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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)

Interim Results Announcement For the Six Months Ended 30th June, 2020

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, 2020 (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, 2020

		Six months ended	
	NOTES	30.6.2020 RMB'000 (unaudited)	30.6.2019 RMB'000 (unaudited) (Restated)
Continuing operations			
Revenue			
Contracts with customers	3A	6,353	7,092
Interests		14,892	18,488
		<u>21,245</u>	<u>25,580</u>
Cost relating to services rendered		(1,288)	(1,425)
Other income		2,425	1,065
Other gains and (losses), net	4	(8,132)	2,621
Administrative expenses		(4,481)	(8,368)
Finance costs	5	(2,735)	(6,156)
		<u>7,034</u>	<u>13,317</u>
Profit before tax		7,034	13,317
Income tax expense	6	(4,171)	(6,408)
		<u>2,863</u>	<u>6,909</u>
Profit and total comprehensive income for the period from continuing operations	8	2,863	6,909
Discontinued operation			
Loss and total comprehensive expense for the period from discontinued operation	7	–	(2,985)
		<u>–</u>	<u>(2,985)</u>
Profit and total comprehensive income for the period		<u>2,863</u>	<u>3,924</u>
Earnings per share			
From continuing and discontinued operations	10		
– Basic		<u>RMB0.25 cents</u>	<u>RMB0.34 cents</u>
– Diluted		<u>RMB0.25 cents</u>	<u>RMB0.34 cents</u>
From continuing operations			
– Basic		<u>RMB0.25 cents</u>	<u>RMB0.59 cents</u>
– Diluted		<u>RMB0.25 cents</u>	<u>RMB0.59 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2020

	<i>NOTES</i>	30.6.2020 RMB'000 (unaudited)	31.12.2019 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment		284	532
Right-of-use assets		178	459
Other receivables	<i>11</i>	396	–
Deferred tax assets		1,112	739
		1,970	1,730
Current Assets			
Other receivables	<i>11</i>	528,325	538,978
Amounts due from related companies		10,780	7,113
Cash and cash equivalents		57,812	206,399
Pledged bank deposits		217,500	–
		814,417	752,490
Current Liabilities			
Other payables	<i>12</i>	18,304	17,153
Contract liabilities		6,594	4,981
Amounts due to related companies		5,718	6,362
Amounts due to directors		613	616
Bank borrowings	<i>13</i>	403,675	–
Lease liabilities		183	408
Taxation payable		4,544	4,345
		439,631	33,865
Net Current Assets		374,786	718,625
Total Assets Less Current Liabilities		376,756	720,355

	<i>NOTE</i>	30.6.2020 <i>RMB'000</i> (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Capital and Reserves			
Share capital		105,965	105,965
Reserves		266,144	263,281
		<hr/>	<hr/>
Equity attributable to owners of the Company		372,109	369,246
		<hr/>	<hr/>
Non-current Liabilities			
Bank borrowings	<i>13</i>	–	347,211
Lease liabilities		–	61
Deferred tax liabilities		4,647	3,837
		<hr/>	<hr/>
		4,647	351,109
		<hr/>	<hr/>
		376,756	720,355
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

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 except for certain financial instruments, which are measured at fair values.

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, 2020 are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31st December, 2019.

Application of new and amendments and interpretation to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments and interpretation to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and 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.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

Continuing operations

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
		(Restated)
Types of goods or service		
Management fee from accounts receivable management and collection services	<u>6,353</u>	<u>7,092</u>
Timing of revenue recognition		
Overtime	<u>6,353</u>	<u>7,092</u>

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.

Continuing operations

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
		(Restated)
Revenue disclosed in segment information	21,245	25,580
Less: Interest income	<u>(14,892)</u>	<u>(18,488)</u>
Revenue from contracts with customers	<u>6,353</u>	<u>7,092</u>

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").

An operating segment regarding the exploration, mining and processing of mainly zinc, lead, copper, iron and gold ("Mining Operations") was discontinued during the year ended 31st December, 2019, along with the Group's disposal of Yuelong Limited and its subsidiary. The segment information reported does not include any amounts for the discontinued operation, which are described in more details in Note 7.

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.

Continuing operations

	Six months ended	
	30.6.2020 RMB'000	30.6.2019 RMB'000 (Restated)
Segment revenue – external	<u>21,245</u>	<u>25,580</u>
Segment profit	19,957	21,526
Other income	2,425	1,065
Other gains and losses		
– Net foreign exchange gain (loss)	(6,601)	2,550
– Loss on disposal of property, plant and equipment	(41)	–
– Gain arising from subsidiaries disposed	–	87
– Impairment losses under expected credit loss model, net of reversal	(1,490)	(16)
Central administration costs	(4,481)	(5,739)
Finance costs	<u>(2,735)</u>	<u>(6,156)</u>
Profit before tax	<u>7,034</u>	<u>13,317</u>

4. OTHER GAINS AND (LOSSES), NET

	Six months ended	
	30.6.2020 RMB'000	30.6.2019 RMB'000 (Restated)
Continuing operations		
Net foreign exchange (loss) gain	(6,601)	2,550
Loss on disposal of property, plant and equipment	(41)	–
Gain on the disposals of subsidiaries (<i>Note 14</i>)	–	87
Impairment losses under expected credit loss model, net of reversal	<u>(1,490)</u>	<u>(16)</u>
	<u>(8,132)</u>	<u>2,621</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2020	30.6.2019
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Continuing operations		
Interest on bank borrowings	2,726	2,874
Interest on corporate bonds	–	3,270
Interest on lease liabilities	9	12
	<u>2,735</u>	<u>6,156</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2020	30.6.2019
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Continuing operations		
Current tax		
– PRC Enterprise Income tax	3,734	5,262
Deferred tax	437	1,146
	<u>4,171</u>	<u>6,408</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 subsidiaries of the Group is 25% for the six months ended 30th June, 2020 (for the six months ended 30th June, 2019: 25%).

7. DISCONTINUED OPERATION

On 23rd July, 2019, the Company, entered into a sale and purchase agreement with Yue Da Group (H.K.) Co., Limited (“YDHK”), a shareholder of the Company, pursuant to which the Company has agreed to sell and YDHK has conditionally agreed to acquire the 100% equity interest in Yuelong Limited (“Yuelong”) (“Yuelong Disposal”). The total consideration for the disposal is RMB230,800,000 which should be settled by way of net-off against the outstanding indebtedness owing by the Group to YDHK and its subsidiaries. The principal asset of Yuelong is its investment in a wholly owned subsidiary, Baoshan Feilong Nonferrous Metal Co., Ltd. (“Baoshan Feilong”) which is engaging in business of mining and processing of zinc, copper and lead. The disposal was completed in October, 2019, and the Group ceased to carry out Mining Operations.

The loss for the period from the discontinued operation is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present Mining Operations as a discontinued operation.

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
Loss of Mining Operations for the period	—	(2,985)

The results of Mining Operations for the six months ended 30th June, 2019, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Six months ended
	30.6.2019
	RMB'000
Revenue – Contracts with customers	16,972
Cost relating to inventories sold	(15,081)
	1,891
Other income	126
Administrative expenses	(5,059)
Finance costs	(546)
Loss before tax	(3,588)
Income tax credit	603
Loss for the period	(2,985)

Cash flows used in Mining Operations:

	Six months ended 30.6.2019 <i>RMB'000</i>
Net cash flows used in operating activities	(17,563)
Net cash flows from investing activities	3,283
Net cash flows used in financing activities	<u>(546)</u>
Net cash flows	<u><u>(14,826)</u></u>

8. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Six months ended	
	30.6.2020	30.6.2019
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Depreciation of property, plant and equipment	207	134
Depreciation of right-of-use assets	287	1,090
Interest income from bank deposits (included in other income)	(2,364)	(812)
Income from structured deposits (included in other income)	(59)	(245)
	<u><u>(59)</u></u>	<u><u>(245)</u></u>

9. DIVIDEND

No dividend was paid, declared or proposed during six months ended 30th June, 2020. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th June, 2020.

10. 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:

From continuing and discontinued operations

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
		(Restated)
Profit for the period attributable to owners of the Company	2,863	6,909
Less: loss for the period from discontinued operation attributable to owners of the Company	—	(2,985)
Profit for the period from continuing operations attributable to owners of the Company for the purpose of basic and diluted earnings per share	2,863	3,924
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,168,626,516	1,168,626,516

From discontinued operation

Basic and diluted loss per share for the discontinued operation is RMB0.25 cents per share for the six months ended 30th June, 2019, based on the loss for the period from the discontinued operation attributable to owners of the Company of RMB2,985,000 and the denominators detailed above for both basic and diluted earnings per share.

The computation of the diluted earnings per share does not assume the exercise of the share options because the exercise price of those options was higher than the average market price for shares.

11. OTHER RECEIVABLES

	30.6.2020	31.12.2019
	RMB'000	RMB'000
Factoring receivables	525,628	537,053
Other receivables and prepayments	3,093	1,925
Total other receivables	528,721	538,978
Less: non-current factoring receivables	396	—
Current portion	528,325	538,976

At as 30th June, 2020, the factoring receivables balance included debts due from related companies of RMB89,267,000 (31st December, 2019: RMB54,597,000) which were guaranteed by a related company of the Company and detailed as below.

	30.6.2020 RMB'000	31.12.2019 <i>RMB'000</i>
Jiangsu Yue Da Commercial Properties Company Limited ("Jiangsu Yue Da Commercial Properties") (<i>Note</i>)	16,599	16,599
Yancheng Yue Da Tianhui Real Estate Company Limited ("Yancheng Yue Da Tianhui Real Estate") (<i>Note</i>)	69,815	35,145
Yancheng Yue Da Dongfang Real Estate Company Limited ("Yancheng Yue Da Dongfang Real Estate") (<i>Note</i>)	2,853	2,853
	<u>89,267</u>	<u>54,597</u>

Note: Jiangsu Yue Da Commercial Properties, Yancheng Yue Da Tianhui Real Estate and Yancheng Yue Da Dongfang Real Estate are fellow subsidiaries of the Company.

12. OTHER PAYABLES

	30.6.2020 RMB'000	31.12.2019 <i>RMB'000</i>
Other advance payments from customers	10,471	5,314
Accrued staff costs	801	3,349
Other payables and accrued charges	7,032	8,490
	<u>18,304</u>	<u>17,153</u>

13. BANK BORROWINGS

	30.6.2020 RMB'000	31.12.2019 <i>RMB'000</i>
Bank loans – payable*:		
Within one year	403,675	–
Within a period of more than one year but not exceeding two years	<u>–</u>	<u>347,211</u>
	403,675	347,211
Less: Amounts due within one year shown under current liabilities	<u>(403,675)</u>	<u>–</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>347,211</u>

* The amount due is based on scheduled repayment dates set out on the loan agreements.

As at 30th June 2020, the range of effective interest rate (which is also equal to contracted interest rate) on the Group's borrowing of RMB353,675,000 (31st December, 2019: RMB347,211,000) is 1.2% per annum, adjusted by Euro Interbank Offered Rate ("EURIBOR") when it is positive (six months ended 30th June, 2019: 1.2% per annum, adjusted by EURIBOR when it is positive).

As at 30th June 2020, the range of effective interest rate (which is also equal to contracted interest rate) on the Group's remaining borrowing of RMB50,000,000 (31st December, 2019: nil) is the one-year Loan Prime Rate published by National Interbank Funding Center at the latest working day before the drawdown of the bank loan plus 2.45% per annum.

As at 31st December, 2019, the bank loan of RMB347,211,000 was guaranteed by Yue Da Capital, a related company of the Group. During the current interim period, the guarantee provided by Yue Da Capital has been released and bank deposits amounting to RMB217,500,000 have been pledged to secure the relevant bank loan.

As at 30th June, 2020, the bank loan of RMB50,000,000 is guaranteed by Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), the ultimate parent of the Company.

14. DISPOSAL OF SUBSIDIARIES

On 20th March, 2019, the Company, entered into a sale and purchase agreement with YDHK pursuant to which the Company has agreed to sell and YDHK has conditionally agreed to acquire the 100% equity interest in YDM and its subsidiaries ("YDM Disposal"). The total consideration for the disposal is US\$5,600,000 (equivalent to approximately RMB37,706,000) which should be settled by way of net-off against the outstanding indebtedness owing by the Group to YDHK. The principal asset of YDM is the Deposits (as detailed in Note 22 in the Company's 2019 annual report). The disposal was completed during the six months ended 30th June, 2019.

The following are the assets and liabilities disposed of on the date of completion:

	<i>RMB'000</i>
Net assets disposed of:	
Trade and other receivables	37,372
Cash and cash equivalents	247
Amount due to a group entity	(2,232)
	<hr/>
	35,387
Deemed capital contribution	2,232
Gain on disposal	87
	<hr/>
Total consideration	<u>37,706</u>
Satisfied by:	
Net-off against amount due to a related company	<u>37,706</u>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	<u>(247)</u>

During the period between 1st January, 2019 and the date of disposal, YDM and its subsidiaries contributed no material profit or loss to the Group's results. YDM and its subsidiaries did not have material effect on the Group's cash flow during the six months ended 30th June, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group recorded an operating revenue of RMB21,245,000 or the six months ended 30th June 2020 in the factoring business (the “**Period**”), which decreased by approximately 16.9% when compared with RMB25,580,000 in 2019. The profit and total comprehensive income for the Period from continuing operations was RMB2,863,000 (corresponding period of last year: RMB6,909,000) and basic earnings per share was RMB0.25 cents (corresponding period of last year: RMB0.59 cents).

The decrease in the profit and total comprehensive income was mainly attributable to (i) the decrease in interest income and administration fee income from granting of factoring loans; and (ii) a net exchange loss of RMB6,601,000 in the Period as compared to a net exchange gain of RMB2,550,000 in the corresponding period of last year, as a result of depreciation of Renminbi during the Period. On the other hand, the Group took further effort of cost control to reduce administrative expenses and the corporate bonds was matured during 2019, which reduce the finance costs. The Group managed to achieve a mild decrease in the profit and total comprehensive income.

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 RMB21,245,000 (corresponding period of last year: RMB25,580,000) with a segment profit of RMB19,957,000 (corresponding period of last year: RMB21,526,000). Traditional factoring loans with total principal amount of RMB529,679,000 was granted as at 30th June 2020 (31st December 2019: RMB540,009,000), and recorded interest income and administration fee income of RMB14,892,000 (corresponding period of last year: RMB18,488,000) and RMB6,353,000 (corresponding period of last year: RMB7,092,000) respectively during the Period. The decrease in factoring loans granted and the interest income and administration fee income was mainly due to slowdown of economy of China in late 2019 and the COVID-19 outbreak in early 2020, the Group took a more conservative approach in granting of factoring loans.

Besides for the further development of the existing commercial factoring business, Yueda Factoring is implementing and will implement the following services and development activities:

1. Telecommunication instalment services;
2. Accounts receivable consultancy services; and

3. Exploring potential investment opportunities.

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 2020, the Factoring Operations of the Company has approximately 17 employees and is led by an experienced management team, including:

- Mr. Cai Baoxiang, being an executive director and vice chief executive of the Company, and the chairman of 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.
- 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 abovementioned 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 4.5% to 10.0%), and factoring management fee income per annum (approximately 0% to 6.0%).

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 entities with stable cashflow and relatively stable financial position.

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.

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.

Existing factoring financial services:

The Group believes that, being a stated-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 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. There has been a temporary downturn in business activities in the Factoring Operations but the Group believes it will pick up again, hopefully later this year, after stabilisation of the COVID-19 outbreak.

Telecommunication instalment services:

The Group has commenced telecommunication factoring with one leading telecommunication provider in the PRC and is currently in final stage of discussions with another one regarding documentation for the co-operation, system interface and upgrade of platform as per latest telecommunication regulations in the PRC. Loans with gross principal amount of RMB396,000 was granted as at 30th June 2020 (31st December 2019: Nil).

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.

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 2020, 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 2020. As at the date of this announcement, 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 consumer finance in the telecommunication industry and other business with potential. The Directors endeavor 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2020, the Group’s current assets were RMB814,417,000 (31st December, 2019: RMB752,490,000), of which RMB57,812,000 (31st December, 2019: RMB206,399,000) were bank balances and cash on hand and RMB217,500,000 (31st December 2019: Nil) were pledged bank deposits. As at 30th June, 2020, the net asset value of the Group amounted to RMB372,109,000, representing an increase of approximately 0.78% as compared to RMB369,246,000 at 31st December, 2019. The gearing ratio (total liabilities/total assets) of the Group was approximately 54.4% (31st December, 2019: 51.0%).

As at 30th June, 2020, the share capital of the Company was RMB105,965,000 (31st December, 2019: RMB105,965,000). The Group's reserve were RMB266,144,000 (31st December, 2019: RMB263,281,000). As at 30th June, 2020, the Group had total current liabilities of RMB439,631,000 (31st December, 2019: RMB33,865,000), mainly comprising trade and other payables and bank borrowings. The total non-current liabilities of the Group amounted to RMB4,647,000 (31st December, 2019: RMB351,109,000), which represented deferred tax liabilities.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of debts, which include bank borrowings, 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. Hong Kong dollars and Euro. The Group was not engaged in any hedging by financial instruments in relation to exchange rate risk.

The Group recorded foreign net exchange losses amounting to RMB6,601,000 during the Period mainly due to depreciation of Renminbi which increase the value in Renminbi of liabilities denominated in currencies other than Renminbi. The Group is closely monitoring the risk and will apply appropriate hedging instruments when it is needed.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 30th June, 2020, save as the bank deposit amounting to RMB217,500,000 (As at 31st December 2019: nil) is pledged to secure short term bank loan, the Group did not have any guarantees and charges nor any other material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2020, the Group had a total of approximately 23 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 as set out in Appendix 14 to the Listing Rules throughout the Period, except that (i) Mr. Tang Rujun and Li Biao, being non-executive Directors were not able to attend the annual general meeting of the Company held on 20th May, 2020 (the “**2019 AGM**”) due to their other business commitments. Nevertheless, Mr. Tang has passed his opinion to the chairman of the 2019 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.

AUDIT COMMITTEE

The Company’s audit committee currently comprises Mr. Cheung Ting Kee (Chairman of the audit committee, an independent non-executive Director), Mr. Sun Yuanming (an executive Director, Chief Executive and Vice Chairman of the Board) 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, 2020, 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. Sun Yuanming (an executive Director, Chief Executive and Vice Chairman of the Board). 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.

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, 2020 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, 30th July, 2020

As at the date of this announcement, 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.