

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



YUE DA INTERNATIONAL HOLDINGS LIMITED

悦達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 629)

Interim Results Announcement For the Six Months Ended 30th June, 2023

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Yue Da International Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30th June, 2023 (the “**Period**”) together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2023

	<i>NOTES</i>	Six months ended	
		30.6.2023 <i>RMB'000</i> (unaudited)	30.6.2022 <i>RMB'000</i> (unaudited)
Revenue			
Income from traditional factoring business	3	16,021	12,870
Income from communications factoring business		32,305	25,900
		48,326	38,770
Other income		150	78
Other gains and losses, net	4	5,337	81
Impairment losses under expected credit loss model, net of reversal		4,855	287
Guarantee and service fees for communications factoring business		(9,730)	(9,095)
Staff costs		(4,220)	(3,962)
Depreciation expenses		(362)	(346)
Other expenses		(5,692)	(2,169)
Finance costs	5	(10,429)	(4,825)
Profit before tax		28,235	18,819
Income tax expense	6	(11,569)	(8,019)
Profit and total comprehensive income for the period	7	<u>16,666</u>	<u>10,800</u>
Earnings per share			
– Basic	9	<u>RMB1.43 cents</u>	<u>RMB0.92 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2023

	<i>NOTES</i>	30.6.2023 RMB'000 (unaudited)	31.12.2022 <i>RMB'000</i> (audited)
Non-current Assets			
Property, plant and equipment		223	160
Right-of-use assets		5,201	613
Deferred tax assets		2,771	3,985
Financial assets at fair value through profit or loss	10	23,980	89,752
Factoring receivables and other assets	11	99,730	143,505
		131,905	238,015
Current Assets			
Factoring receivables and other assets	11	538,677	632,907
Amounts due from related parties		13,933	7,933
Cash and cash equivalents		41,001	26,267
		593,611	667,107
Current Liabilities			
Other payables and liabilities	12	25,216	14,639
Amounts due to related parties		93,669	72,055
Amounts due to directors		368	609
Taxation payable		5,911	4,845
Bank and other borrowings	13	65,000	90,000
Obligations arising from asset-backed financing arrangements	14	64,034	213,665
Lease liabilities		3,591	541
		257,789	396,354
Net Current Assets		335,822	270,753
Total Assets Less Current Liabilities		467,727	508,768

	<i>NOTE</i>	30.6.2023 RMB'000 (unaudited)	31.12.2022 <i>RMB'000</i> (audited)
Capital and Reserves			
Share capital		105,965	105,965
Reserves		336,103	319,437
		<u>442,068</u>	<u>425,402</u>
Equity attributable to owners of the Company			
Non-current Liabilities			
Obligations arising from asset-backed financing arrangements	14	5,630	66,864
Lease liabilities		1,702	210
Deferred tax liabilities		18,327	16,292
		<u>25,659</u>	<u>83,366</u>
		<u>467,727</u>	<u>508,768</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (“**Listing Rules**”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Other than change in accounting policies resulting from application of new and amendments and interpretation to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30th June, 2023 are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31st December, 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1st January, 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents interest income received and receivable from provision of traditional and communications factoring services. An analysis of the Group's revenue is as follows:

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
Income from traditional factoring business (<i>Note</i>)	16,021	12,870
Income from communications factoring business	<u>32,305</u>	<u>25,900</u>
	<u><u>48,326</u></u>	<u><u>38,770</u></u>

Note: Included in income from traditional factoring business is an amount of RMB4,022,000 (six months ended 30th June, 2022: RMB1,783,000) representing fees that are considered to form an integral part of the effective interest rate of the traditional factoring receivables and is treated as an adjustment to the effective interest rate. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, negotiating the terms of the instrument, preparing and processing documents and closing the transaction.

Segment information

Information reported to the chief operating decision maker of the Group, being the executive directors of the Company, for the purpose of resource allocation and assessment focuses on revenue analysis by traditional and communications factoring business. No other discrete financial information is provided other than the Group's result and financial position as a whole.

4. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
Net foreign exchange gain	14	81
Loss on remeasurement of financial guarantee contracts	(3,376)	–
Gain on early settlements of obligations arising from assets-backed financing arrangements	<u>8,699</u>	<u>–</u>
	<u><u>5,337</u></u>	<u><u>81</u></u>

5. FINANCE COSTS

	Six months ended	
	30.6.2023	30.6.2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings	2,060	1,549
Interest on obligations arising from asset-backed financing arrangements	8,344	3,241
Interest on lease liabilities	25	35
	<u>10,429</u>	<u>4,825</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2023	30.6.2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– People's Republic of China (the "PRC") Enterprise Income tax	8,320	6,307
Deferred tax	3,249	1,712
	<u>11,569</u>	<u>8,019</u>

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the applicable income tax rate for the PRC subsidiary of the Group is 25% for both periods.

7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

Profit and total comprehensive income for the period has been arrived at after charging (crediting) the following items:

	Six months ended	
	30.6.2023	30.6.2022
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	47	45
Depreciation of right-of-use assets	315	301
Interest income from bank deposits (included in other income)	(64)	(65)

8. DIVIDEND

No dividend was paid, declared or proposed during six months ended 30th June, 2023. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th June, 2023.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>16,666</u>	<u>10,800</u>
Number of shares	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,168,626,516</u>	<u>1,168,626,516</u>

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue during both periods.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets measured at fair value through profit and loss arising from:

	30.6.2023	31.12.2022
	RMB'000	RMB'000
Subordinated tranche investments	<u>23,980</u>	<u>89,752</u>

Details of the subordinated tranche investments are disclosed in Note 14.

11. FACTORING RECEIVABLES AND OTHER ASSETS

	30.6.2023	31.12.2022
	RMB'000	RMB'000
Factoring receivables:		
Traditional factoring business	343,154	374,913
Communications factoring business (<i>Note i</i>)	281,222	388,722
	624,376	763,635
Reimbursement assets (<i>Note ii</i>)	6,478	9,854
Other receivables and prepayments	7,553	2,923
	638,407	776,412
Analysed as:		
Current portion	538,677	632,907
Non-current portion	99,730	143,505
	638,407	776,412

Notes:

- (i) As at 30th June, 2023, RMB106,258,000 (31st December, 2022, RMB291,373,000) of the Group's communications factoring receivables relate to the asset-back financing arrangements as disclosed in Note 14.
- (ii) Reimbursement assets represent the amount that expected to be reimbursed by guarantors of the communications factoring receivables upon a default of settlement. The amount is recognised when, and only when it is virtually certain that reimbursement will be received when there is a default and the amount can be measured reliably.

12. OTHER PAYABLES AND LIABILITIES

	30.6.2023	31.12.2022
	RMB'000	RMB'000
Accrued staff costs	3,254	3,717
Other payables and accrued charges	21,962	10,922
	25,216	14,639

13. BANK AND OTHER BORROWINGS

	30.6.2023	31.12.2022
	RMB'000	RMB'000
Repayable within one year:		
Secured bank loan (<i>Note i</i>)	50,000	50,000
Other loan (<i>Note ii</i>)	15,000	40,000
	65,000	90,000

During the current interim period, a new borrowing of RMB15,000,000 is obtained by the Group (during the six months ended 30th June, 2022: RMB50,000,000).

Notes:

- (i) The amount due is based on scheduled repayment date set out in the loan agreement.

As at 30th June, 2023, the bank loan carried fixed interest rate of 6.3% per annum (31st December, 2022: 6.3%). The maturity date of the bank loan was 22nd August, 2023.

As at 30th June, 2023 and 31st December, 2022, the bank loan amounting RMB50,000,000 is secured by the Group's factoring receivables with carrying amount of RMB50,000,000 and guaranteed by Jiangsu Yue Da Group Company Limited (“**Jiangsu Yue Da**”).

- (ii) As at 30th June, 2023, the loan was secured by the Group's factoring receivables with carrying amount of RMB30,000,000 (31st December, 2022: RMB50,000,000).

14. OBLIGATIONS ARISING FROM ASSET-BACKED FINANCING ARRANGEMENTS

	30.6.2023	31.12.2022
	RMB'000	RMB'000
The carrying amounts of the above obligations are repayable:		
Within one year	64,034	213,665
More than one year but less than two years	5,630	66,864

During the year ended 31st December, 2022, the Group entered into several asset-backed financing arrangements (the “**Financing Arrangements**”), which involved establishment of special purpose asset-backed vehicles through issuing agents (“**the SPVs**”) or special purpose trust administered by trustees (“**the SPTs**”). Under the schemes, contractual rights of factoring receivables (the “**Transferred Assets**”) are transferred to the SPVs/SPTs by the Group and a fellow subsidiary of the Company, except for one SPT scheme in which the Group is the sole transferor. The SPVs/SPTs then issued asset-back securities to investors, the priority tranches of which were subscribed by independent investors whilst the subordinated tranches of which were subscribed by the Group and the fellow subsidiary proportional to the value of the Transferred Assets transferred by both parties. For the SPT scheme in which the Group is the sole transferor, the entire subordinated tranche was subscribed by the Group.

According to offering documents of the SPVs or trust agreements of the SPTs between the SPVs/SPTs and investors (holders of priority and subordinated tranches), the decisions of the relevant activities are controlled by the holders of the priority tranches until such tranches are fully settled. As at 30th June, 2023 and 31st December, 2022, the priority tranches of the SPVs/SPTs are still not fully settled. Accordingly, the Group as holders of subordinated tranches could not exercise control over the SPVs and SPTs thus the SPVs/SPTs are not consolidated.

Furthermore, pursuant to the agreements between the SPVs/SPTs and the transferors (the Group or the Group and the fellow subsidiary), the Group are required to repurchase the factoring receivables transferred to SPVs/SPTs when they are identified as non-performing and the Group has also retained risks and rewards through subscription of the subordinated tranches. The Group assessed and concluded that the Group has retained substantially all risks and rewards of the Transferred Assets and accordingly continues to recognise the factoring receivables and recognise obligations arising from these Financing Arrangements. As at 30th June, 2023, the carrying amount of communications factoring receivables under these Financing Arrangements amounted to RMB106,258,000 (31st December, 2022: RMB291,373,000).

At initial recognition, the obligations arising from these asset-backed Financial Arrangements were measured at fair value, taking into consideration the Group's borrowing rates and the estimated cash flows, which represent the cash consideration and the subordinated tranches received by the Group. These obligations are subsequently measured at amortised cost with effective interest rates range between 6.29% to 7.72%. As at 30th June, 2023, the carrying amounts of obligations due to SPVs and SPTs amounted to RMB56,637,000 and RMB13,027,000 respectively (31st December, 2022: RMB179,197,000 and RMB101,332,000). Priority tranches issued by the SPVs are listed in the Shenzhen Stock Exchange and the obligations payable to the priority tranches are guaranteed by the ultimate holding company of the Company.

The subordinated tranches subscribed and held by the Group constitute contractually linked instruments as the SPVs/SPTs prioritise payments to the holders of priority tranches prior to repaying the subordinated tranches. The Group has the right to payment only if the SPVs/SPTs have sufficient cashflow to satisfy the obligations payable to the holders of priority tranches. Accordingly, the contractual cash flows of the subordinated tranches are not solely payments of principal and interest and were measured at fair value at initial recognition and subsequently measured at fair value through profit and loss.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group recorded an operating revenue of RMB48,326,000 for the Period in the factoring business, which increased by approximately 24.6% when compared with RMB38,770,000 for the corresponding period in 2022. The profit and total comprehensive income for the Period was RMB16,666,000 (corresponding period of last year: RMB10,800,000) and basic earnings per share was RMB1.43 cents (corresponding period of last year: RMB0.92 cents).

The increase in profit and total comprehensive income was mainly due to the effect of increase in income from Traditional Factoring business and Communications Factoring business.

INTERIM DIVIDEND

The Board of Directors of the Company does not recommend the payment of any interim dividend during the Period.

BUSINESS REVIEW

During the Period under review, the Group was principally engaged in factoring related business (the “**Factoring Operations**”), which offers factoring services, accounts receivable management and collection services.

FACTORING OPERATIONS

During the Period, the Factoring Operations recorded an operating revenue of RMB48,326,000 (corresponding period of last year: RMB38,770,000).

The Company will continue the Factoring Operations through Yueda (Shenzhen) Commercial Factoring Co., Limited (“**Yueda Commercial Factoring**”) (a company established in the PRC and a subsidiary of the Company, which principal business is, among other things, commercial factoring).

Traditional Factoring

As at 30th June, 2023, under Traditional Factoring business, total principal financing receivables amounted to RMB343,228,000 (31st December, 2022: RMB380,801,000), and recorded interest income and management fee income of RMB11,999,000 (corresponding period of last year: RMB11,087,000) and RMB4,022,000 (corresponding period of last year: RMB1,783,000) respectively during the Period.

Being a state-owned enterprise in Jiangsu province, the Group mainly sourced its customers from contacts of its existing business network within the Yangtze River Delta Region. The business development department of the Group takes the main role in customer sourcing and coverage. Most of the customers of the Group's Traditional Factoring business consist of sizable companies, particularly state-owned enterprises, which are relatively stable and financially more resilient than other entities.

The Group adopts an organisation structure that is commonly used by banking institutions and other factoring services providers – general manager office, financing team, risk management department team, business development team, product development team and administration. As at 30th June, 2023, the Factoring Operations has approximately 16 employees and is led by an experienced management team, including:

- Mr. Pan Mingfeng, being an executive director of the Company, and the general manager of Yueda Commercial Factoring, has more than 12 years' experience in marketing, risk control and management, and has previously worked for several renowned enterprises in the financial sector in the PRC. He is responsible for leading the promotion of several innovative factoring projects of Yueda Commercial Factoring, including the Communications Factoring.
- Ms. Gao Ying being the chief risk officer of Yueda Commercial Factoring, has 7 years of experience in the risk management industry. She is a holder of a Ph.D. in financial engineering at the Graduate School of Management of the Chinese Academy of Sciences. During her studies, she has taken part in various research topics such as those related to the causes of the US financial crisis and its impact on the Chinese economy, and the corresponding countermeasures. She is responsible for risk management in Yueda Commercial Factoring.

Yueda Commercial Factoring conducts its factoring business in the PRC within the scope of its business license. Yueda Commercial Factoring (as the factor) provides accounts receivable management and collection services to its customers (as seller) in return for contractual interest and management fee income payments with comprehensive rates of return ranging from approximately 7.1% to 9.5%, composed of interest rate per annum (approximately 6.5% to 7.5%), and factoring management fee income per annum (approximately 0% to 2.0%).

Similar to other factoring services providers in the PRC, the Group maintains rigorous risk control measures to reduce risks associated with the Factoring Operations. To minimise risk exposure in factoring business, the Group intends to focus on providing factoring services to customers with sound financial position and reputable shareholders, in particular, state-owned listed entities with stable cashflow and relatively stable financial position.

Prior to the provision of factoring services and approval of the grant of revolving credit facilities to its factorees, the factoring business team will conduct due diligence on the customer and the risk compliance department will perform a risk assessment on the proposed 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, 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 is obtained. The release of the factoring services shall be approved by the head of factoring business department, the Financial Controller, the General Manager and the Chairman of Yueda Commercial Factoring.

Communications Factoring

As at 30th June, 2023, under Communications Factoring business, outstanding principal financing receivables amounted to RMB291,465,000 (31st December, 2022: RMB403,658,000), and recorded service of fee income of RMB32,305,000 during the Period (corresponding period of last year: RMB25,900,000).

Under the Communications Factoring business, the Group would provide factoring services to the franchised store suppliers of the suppliers of communications operation (“**Suppliers**”) and the Suppliers will transfer their accounts receivable (“**Accounts Receivable**”) which will arise when the Suppliers’ customers (“**End Customers**”) purchase mobile phones and/or other products from the Suppliers to the Group. By utilising the factoring services of the Group, the End Customers may pay for the mobile phones and/or other products by instalments.

The Group has cooperated with and conducted the Communications Factoring business through the payment clearing and settlement platform (“**Payment Platform**”) of some third-party payment institutions licensed in the PRC to offer a payment clearing and settlement platform. To the best knowledge of the Company, these third-party payment institutions are the group member of the communications operation services providers in the PRC. As a result, there are a number of Suppliers maintaining a settlement account at the Payment Platform and the End Customers can make payment to the Group through the Payment Platform. By cooperating with third-party payment institutions, the Group can on a mass scale reach out to and seek business opportunities with the Suppliers who are in need of factoring services.

Further, in view of the potentially large number of End Customers and the potentially huge amount of workload in credit assessment of these End Customers as the debtors of the Accounts Receivable, the Group has co-operated with some professional technology service companies, to provide risk screening services in relation to the creditability of the Suppliers' customers and the quality of the Accounts Receivable and other related technical services.

Factoring financing loss will be borne partly or wholly by technology service companies, depending on the detailed arrangement with each individual technology service company. Based on this arrangement, there will be incentive for these technology service companies to assess credit risk carefully to reduce the occurrence of overdue Accounts Receivables and collect the overdue Accounts Receivables.

Regarding the Group's business plan, besides the further development in the existing factoring financial services, accounts receivable management and accounts receivable collection services, the Group will implement further development within Factoring Operations, namely (i) existing factoring financial services, (ii) communications factoring, and (iii) exploring potential investment opportunities.

Existing factoring financial services:

The Group believes that, being a state-owned enterprise, having state-owned enterprises as its major customers will provide certain a level of risk control on recovery and quality control on collaterals. In view of that, the Group intends to continue to utilise its network of state-owned enterprises in the PRC to expand its factoring business.

The Group has identified several potential new customers for its traditional factoring business. Due to slowdown of economy of China, due diligence on potential new customers was more stringent in order to improve the overall quality of customer base.

Communications factoring:

The Group has established cooperation with three leading telecommunication services providers in the PRC in respect of the provision of communications factoring services. The income rate of the communications factoring services is higher than that of traditional factoring.

Exploring potential investment opportunities:

As at the date hereof, the Group is exploring potential investment opportunities which can further supplement and diversify the existing business of the Group. The Group is still exploring and does not identify any potential target. No definitive agreement has been entered into in relation thereto.

Funding requirements:

The Group will continue to utilise its internal resources, bank loans and other borrowing to develop the Factoring Operations. On top of the existing banking facilities, several banking facilities are being negotiated. The Group will continue to consider the possibilities of using asset-backed financing arrangement in the future as another funding alternative.

PROSPECTS

Looking forward to the second half of 2023, the Group will focus on the factoring business in the future. After the pandemic crisis, the recovery of the world economy is likely to be slow which will remain a great challenge to the economy and our operations in 2023. As at the date of this announcement, we have not experienced any significant default in repayment of principal, interest and fee income from our customers. We will remain highly alert about the impact of the possible slow recovery in rest of the world on our operations and take any necessary measures to mitigate the impact. We will actively expand the customer base and will explore business opportunities in the area of factoring in the communications industry and business opportunities in other industry with potential in particular. The Directors endeavor to seek more business opportunities in the financial industry as well as other industries to diversify the Group's existing business stream to enhance the long-term benefits of the Group and the shareholders as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2023, the Group's current assets were RMB593,611,000 (31st December, 2022: RMB667,107,000), of which RMB41,001,000 (31st December, 2022: RMB26,267,000) were cash and cash equivalents. As at 30th June, 2023, the net asset value of the Group amounted to RMB442,068,000, representing an increase of approximately 3.9% as compared to RMB425,402,000 in 31st December, 2022. The gearing ratio (total liabilities/total assets) of the Group was approximately 39.1% (31st December, 2022: 53.0%).

As at 30th June, 2023, the share capital of the Company was RMB105,965,000 (31st December, 2022: RMB105,965,000). The Group's reserves were RMB336,103,000 (31st December, 2022: RMB319,437,000). As at 30th June, 2023, the Group had total current liabilities of RMB257,789,000 (31st December, 2022: RMB396,354,000), mainly comprising other payables and liabilities, amounts due to related parties, bank and other borrowings and obligations arising from asset-backed financing arrangements. The total non-current liabilities of the Group amounted to RMB25,659,000 (31st December, 2022: RMB83,366,000), which mainly represented obligations arising from asset-backed financing arrangements, lease liabilities and deferred tax liabilities.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of debts, which include bank and other borrowings, obligations arising from asset-backed financing arrangements and amounts due to related parties and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. The Group was not engaged in any hedging by financial instruments in relation to exchange rate risk.

Borrowings

During the year ended 31st December, 2022, the Group entered into several asset-backed financing arrangements (the “**Financing Arrangements**”), the Financing Arrangements involved establishment of special purpose asset-backed vehicles through issuing agents or special purpose trust administered by trustees. The principal activities of the Group are provision of factoring related business. The proceeds from the entrance into the Financing Arrangements are principally used as general working capital of factoring related business of the Group. The Board believes that the entrance into the Financing Arrangements can widen the fund-raising channels of the Group to access low-cost capital, which in turn is used to improve the financing structure of the Group and promote its operating activities and investments activities. The Directors are of the view that the terms of the entrance into the Financing Arrangements are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

As at 30th June, 2023, bank and other borrowings and obligations arising from asset-backed financing arrangements amounted to RMB65,000,000 (31st December, 2022: RMB90,000,000) and RMB69,664,000 (31st December, 2022: RMB280,529,000) respectively. As at 30th June, 2023, bank and other borrowings and obligations arising from asset-backed financing arrangements are denominated in Renminbi.

Details of the bank and other borrowings and Financing Arrangements are set out in Notes 13 and 14 to the condensed consolidated financial statements respectively.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

The Group's credit facilities were secured by the Group's factoring receivables of RMB80,000,000 (31st December, 2022: RMB100,000,000) in aggregate as at 30th June, 2023 and the Group has the contractual obligations to transfer the cashflows relating to the Group's communications factoring receivables of RMB106,258,000 as at 30th June, 2023 (31st December, 2022: RMB291,373,000) under asset-backed financing arrangements.

Apart from above, the Group did not have any other guarantees and charges nor any other material contingent liabilities (31st December, 2022: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2023, the Group had a total of approximately 19 employees (where they were located in Hong Kong and the PRC), engaged in management, administration and business factoring related business. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practices. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Period, the Group provided various training courses on relevant business or skills for its management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the securities of the Company during the Period.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In the opinion of the Board, the Group has complied with all of the code provisions of the Corporate Governance Code ("**Code**") as set out in Part 2 of Appendix 14 to the Listing Rules throughout the Period, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 19th May, 2023 (the "**2022 AGM**") (deviated from Code F.2.2) due to other business commitment. Nevertheless, one of the independent non-executive Directors attended and acted as the chairman of the 2022 AGM; and (ii) Mr. Li Biao and Mr. Yu Guangshan, being non-executive Directors, were not able to attend the 2022 AGM (deviated from Code C.1.6) due to their other business commitments. Nevertheless, each of these Directors has passed their opinion to the chairman of the 2022 AGM before its commencement. All non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of the Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”). All the Directors, in response to specific enquiries made by the Company, confirmed that they complied with the requirements set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Company’s audit committee currently comprises Mr. Cheung Ting Kee (Chairman of the audit committee, an independent non-executive Director) and Dr. Liu Yongping (an independent non-executive Director). Duties of the audit committee include reviewing all matters relating to the scope of audit, such as the financial statements and internal control, with an aim to safeguard the interest of the shareholders of the Company. At a meeting held on 28th July, 2023, the audit committee reviewed the accounting principles and practices adopted by the Group, the unaudited interim results of the Group for the Period and discussed matters relating to audit, internal control and financial reporting with the management.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee with written terms of reference, whose members are currently Dr. Liu Yongping (an independent non-executive Director) and Mr. Pan Mingfeng (an executive Director). Regular meetings are held by the committee to review and discuss matters relating to the remuneration policy, remuneration levels and the remuneration of executive Directors.

NOMINATION COMMITTEE

The Company has set up a nomination committee with written terms of reference whose members are currently Mr. Liu Debing (Chairman of the nomination committee, a non-executive Director and Chairman of the Board) and Dr. Liu Yongping (an independent non-executive Director). Duties of the nomination committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience.

NON-COMPLIANCE WITH RULES 3.10, 3.10A, 3.21 AND 3.25 OF THE LISTING RULES

Pursuant to Rule 3.10 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive directors must represent at least one-third of the Board under Rule 3.10A of the Listing Rules. The audit committee of a listed issuer must comprise a minimum of three members under Rule 3.21 of the Listing Rules. Upon the resignation of Ms. Qian Ying as an independent non-executive Director on 19th June, 2023, the Board comprises eight members with two executive Directors, four non-executive Directors and two independent non-executive Directors. As a result, the number of independent non-executive Directors of the Board will be reduced to two which is below the minimum number under Rule 3.10 of the Listing Rules and below one-third of the Board under Rule 3.10A of the Listing Rules. The chairman of the remuneration committee of the Company will fall vacant under Rule 3.25 of the Listing Rules and the number of members of the audit committee of the Company will be reduced to two which is below the minimum number prescribed under Rule 3.21 of the Listing Rules. In order to comply with Rule 3.10, Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules, the Company is endeavoring to identify a suitable candidate to fill up the above-mentioned vacancies as soon as practicable and in any event within three months from 19th June, 2023, and will make further announcement(s) as and when appropriate.

PUBLICATION OF THE INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's interim report for the six months ended 30th June, 2023 will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.yueda.com.hk in due course.

By order of the Board
Yue Da International Holdings Limited
Liu Debing
Non-executive Director and Chairman of the Board

Hong Kong, 28th July, 2023

As at the date of this announcement, the Board comprises the following members: (a) as non-executive Directors, Mr. Liu Debing, Mr. Li Biao, Mr. Hu Huaimin and Mr. Yu Guangshan; (b) as executive Directors, Mr. Pan Mingfeng and Mr. Wu Shengquan; and (c) as independent non-executive Directors, Dr. Liu Yongping and Mr. Cheung Ting Kee.