



**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)**

## **2021** INTERIM REPORT



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## Corporate Information

### BOARD OF DIRECTORS:

#### Non-executive directors

Mr. Liu Debing

*(Chairman of the Board)*

Mr. Li Biao

Mr. Hu Huaimin

*(Vice Chairman of the Board)*

#### Executive directors

Mr. Cai Baoxiang

Mr. Bai Zhaoxiang

*(Vice Chief Executive and CFO)*

Mr. Pan Mingfeng

*(appointed on 1st April 2021)*

Mr. Sun Yuanming

*(resigned on 1st April 2021)*

#### Independent non-executive directors

Mr. Cui Shuming

Dr. Liu Yongping

Mr. Cheung Ting Kee

### AUDIT COMMITTEE:

Mr. Cheung Ting Kee *(Chairman)*,

Mr. Pan Mingfeng and Mr. Cui Shuming

### REMUNERATION COMMITTEE:

Mr. Cui Shuming *(Chairman)*,

Mr. Pan Mingfeng and Dr. Liu Yongping

### NOMINATION COMMITTEE:

Mr. Liu Debing *(Chairman)*,

Mr. Cui Shuming and Dr. Liu Yongping

### AUTHORISED REPRESENTATIVES:

Mr. Hu Huaimin

Mr. Bai Zhaoxiang

### COMPANY SECRETARY:

Mr. Shum Chi Chung FCPA

### AUDITOR:

Deloitte Touche Tohmatsu,

*Registered Public Interest Entity Auditors*

### LEGAL ADVISERS AS TO HONG KONG LAW:

Jun He Law Offices

## Corporate Information

### 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. 3321-3323 and 3325  
33/F, China Merchants Tower  
Shun Tak Centre  
No. 168-200 Connaught Road Central  
Sheung Wan  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

Hong Kong Registrars Limited  
Shop 1712-1716, 17/F,  
Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong

### PLACE OF LISTING:

Main Board of The Stock Exchange of  
Hong Kong Limited  
Stock code: 00629

### PRINCIPAL BANKERS:

China Construction Bank  
Bank of Communication  
China Citic Bank International

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2021

	NOTES	Six months ended	
		30.6.2021 RMB'000 (unaudited)	30.6.2020 RMB'000 (unaudited)
Revenue			
Contracts with customers	3A	4,656	6,353
Interests		23,079	14,892
		<b>27,735</b>	21,245
Cost relating to services rendered		(4,456)	(1,288)
Other income		1,135	2,425
Other gains and (losses), net	4	10,204	(8,132)
Administrative expenses		(5,468)	(4,481)
Finance costs	5	(3,243)	(2,735)
Profit before tax		<b>25,907</b>	7,034
Income tax expense	6	(10,050)	(4,171)
Profit and total comprehensive income for the period	7	<b>15,857</b>	2,863
<b>Earnings per share</b>	9		
– Basic		<b>RMB1.36 cents</b>	RMB0.25 cents
– Diluted		<b>RMB1.36 cents</b>	RMB0.25 cents

## Condensed Consolidated Statement of Financial Position

At 30th June, 2021

	<i>NOTES</i>	<b>30.6.2021</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2020 RMB'000 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	10	42	56
Right-of-use assets	10	366	55
Deferred tax assets		1,113	1,459
Other receivables	11	103,153	60,298
		<b>104,674</b>	61,868
<b>Current Assets</b>			
Other receivables	11	364,965	466,183
Amounts due from related companies	12	5,640	4,383
Pledged bank deposits	13	–	217,500
Cash and cash equivalents	13	13,704	21,060
		<b>384,309</b>	709,126
<b>Current Liabilities</b>			
Other payables	14	8,639	12,637
Contract liabilities		5,359	7,926
Bank borrowing	15	50,000	356,519
Amounts due to related companies	12	18,575	5,331
Amounts due to directors		716	526
Lease liabilities		206	61
Taxation payable		1,399	2,179
		<b>84,894</b>	385,179
<b>Net Current Assets</b>		<b>299,415</b>	323,947
<b>Total Assets Less Current Liabilities</b>		<b>404,089</b>	385,815

## Condensed Consolidated Statement of Financial Position

At 30th June, 2021

	<i>NOTE</i>	<b>30.6.2021</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2020 RMB'000 (audited)
<b>Capital and Reserves</b>			
Share capital	16	<b>105,965</b>	105,965
Reserves		<b>289,637</b>	273,780
Equity attributable to owners of the Company		<b>395,602</b>	379,745
<b>Non-current Liabilities</b>			
Lease liabilities		<b>163</b>	–
Deferred tax liabilities		<b>8,324</b>	6,070
		<b>8,487</b>	6,070
		<b>404,089</b>	385,815

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2021

	Attributable to owners of the Company						
	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2020 (audited)	105,965	967,576	3,794	157,178	23,949	(889,216)	369,246
Profit and total comprehensive income for the period	-	-	-	-	-	2,863	2,863
At 30th June, 2020 (unaudited)	105,965	967,576	3,794	157,178	23,949	(886,353)	372,109
At 1st January, 2021 (audited)	105,965	967,576	6,027	157,178	23,949	(880,950)	379,745
Profit and total comprehensive income for the period	-	-	-	-	-	15,857	15,857
Transfer	-	-	303	-	-	(303)	-
At 30th June, 2021 (unaudited)	105,965	967,576	6,330	157,178	23,949	(865,396)	395,602



## Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2021

	Six months ended	
	30.6.2021 RMB'000 (unaudited)	30.6.2020 RMB'000 (unaudited)
Net cash from operating activities	<b>54,795</b>	22,500
Net cash from (used in) investing activities		
Advance to related companies	<b>(1,044)</b>	(3,600)
Placement of pledged bank deposits	–	(217,500)
Withdrawal of pledged bank deposits	<b>217,500</b>	–
Interest received from bank deposits	<b>1,130</b>	2,364
Addition of structured deposits	–	(117,000)
Proceeds on redemption on structured deposits	–	117,059
	<b>217,586</b>	(218,677)
Net cash (used in) from financing activities		
New bank borrowing raised	<b>50,000</b>	50,000
Repayment of bank borrowing	<b>(341,658)</b>	–
Advance from related companies	<b>14,000</b>	–
Other financing cash flows	<b>(2,079)</b>	(2,410)
	<b>(279,737)</b>	47,590
Net decrease in cash and cash equivalents	<b>(7,356)</b>	(148,587)
Cash and cash equivalents at beginning of the period	<b>21,060</b>	206,399
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>13,704</b>	57,812

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

## 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.

## 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, 2021 are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31st December, 2020.

### 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 mandatory effective for the annual period beginning on or after 1st January, 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 14 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### Disaggregation of revenue from contracts with customers

	Six months ended	
	30.6.2021 RMB'000	30.6.2020 RMB'000
<b>Types of goods or service</b>		
Management fee from accounts receivable management and collection services	4,656	6,353
<b>Timing of revenue recognition</b>		
Overtime	4,656	6,353

All the revenue from contracts with customers are derived from the People's Republic of China (the "PRC").

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Six months ended	
	30.6.2021 RMB'000	30.6.2020 RMB'000
Revenue disclosed in segment information	27,735	21,245
Less: Interest income	(23,079)	(14,892)
<b>Revenue from contracts with customers</b>	<b>4,656</b>	<b>6,353</b>

### 3B. SEGMENT INFORMATION

The Group's reportable and operating segments under HKFRS 8, based on information reported to the chief operating decision maker ("CODM"), represented by the executive directors of the Company, for the purposes of resource allocation and performance assessment is provision of factoring services, accounts receivable management and collection and factoring consultancy services ("Factoring Related Business").

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 3B. SEGMENT INFORMATION (CONTINUED)

#### Segment result

The CODM reviewed the segment results, which represent the profit earned by the segment without allocation of other income, other gains and losses as described below, central administration costs, and finance costs for the purposes of resource allocation and performance assessment.

	<b>Six months ended</b>	
	<b>30.6.2021</b>	30.6.2020
	<b>RMB'000</b>	RMB'000
Segment revenue – external	<b>27,735</b>	21,245
Segment profit	<b>23,279</b>	19,957
Other income	<b>1,135</b>	2,425
Other gains and losses		
– Net foreign exchange gain (loss)	<b>8,820</b>	(6,601)
– Loss on disposal of property, plant and equipment	–	(41)
– Impairment losses under expected credit loss model, net of reversal	<b>1,384</b>	(1,490)
Central administration costs	<b>(5,468)</b>	(4,481)
Finance costs	<b>(3,243)</b>	(2,735)
Profit before tax	<b>25,907</b>	7,034

#### Segment assets and liabilities

Amounts of segment assets and liabilities of the Group are not reviewed by the CODM or otherwise regularly provided to the CODM, accordingly, segment assets and liabilities are not presented.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 4. OTHER GAINS AND (LOSSES), NET

	Six months ended	
	30.6.2021 RMB'000	30.6.2020 RMB'000
Net foreign exchange gain (loss)	8,820	(6,601)
Loss on disposal of property, plant and equipment	–	(41)
Impairment losses under expected credit loss model, net of reversal	1,384	(1,490)
	<b>10,204</b>	<b>(8,132)</b>

### 5. FINANCE COSTS

	Six months ended	
	30.6.2021 RMB'000	30.6.2020 RMB'000
Interest on bank borrowings	3,236	2,726
Interest on lease liabilities	7	9
	<b>3,243</b>	<b>2,735</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2021 RMB'000	30.6.2020 RMB'000
Current tax		
– PRC Enterprise Income tax	7,450	3,734
Deferred tax	2,600	437
	<b>10,050</b>	<b>4,171</b>

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 the six months ended 30th June, 2021 (for the six months ended 30th June, 2020: 25%).

### 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	
	30.6.2021 RMB'000	30.6.2020 RMB'000
Depreciation of property, plant and equipment	14	207
Depreciation of right-of-use assets	52	287
Interest income from bank deposits (included in other income)	(1,130)	(2,364)
Income from structured deposits (included in other income)	–	(59)

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 8. DIVIDEND

No dividend was paid, declared or proposed during six months ended 30th June, 2021. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th June, 2021.

### 9. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2021 RMB'000	30.6.2020 RMB'000
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	15,857	2,863
<b>Number of shares</b>	<b>Number</b>	Number
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,168,626,516	1,168,626,516

### 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30th June, 2021, the Group incurred nil (during the six months ended 30th June, 2020: nil) on the purchase of property, plant and equipment.

During the six months ended 30th June, 2021, the Group entered into a new lease agreement for the use of an office for two years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised RMB419,000 of right-of-use asset and RMB419,000 lease liability during the six months ended 30th June, 2021 (during the six months ended 30th June, 2020: nil).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 11. OTHER RECEIVABLES

	<b>30.6.2021</b>	31.12.2020
	<b>RMB'000</b>	RMB'000
Factoring receivables	<b>466,788</b>	521,800
Other receivables and prepayments	<b>1,330</b>	4,681
<b>Total other receivables</b>	<b>468,118</b>	526,481
Analysed as:		
Current portion	<b>364,965</b>	466,183
Non-current portion	<b>103,153</b>	60,298
	<b>468,118</b>	526,481

At as 30th June, 2021, the factoring receivables balance included debts due from related companies of RMB117,655,000 (31st December, 2020: RMB137,229,000) which were guaranteed by a related company of the Company and detailed as below.

	<b>30.6.2021</b>	31.12.2020
	<b>RMB'000</b>	RMB'000
Yancheng Yue Da Tianhui Real Estate Company Limited (“Yancheng Yue Da Tianhui Real Estate”) <i>(Note)</i>	<b>51,049</b>	93,771
Dafeng Yuefeng Industrial Company Limited (“Dafeng Yuefeng Industrial”) <i>(Note)</i>	<b>25,129</b>	3,637
Yancheng Yueda Zhiye Development Limited (“Yancheng Yueda Zhiye Development”) <i>(Note)</i>	<b>41,477</b>	39,821
	<b>117,655</b>	137,229

*Note:* Yancheng Yue Da Tianhui Real Estate, Dafeng Yuefeng Industrial and Yancheng Yueda Zhiye Development are fellow subsidiaries of the Company.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 12. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	30.6.2021 RMB'000	31.12.2020 RMB'000
Yue Da Mining Limited ("YDM") (Note 1)	3,714	2,707
Yue Da Capital (H.K.) Limited ("Yue Da Capital HK") (Note 2)	1,926	1,676
	<b>5,640</b>	<b>4,383</b>

As at 30th June, 2021, the amount due from Yue Da Capital HK included the rental receivables of RMB782,000 (31st December 2020: RMB791,000) for the leasing of office premises by Yue Da Capital HK.

The remaining balances of amounts due from related companies are non-trade related, unsecured, interest-free and repayable on demand for as at 30th June, 2021 and 31st December, 2020.

	Due to	
	30.6.2021 RMB'000	31.12.2020 RMB'000
Yue Da Capital Co., Limited ("Yue Da Capital") (Note 3)	9,043	43
Yue Da Capital HK (Note 2)	8,626	4,533
Yue Da Group (H.K.) Co., Limited ("YDHK") (Note 4)	614	621
Yue Da Enterprise (Group) HK Co., Ltd. ("Yue Da Enterprise") (Note 5)	133	134
Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong") (Note 6)	159	–
	<b>18,575</b>	<b>5,331</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 12. AMOUNTS DUE FROM/TO RELATED COMPANIES (CONTINUED)

As at 30th June, 2021, the amounts due to YDHK and Yue Da Enterprise included the short-term lease payables of RMB614,000 and RMB133,000 respectively (31st December, 2020: RMB621,000 and RMB134,000, respectively) for the leasing of office premises and staff quarter by the Group.

The remaining balance of amounts due to related companies are non-trade related, unsecured, interest-free and repayable on demand as at 30th June, 2021 and 31st December, 2020.

*Notes:*

- (1) YDM becomes a fellow subsidiary of the Company.
- (2) Yue Da Capital HK is the immediate holding company of the Company.
- (3) Yue Da Capital is an intermediate holding company of the Company.
- (4) YDHK is a shareholder of the Company.
- (5) Yue Da Enterprise is a fellow subsidiary of the Company.
- (6) Baoshan Feilong is a fellow subsidiary of the Company.

### 13. PLEDGED BANK DEPOSITS

Pledged bank deposits represented deposits pledged to bank to secure the banking facilities granted to the Group. At 31st December, 2020, deposits amounting RMB217,500,000 were pledged to bank for the issuance of letters of credit. The pledged bank deposits were released upon settlement of the relevant bank borrowing under the current interim period.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 14. OTHER PAYABLES

	<b>30.6.2021</b>	31.12.2020
	<b>RMB'000</b>	RMB'000
Other advance payments from customers	<b>551</b>	3,053
Accrued staff costs	<b>1,206</b>	3,265
Other payables and accrued charges	<b>6,882</b>	6,319
	<b>8,639</b>	12,637

### 15. BANK BORROWING

	<b>30.6.2021</b>	31.12.2020
	<b>RMB'000</b>	RMB'000
Bank loan – payable within one year*	<b>50,000</b>	356,519

\* The amount due is based on scheduled repayment date set out on the loan agreement.

As at 31st December, 2020, the bank borrowing of RMB356,519,000 was secured by the Group's pledged bank deposits. The bank borrowing carried interest of Euro Interbank Offered Rate plus 1.2% per annum.

During the current interim period, a new borrowing of RMB50,000,000 is obtained by the Group. As at 30th June, 2021, the bank borrowing amounting RMB50,000,000 is with the effective interest rate (which is also equal to contracted interest rate) at the one-year Loan Prime Rate published by National Interbank Funding Center the latest working day before the drawdown of the bank loan plus 2.45% per annum secured by the Group's factoring receivables and guaranteed by Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), the ultimate parent of the Company.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 16. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Shown in the condensed consolidated financial statements RMB'000
Ordinary shares of HK\$0.25 each:			
Authorised			
At 1st January, 2020, 30th June, 2020, 1st January, 2021 and 30th June, 2021	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2020, 30th June, 2020, 1st January, 2021 and 30th June, 2021	1,168,626,516	116,863	105,965

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 17. RELATED PARTY DISCLOSURES

- (i) The transactions and balances with government related entities are listed below:

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government. The Company is ultimately controlled by the PRC government. The Company's parent is Yue Da Capital HK, a company incorporated in Hong Kong with limited liabilities, and the Company's ultimate parent is Jiangsu Yue Da, which is controlled by the Yancheng Municipal People's Government.

- (a) Transactions and balances with subsidiaries of Jiangsu Yue Da:

Name of related parties	Nature of transactions	Six months ended	
		30.6.2021 RMB'000	30.6.2020 RMB'000
Jiangsu Yue Da Commercial Properties Company Limited	Interest income from factoring business	3,271	-
	Management fee income	820	-

Details of the outstanding balance with subsidiaries of Jiangsu Yue Da are set out in Notes 11 and 12.

Details of the guarantee provided by Jiangsu Yue Da are set out in Note 15.

As at 30th June, 2021, the receipt in advance relating to management fee income from Jiangsu Yue Da Commercial Properties Company Limited amounted RMB3,694,000 (31st December, 2020: RMB4,034,000).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2021

### 17. RELATED PARTY DISCLOSURES (CONTINUED)

(i) The transactions and balances with government related entities are listed below: (continued)

(b) Transactions and balances with other government related entities:

Apart from the transactions with related parties disclosed above, the Group also conducts business with other government related entities. The directors of the Company consider those government related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government related entities, the Group does not differentiate whether the counter-party is a government related entity or not.

(ii) Compensation of key management personnel:

The remuneration of directors and key management during the period, which is determined by the remuneration committee having regard to the performance of individuals and market trends, is as follows:

	Six months ended	
	30.6.2021 RMB'000	30.6.2020 RMB'000
Short-term benefits	1,413	1,354
Post-employment benefits	119	72
	<b>1,532</b>	1,426

## Management Discussion and Analysis

### FINANCIAL PERFORMANCE

The Group recorded an operating revenue of RMB27,735,000 for the six months ended 30th June, 2021 in the factoring business (the “Period”), which increased by approximately 30.5% when compared with RMB21,245,000 in 2020. The profit and total comprehensive income for the Period was RMB15,857,000 (corresponding period of last year: RMB2,863,000) and basic earnings per share was RMB1.36 cents (corresponding period of last year: RMB0.25 cents).

The increase in the profit and total comprehensive income was mainly attributable to a net exchange gain of RMB8,820,000 in the Period as compared to a net exchange loss of RMB6,601,000 in the corresponding period of last year, as a result of appreciation of Renminbi during the Period.

### INTERIM DIVIDEND

The board (“Board”) of directors (“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 Business Factoring Related Business (the “Factoring Operations”).

### FACTORING OPERATIONS

During the Period, the Factoring Operations recorded an operating revenue of RMB27,735,000 (corresponding period of last year: RMB21,245,000) with a segment profit of RMB23,279,000 (corresponding period of last year: RMB19,957,000).

## Management Discussion and Analysis

### FACTORING OPERATIONS (CONTINUED)

#### Traditional Factoring

Traditional factoring loans with total principal amount of RMB333,194,000 was granted as at 30th June, 2021 (31st December, 2020: RMB487,847,000), and recorded interest income and administration fee income of RMB16,667,000 (corresponding period of last year: RMB14,892,000) and RMB4,656,000 (corresponding period of last year: RMB6,353,000) respectively during the Period.

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

The Company 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, 2021, the Factoring Operations of the Company has approximately 14 employees and is led by an experienced management team, including:

- Mr. Cai Baoxiang, being an executive director of the Company, and the chairman of Yueda (Shenzhen) Commercial Factoring Co., Ltd. ("Yueda Factoring"), has more than 20 years' experience in banking and business factoring, and has won awards such as China Business Factoring Industry Contribution Award in 2017 and China Business Factoring Industry 5th Outstanding Contribution Individual in 2017. Mr. Cai is an intermediate economist in the PRC and graduated from Jiangsu Open University majoring in Financial Management.



## Management Discussion and Analysis

### FACTORING OPERATIONS (CONTINUED)

#### Traditional Factoring (Continued)

- Mr. Pan Mingfeng, being the general manager of Yueda Factoring, has more than 10 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 Factoring, including the Telecommunication Installment Services.
- Ms. Gao Ying being the chief risk officer of Yueda Factoring, has 5 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 Factoring.

Yueda Factoring conducts its factoring business in the PRC within the scope of its business license. Yueda Factoring (as the factor) provides accounts receivable management and collection services to its customers (as seller) in return for interest and management fee income payments with comprehensive rates of return ranging from approximately 9.5% to 10.5%, composed of interest rate per annum (approximately 6.0% to 10.0%), and factoring management fee income per annum (approximately 0% to 3.9%).

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 entities with stable cashflow and relatively stable financial position.

## Management Discussion and Analysis

### FACTORING OPERATIONS (CONTINUED)

#### Traditional Factoring (Continued)

Prior to the provision of Factoring Services and approval of the grant of revolving loan 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 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 Factoring is 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 Factoring.

#### Telecommunication Instalment Factoring

Telecommunication Instalment Factoring loans with total principal amount of RMB137,342,000 was granted as at 30th June, 2021 (31st December, 2020: RMB39,118,000), and recorded interest income RMB6,412,000 (corresponding period of last year: nil during the Period. The Telecommunication Instalment Factoring business commenced in 2020.

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

## Management Discussion and Analysis

### FACTORING OPERATIONS (CONTINUED)

#### **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 business of the Factoring Operations. Due to slowdown of economy of China and outbreak of the COVID-19, due diligence on potential new customers was more stringent in order to improve the overall quality of customer base.

#### **Telecommunication instalment services:**

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

#### **Accounts receivable consultancy services:**

The Group joined as a member of the Factors Chain International ("FCI"), which is an international association of factoring services providers. FCI can strengthen our business network and help develop accounts receivable consultancy services to customers for one-off revenue.

#### **Exploring potential investment opportunities:**

As at the date hereof, the Company 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.

# Management Discussion and Analysis

## FACTORING OPERATIONS (CONTINUED)

### Funding requirements:

The Group will continue to utilise its internal resources and bank loans to develop the Factoring Operations. On top of the existing banking facilities, several banking facilities are being negotiated. The Group will also consider the possibilities of using Asset-Backed Securitization in the future as another funding alternative.

## PROSPECTS

Looking forward to the second half of 2021, the Group will focus on the factoring business in the future. The outbreak of the COVID-19 in China and the rest of the world will remain a great challenge to the economy and our operations in the second half of 2021. As at the date of this report, we have not experienced any default in repayment of principal, interest and fee income from our customers. We will remain highly alert about the impact of the epidemic 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 telecommunication 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 Company and the shareholders as a whole.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2021, the Group's current assets were RMB384,309,000 (31st December, 2020: RMB709,126,000), of which RMB13,704,000 (31st December, 2020: RMB21,060,000) were bank balances and cash on hand and RMB Nil (31st December, 2020: RMB217,500,000) were pledged bank deposits. As at 30th June, 2021, the net asset value of the Group amounted to RMB395,602,000, representing an increase of approximately 4.2% as compared to RMB379,745,000 at 31st December, 2020. The gearing ratio (total liabilities/total assets) of the Group was approximately 19.1% (31st December, 2020: 50.7%).

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 30th June, 2021, the share capital of the Company was RMB105,965,000 (31st December, 2020: RMB105,965,000). The Group's reserves were RMB289,637,000 (31st December, 2020: RMB273,780,000). As at 30th June, 2021, the Group had total current liabilities of RMB84,894,000 (31st December, 2020: RMB385,179,000), mainly comprising other payables, bank borrowing and amounts due to related companies. The total non-current liabilities of the Group amounted to RMB8,487,000 (31st December, 2020: RMB6,070,000), which mainly represented deferred tax liabilities.

### CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of debts, which include bank borrowing, amounts due to related companies and amounts due to directors 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.

The Group recorded foreign net exchange gains amounting to RMB8,820,000 during the Period mainly due to appreciation of Renminbi which decrease the value in Renminbi of liabilities denominated in currencies other than Renminbi. After repayment of bank loan in Euro during the period, there is no significant assets and liabilities of the Group subject to exchange rate risk.

## Management Discussion and Analysis

### CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 30th June, 2021, the Group did not have any guarantees and charges nor any other material contingent liabilities.

### EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2021, the Group had a total of approximately 20 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.

## Other Information

### 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 as set out in Appendix 14 to the Listing Rules throughout the Period, except that (i) Mr. Liu Debing, Mr. Li Biao, Mr. Hu Huaimin and Mr. Cui Shuming, being non-executive Directors were not able to attend the annual general meeting of the Company held on 20th May, 2021 (the "2020 AGM") due to their other business commitments. Nevertheless, Mr. Liu has passed his opinion to the chairman of the 2020 AGM before its commencement; and (ii) the non-executive Directors are not appointed for a specific term (deviated from code provision A.4.1). However, 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.

## Other Information

### AUDIT COMMITTEE

The Company's audit committee currently comprises Mr. Cheung Ting Kee (Chairman of the audit committee, an independent non-executive Director), Mr. Pan Mingfeng (an executive Director) and Mr. Cui Shuming (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 30th July, 2021, 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 Mr. Cui Shuming (Chairman of the remuneration committee, an independent non-executive Director), 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), Mr. Cui Shuming (an independent non-executive Director) 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.



## Other Information

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OR ANY ASSOCIATED CORPORATION OF THE COMPANY

As at 30th June, 2021, the interests of each Director and their associates in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“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 for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of the company/associated corporation	Capacity	Number of ordinary shares of the Company (“Shares”) <i>(Note 1)</i>	Approximate percentage in the entire issued share capital of the Company
Hu Huaimin	The Company	Beneficial owner	1,130,666	0.10%
Li Biao	The Company	Beneficial owner	690,640	0.06%

*Notes:*

- All interests in the Shares and underlying shares of the Company were long positions. None of the Directors held any short position in the Shares and underlying shares of the Company.

Save as disclosed above and in this interim report, as at 30th June, 2021, none of the Directors, chief executives nor their associates had any interests or short positions in any Shares and underlying shares of the Company or any of the Company’s associated corporations.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTEREST

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, as at 30th June, 2021, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name of the Shareholder	Name of the company/ associated corporation	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage in the entire issued share capital of the Company
Yue Da Capital (H.K.) Limited	The Company	Beneficial owner	600,000,000	51.34%
Yue Da Group (H.K.) Co., Limited	The Company	Beneficial owner	208,979,333	17.88%
Yueda Capital Company Limited	The Company	Interest of a controlled corporation	600,000,000	51.34%
Jiangsu Yue Da Group Company Limited	The Company	Interest of a controlled corporation	808,979,333 <i>(Note 2)</i>	69.22%

*Notes:*

- All interests in the Shares are long positions.
- Jiangsu Yue Da Group Company Limited holds 100% interests in Yue Da Group (H.K.) Co., Limited and 98% interests in Yue Da Capital Company Limited which holds 100% interests in Yue Da Capital (H.K.) Limited and is accordingly deemed to be interested in the shares of the Company beneficially owned by Yue Da Group (H.K.) Co., Limited and Yue Da Capital (H.K.) Limited under the SFO.

## Other Information

### SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a resolution passed on 29 November, 2001 and 9th June, 2011 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. Such share option scheme was terminated on 20th May, 2021 and a new share option scheme was adopted by the Company on 20th May, 2021 for the same purpose. As at 30th June 2021 and 31st December 2020, there is no share options remained outstanding under the share option scheme.

As at the date of this report, the Board comprises the following members:

<i>Executive Directors</i>	<i>Non-executive Directors</i>	<i>Independent non-executive Directors</i>
Cai Baoxiang	Liu Debing	Cui Shuming
Bai Zhaoxiang	Li Biao	Liu Yongping
Pan Mingfeng	Hu Huaimin	Cheung Ting Kee

By order of the Board

**Yue Da International Holdings Limited**

**Liu Debing**

*Non-executive Director and Chairman of the Board*

Hong Kong, 30th July, 2021