no more favourable to the Project Companies than those offered to independent third parties:

- (i) according to the requirements of management system of the connected transactions of the Company, the finance management department of the Company is responsible for monitoring the transaction amounts relating to the Proposed Annual Caps under the Reverse Factoring Agreement by consolidating and preparing statistics for the transaction amounts incurred in the continuing connected transactions on a monthly basis. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect of continuing connected transactions that are expected to exceed their annual caps;

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- (ii) before entering into a new factoring transaction, the factoring business department members will conduct a due diligence review on the counterparties of the transaction and the risk compliance department will perform a risk assessment on the proposed factoring transaction. The due diligence report and risk assessment report together with the business application form approved by, among others, the heads of factoring business department and risk compliance department and the general manager of Yueda Commercial Factoring will be submitted to the review committee of Yueda Commercial Factoring, comprising five members including the chairman, the directors and the chief risk officer of Yueda Commercial Factoring, for approval. No factoring contracts will be prepared unless approvals from the review committee of Yueda Commercial Factoring are obtained. The release of the factoring loan shall be approved by the head of factoring business department, the financial controller, the general manager and the chairman of Yueda Commercial Factoring;
- (iii) relevant contracts in respect of the Reverse Factoring Agreement during the relevant years will be made available for annual review by the independent non-executive Directors and the Company's auditor to review. The Company's auditor will also provide a letter to the board of directors confirming the transactions under the Reverse Factoring Agreement (i) have received the approval of the Board, (ii) are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company, (iii) have been entered into in accordance with the relevant agreements governing the transactions, and (iv) have not exceeded the cap disclosed in the previous announcement(s).

We have discussed with the management of the Company in relation to the above internal control measures, management of the Company confirmed that the abovementioned internal control policies were, and would be, consistently applied to all factoring transactions, including the transactions to be entered under the Reverse Factoring Agreement and the Company will ensure that the terms to be offered to the Project Companies will be no more favourable to the Project Companies than those made available to independent third parties. We have also reviewed sample documents in relation to the abovementioned internal control measures, included but not limited to due diligence report, risk assessment report, business application form, approval from review committee of Yueda Commercial Factoring, factoring agreement and the payment approval form, we noted that the internal control measures are properly adopted.

Given the above, we consider that there exist appropriate internal control procedures and arrangements to ensure the factoring transactions under the Reverse Factoring Agreement will be conducted on a normal commercial term and are no more favourable to the Project Companies than those offered to independent third parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 8. Conclusion and recommendation

Having considered the above principal factors and reasons referred to in the above, we are of the opinion that the terms and conditions under the Reverse Factoring Agreement are on normal commercial terms, are in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Board Committee and the Independent Shareholders are concerned. The Reverse Factoring Agreement is also in the interest of the Company and Shareholders as a whole. We are also of the opinion that the Proposed Annual Caps have been fairly and reasonably arrived at. Therefore, we would advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favor of the resolution to be proposed at the EGM to approve the Reverse Factoring Agreement and the transactions contemplated thereunder.

Yours faithfully

For and on behalf of

**Kingsway Capital Limited**

**Karen Wong**

*Managing Director – Head of advisory*

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2017, 2018 and 2019 were set out in the Company's annual reports for the each of three years ended 31 December 2017, 2018 and 2019, which can be accessed on the website of the Stock Exchange:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0417/LTN201804171227.pdf>;

<http://www.hkexnews.hk/listedco/listconews/SEHK/2019/0411/LTN201904111320.pdf>; and

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0415/2020041501225.pdf>

respectively.

**2. INDEBTEDNESS**

As at the close of business on 31 August 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has total outstanding borrowings of approximately RMB426.5 million, comprising unsecured and unguaranteed amounts due to related companies of approximately HK\$0.2 million (equivalent to approximately RMB0.1 million) and approximately RMB13.7 million; and bank borrowings of approximately EUR44.4 million (equivalent to approximately RMB362.7 million) which is secured by the Group's pledged bank deposits and unguaranteed and approximately RMB50.0 million which is secured by Group's factoring receivables and guaranteed.

As at 31 August 2020, the Group has outstanding lease payments not yet paid for the remainder of the lease terms amounting to approximately RMB289,000 in aggregate, comprising approximately HK\$160,000 (equivalent to approximately RMB141,000) and approximately RMB148,000, which are secured by the Group's rental deposits and unguaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 August 2020, the Group did not have other outstanding mortgages, charges, debentures or other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, lease obligations, liabilities under acceptance or acceptance credits, guarantees or any material contingent liabilities.

**3. WORKING CAPITAL STATEMENT**

After taking into account the Group's presently available financial resources, including internally generated funds from operation and available financial facilities of the Group, the Directors after due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of publication of this circular, in the absence of unforeseeable circumstances.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date of which the latest published audited consolidated financial statements of the Group were made up.

**5. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The Group has been undertaking the business of commercial factoring from 2017 in line with its plans to change its principal business to that of commercial factoring as previously announced, the entering into of the Reverse Factoring Agreements will be conducive to the Company's change of principal business.

The Group will focus on the factoring business in the future. We will actively expand the customer base and will explore business opportunities in the area of consumer finance in the telecommunication industry. The Directors endeavour to seek more business opportunities in the financial industry to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules of the Stock Exchange for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors, Supervisors and Chief Executive

#### *(A) Directors' Interests In Shares, Underlying Shares And Debentures Or Any Associated Corporation Of The Company*

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the interests of each Director and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows.

Name of Director	Capacity	Number of ordinary Shares (Note i)	Approximate percentage of issued share capital of the Company (Note ii)
Mr. Hu Huaimin	Beneficial owner	1,130,666(L)	0.10%
Mr. Li Biao	Beneficial owner	690,640(L)	0.06%

*Notes:*

- i. The letter “L” represents the Director’s long position in the ordinary shares of the Company.
- ii. The percentage of issued share capital of the Company is calculated by reference to 1,168,626,516 shares in issue as at the Latest Practicable Date.

Other than as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at the Latest Practicable Date.

***(B) Controlling And Substantial Shareholders’ And Other Persons’ Interest***

The register of controlling and substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that as at the Latest Practicable Date, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of issued ordinary Share (Note i)	Approximate percentage of issued share capital of the Company (Note ii)
Yue Da Group	Beneficial owner	208,979,333 (L)	17.88%
Yueda Capital (HK) Limited	Beneficial owner	600,000,000 (L)	51.34%
Yueda Capital Company Limited	Interest of a controlled corporation	600,000,000 (L)	51.34%
Jiangsu Yue Da	Interest of a controlled corporation	808,979,333 (L)	69.22%

Other than as disclosed above, the Company has not been notified of any other persons who as at the Latest Practicable Date, had interests of 5% or more in any shares or underlying shares of the Company.

***(C) Other Directors' Interest***

As at the Latest Practicable Date, the following Directors were also a director or an employee of the following companies, each of which had or was deemed to have an interest or short position in the shares or underlying shares in respect of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Director</b>	<b>Name of substantial shareholder of the Company</b>	<b>Position in substantial shareholder of the Company</b>
Mr. Liu Debing	Yueda Capital (HK) Limited	Director
Mr. Li Biao	Yue Da Group	Director
Mr. Sun Yuanming	Yueda Capital Company Limited	Vice General Manager
	Yueda Capital (HK) Limited	Director

### **3. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any interest, directly or indirectly, in any asset which have been, since 31 December 2018 (being the date to which the latest published audited financial statement of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into with any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of the Group.

### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation) between any of the Directors or supervisors of the Company and any member of the Group.



**5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's businesses) which competes or is likely to compete either directly or indirectly with the Group's businesses (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling shareholder).

**6. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the member of the Group within two (2) years immediately preceding the Latest Practicable Date and are or may be material:

- (i) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Enterprise as landlord of Flat C2 on 8th Floor of Pearl City Mansion, No. 22/36 Paterson Street, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK\$15,000;
- (ii) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Enterprise as landlord of Flat A on 14/F of Dragon Centre, 9-11 Pennington Street, Causeway Bay, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK\$15,000;
- (iii) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Enterprise as landlord of Flat C2 on 9th Floor of Paterson Building, Block C and D, No. 37 Paterson Street, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK\$20,000;
- (iv) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Group as landlord of Office nos. 3321, 3322, 3323 and 3325 on 33rd Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK\$260,000;

- (v) a loan assignment agreement dated 11 December 2018 entered into between YDM, Daiichi and an Independent Third Party, pursuant to which YDM conditionally agreed to sell, and Daiichi conditionally agreed to purchase, all the legal and beneficial right, title and interest in any present or future liability (actual or contingent) payable or owing by Mineral Land to Yue Da Mining in connection with the Settlement Agreement;
- (vi) a share purchase agreement dated 20 March 2019 entered into between the Company and Yue Da Group, pursuant to which the Company has conditionally agreed to sell and Yue Da Group conditionally agreed to purchase all the issued shares of YDM at a consideration of US\$5.6 million; and a share purchase agreement dated 23 July 2019 entered into between the Company and Yue Da Group, pursuant to which the Company has conditionally agreed to sell and Yue Da Group conditionally agreed to purchase the entire issued share capital of Yuelong Limited at a consideration of RMB230.8 million.

## **7. MATERIAL LITIGATION**

As at the Latest Practicable Date, none of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

## **8. MATERIAL ADVERSE CHANGES**

The Directors confirm that there was no material adverse changes in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

## **9. EXPERTS**

- (a) The following are the qualifications of the experts who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Kingsway Capital Limited	A licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

- (b) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter dated 23 October 2020 and references to its name in the form and context in which it appears.
- (c) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (d) As at the Latest Practicable Date, the Independent Financial Adviser had no interest in any asset which have been since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

**10. GENERAL**

- (a) The head office and principal place of business of the Company in Hong Kong is located at Office nos. 3321-3323 and 3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Sheung Wan, Hong Kong.
- (b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The Hong Kong branch share registrar and transfer office of the Company, Hong Kong Registrars Limited, is located at Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Shum Chi Chung who is a fellow member of Hong Kong Institute of Certified Public Accountants.

**11. MISCELLANEOUS**

Saved as otherwise stipulated in this circular, in the event of any inconsistency between the English version and the Chinese version, the English version shall prevail.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong from the date of this circular up to 14 days thereafter:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (c) the annual reports of the Company for the three years ended 31 December 2019;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 41 of this circular;
- (f) the written consent of the experts referred to in the paragraph headed "Experts" in this appendix; and
- (g) this circular.

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## NOTICE OF EGM

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### YUE DA INTERNATIONAL HOLDINGS LIMITED

### 悅達國際控股有限公司

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

**(Stock Code: 629)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**Meeting**”) of Yue Da International Holdings Limited (the “**Company**”) will be held at office nos. 3321-3323 and 3325, 33/F., China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong on at 10:00 a.m. on Tuesday, 10 November 2020 for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) the Reverse Factoring Agreement dated 22 September 2020 entered into between the Company and Yueda Commercial Factoring, the Project Companies and YDRE (the “Reverse Factoring Agreement”) be and is hereby approved, confirmed and ratified;
- (b) any one or more of the directors of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in his/her opinion be necessary, desirable or expedient to implement and give effect to any matters arising from, relating to or incidental to the Reverse Factoring Agreement and the transactions contemplated thereunder.

On behalf of the Board  
**Yue Da International Holdings Limited**  
**Cai Baoxiang**  
*Executive Director*

Hong Kong, 23 October 2020

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## NOTICE OF EGM

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*Registered office:*

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

*Head office and principal place*

*of business in Hong Kong:*  
Office nos. 3321-3325, 33/F,  
China Merchants Tower,  
Shun Tak Centre,  
No. 168-200 Connaught Road Central,  
Hong Kong

*Notes:*

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding of the above Meeting or any adjournment thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. As at the date of this notice, the Board comprises the following members: (a) as non-executive Directors, Mr. Liu Debing, Mr. Li Biao and Mr. Hu Huaimin; (b) as executive Directors, Mr. Sun Yuanming, Mr. Cai Baoxiang and Mr. Bai Zhaoxiang; and (c) as independent non-executive Directors, Mr. Cui Shuming, Dr. Liu Yongping and Mr. Cheung Ting Kee.