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

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

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

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**YUE DA INTERNATIONAL HOLDINGS LIMITED**

**悅達國際控股有限公司**

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

**(Stock Code: 629)**

**(I) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE  
REVERSE FACTORING AGREEMENT; AND  
(II) NOTICE OF EGM**

**Financial adviser of the Company**



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



**Crescendo Capital Limited**

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

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 34 of this circular.

A notice convening the EGM to be held at office nos. 3321-3323 and 3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong at 10:00 a.m. on Tuesday, 26 November 2019 is set out on pages 42 to 43 of this circular. A form of proxy for the EGM is enclosed herein. Whether or not you are able to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, being Hong Kong Registrars Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

8 November 2019

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## DEFINITIONS

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

“Annual Caps”	the annual maximum amounts of the reverse revolving credit limit and interest and factoring administration fees to be received under the Reverse Factoring Agreement for the period from 1 November 2019 to 31 October 2022
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Yue Da International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the transactions contemplated under the Reverse Factoring Agreement in accordance with the terms therein
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dongfang”	Yancheng Yueda Dongfang Real Estate Company Limited* (鹽城悅達東方置業有限公司)
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huakun”	Changshu Huakun Property Development Company Limited* (常熟華坤房地產開發有限公司)

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders in respect of the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder
“Independent Financial Adviser” or “Crescendo Capital”	Crescendo Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Reverse Factoring Agreement (including the proposed Annual Caps) and transactions contemplated thereunder
“Independent Shareholders”	Shareholder(s) other than those required to abstain from voting on the resolution relating to the Reverse Factoring Agreement at the EGM under the Listing Rules
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“JYCP”	Jiangsu Yueda Commercial Properties Company Limited* (江蘇悅達商業地產有限公司)
“Latest Practicable Date”	5 November 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

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## DEFINITIONS

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“Project Companies”	collectively, JYCP, Tianhui, Dongfang and Huakun
“Reverse Factoring Agreement”	the reverse factoring agreement dated 30 September 2019 (as supplemented and amended by the Supplemental Agreement) entered into among Yueda Commercial Factoring, the Project Companies and YDRE
“Reverse Factoring Agreement Announcement”	the announcement of the Company dated 30 September 2019 in relation to the Reverse Factoring Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	ordinary share(s) having a par value of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 5 November 2019 entered into among Yeuda Commercial Factoring, the Project Companies and YDRE
“Supplemental Agreement Announcement”	the announcement of the Company dated 5 November 2019 in relation to the Supplemental Agreement
“Suppliers and Contractors”	the suppliers and contractors of the Project Companies
“Tianhui”	Yancheng Yueda Tianhui Real Estate Company Limited* (鹽城悅達天惠置業有限公司)
“USD”	United States dollars, the lawful currency of the United States of America
“YDRE”	Yueda Real Estate Group Company Limited* (悅達地產集團有限公司)

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## DEFINITIONS

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“Yueda Commercial Factoring”	Yueda (Shenzhen) Commercial Factoring Co., Limited, a company established in the PRC and a subsidiary of the Group, which principal business is, among other things, commercial factoring
“Yue Da Group”	Yue Da Group (H.K.) Co., Limited
“%”	per cent

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

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LETTER FROM THE BOARD

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**YUE DA INTERNATIONAL HOLDINGS LIMITED**

**悅達國際控股有限公司**

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

**(Stock Code: 629)**

*Non-executive Directors:*

Mr. Tang Rujun

Mr. Li Biao

*Executive Directors:*

Mr. Liu Debing

Mr. Hu Huaimin

Mr. Bai Zhaoxiang

Mr. Cai Baoxiang

*Independent non-executive Directors:*

Mr. Cui Shuming

Dr. Liu Yongping

Mr. Cheung Ting Kee

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*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

8 November 2019

*To the Shareholders,*

Dear Sir or Madam,

**(I) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION:  
REVERSE FACTORING AGREEMENT; AND  
(II) NOTICE OF EGM**

**INTRODUCTION**

Reference is made to the Reverse Factoring Agreement Announcement and the Supplemental Agreement Announcement. As disclosed in the Reverse Factoring Agreement Announcement, after trading hours on 30 September 2019, Yueda Commercial Factoring, an indirect wholly owned subsidiary of the Company, entered into the Reverse Factoring Agreement (as supplemented and amended by the Supplemental Agreement dated 5 November 2019) with

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## LETTER FROM THE BOARD

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the Project Companies and YDRE, pursuant to which Yueda Commercial Factoring agreed to grant revolving reverse factoring loan credit limit of not more than RMB90.0 million to the Project Companies in respect of their payment obligations under their contracts with the Suppliers and Contractors.

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

### THE REVERSE FACTORING AGREEMENT

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

### Principal terms of the Reverse Factoring Agreement

Date:	:	30 September 2019
Parties	:	1. Huakun; 2. JYCP; 3. Tianhui; 4. Dongfang; 5. Yueda Commercial Factoring; and 6. YDRE

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## LETTER FROM THE BOARD

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Reverse revolving credit limit	:	RMB90,000,000 (equivalent to approximately HK\$98,910,000), which is to be shared among the Project Companies
Annual Interest and Fees	:	10% to 12% of the loan principal
Guarantor	:	YDRE
Available period of the factoring facilities	:	From 1 November 2019 to 31 October 2022 (the Reverse Factoring Agreement shall be conditional upon the fulfilment of the conditions precedent thereunder)

### **Pricing policy and internal control measures**

The Interest and Fees of the Reverse Factoring Agreement are determined by the parties through arm's length negotiations taking into account: (i) the credit assessment of YDRE; (ii) the credit period; (iii) that the factoring loan is guaranteed by YDRE; and (iv) the interest rates and factoring administration fees of similar services offered to the Independent Third Parties.

The followings are the risk management measures and policies of the Group in relation to its factoring business and the Reverse Factoring Agreement:

#### ***Assessment on the profile of YDRE***

Yueda Commercial Factoring have performed due diligence review on YDRE to assess its credibility and determined whether to grant the factoring loan or not before entering into the Reverse Factoring Agreement.

Yueda Commercial Factoring had reviewed the statutory documents, audit reports and loan records of YDRE and conducted a physical interview with management of YDRE discussing the business operation and financial position of YDRE. In addition, litigation search was conducted through online platforms established by the Supreme People's Court of the PRC. The factoring business department shall re-assess the credibility of YDRE at the relevant time and take into account other factors such as the term of the loan, the repayment schedule, the collaterals, the internal rate of return of the loan and the then market situation as a whole in determination of the actual Interest and Fees of loans under each definitive loan agreement.

#### ***Approval of factoring services***

The Group assigned its risk compliance department, business department and finance management department to review every transaction that is related to financial services, including the factoring business, so as to assess any significant risks.

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## LETTER FROM THE BOARD

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The members of the factoring business department should possess the relevant factoring experience and expertise to assess the value and risks associated with the accounts. Prior to commencing the factoring business, the factoring business department shall conduct due diligence on customers, including but not limited to the investigations of on-site environment, finance, credibility, senior management, competitiveness and litigation, 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 of Yueda Commercial Factoring, shall be submitted to the review committee of Yueda Commercial Factoring, comprising five members including the chairman, the directors and the chief risk officer of Yueda Commercial Factoring, for approval. No factoring contracts will be prepared unless approvals from the review committee of Yueda Commercial Factoring are obtained. The release of the factoring loan shall be approved by the head of factoring business department, the financial controller, the general manager and the chairman of Yueda Commercial Factoring.

### ***Internal rate of return***

In order to ensure the terms to be offered shall be no more favourable to the Project Companies than those to the Independent Third Parties for transactions of similar nature, the factoring business department shall calculate, and the finance management department and risk compliance department shall (i) review the internal rate of return, which takes into account the net present value of the expected cash flows of each factoring loan; and (ii) ensure that the internal rate of return of the loans to be offered to the Project Companies shall not be lower than the weighted average internal rate of return of the last five factoring loans offered to Independent Third Parties whose credibility are similar to that of the Project Companies. No transactions would be carried out if the internal rate of return of the loans to be offered to the Project Companies is lower than the weighted average internal rate of return of the last five factoring loans offered to the Independent Third Parties.

### ***Monitoring of continuing connected transactions***

The Group assigned its risk compliance department, finance management department and respective senior management to take charge of monitoring the connected transactions of the Company, including the transactions under the factoring agreement.

In accordance with the provisions of the connected transaction management system of the Company, the finance management department of the Company is responsible for monitoring the proposed annual caps under the factoring agreement by means of monthly summary and compilation of transaction amount of continuing connected transactions. The Company will re-comply with the required approval procedures for the purpose of Listing Rules regarding continuing connected transactions when the transaction amount is expected to exceed its annual caps.

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## LETTER FROM THE BOARD

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The independent non-executive Director will conduct annual review regarding the implementation of continuing connected transactions. Moreover, the auditors of the Company will also conduct annual review regarding the amount and annual caps of such continuing connected transactions.

### Conditions precedent

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

- (i) the passing by the majority of Shareholders at the EGM of relevant resolution required under the Listing Rules to approve the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder;
- (ii) All necessary consents, authorisations and approvals relating to the conclusion of the Reverse Factoring Agreement and its performance having been obtained by the Company; and
- (iii) All representations, undertakings and warranties given by the Company under the Reverse Factoring Agreement are and shall remain true, accurate, correct and complete and not misleading in all material respects.

If the conditions set out above are not fulfilled by 31 March 2020, or such later date as may be agreed among the parties to the Reverse Factoring Agreement, the Reverse Factoring Agreement shall terminate, in which case none of the Company or any of the Project Companies shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Reverse Factoring Agreement).

### Annual caps

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

	<b>1 November 2019 to 31 December 2019 (RMB'000)</b>	<b>1 January 2020 to 31 December 2020 (RMB'000)</b>	<b>1 January 2021 to 31 December 2021 (RMB'000)</b>	<b>1 January 2022 to 31 October 2022 (RMB'000)</b>
Reverse revolving credit limit	90,000	90,000	90,000	90,000
Interest and factoring administration fees	1,800 (Note)	10,800	10,800	9,000 (Note)

Note: The interest and factoring administration fees are calculated on a pro-rata basis.

The annual caps of the reverse revolving credit limit of RMB90 million represent approximately 14.4% of the aggregate factoring credit limits of the Group's signed factoring agreements (which were in effect as at 30 September 2019) of RMB625 million.

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## LETTER FROM THE BOARD

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Given that Yueda Commercial Factoring has not conducted any factoring business with the Project Companies and YDRE since its incorporation, the Annual Caps for the reverse revolving credit limit and the Interest and Fees accruing under the Reverse Factoring Agreement are determined after taking into account the following: (i) the expected maximum annual factoring limit to be granted by Yueda Commercial Factoring; (ii) the maximum interest rate and factoring administration fees under the Reverse Factoring Agreement; (iii) the average cash balance of Yueda Commercial Factoring during the latest financial year of approximately RMB138.5 million; and (iv) the annual business development needs of Yueda Commercial Factoring, including credit limits under the Reverse Factoring Agreement and other factoring agreements of the Group and cash resources for its possible business expansion.

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

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

Yueda Commercial Factoring is an indirect wholly owned subsidiary of the Company established in the PRC. Its principal business is, among other things, commercial factoring.

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

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

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

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

YDRE is a state-owned enterprise established in the PRC on 20 March 1993 and is principally engaged in the business of real estate development and management of property projects mainly located in Shanghai, Xian, Suzhou, Yancheng and Huaian.

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## LETTER FROM THE BOARD

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

The Group is principally engaged in business factoring operations in the PRC. Yueda Commercial Factoring, an indirect wholly owned subsidiary of the Company (as the factor), provides financing and accounts receivable management services to its customers (as seller) in return for interest and administration fee income payments with comprehensive rates of return ranging from approximately 9.5% to 11.5%, composed of interest rate per annum (approximately 7% to 9%) and factoring administration fee income per annum (approximately 2% to 4%). The Directors consider that the Reverse Factoring Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

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

### IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Yue Da Group, a direct wholly owned subsidiary of Jiangsu Yue Da Group Company Limited, together with its associates is interested in 808,979,333 Shares (representing approximately 69.22% of the issued share capital of the Company) and is a controlling Shareholder within the meaning of the Listing Rules. As at the Latest Practicable Date, Yue Da Group is the shareholder of approximately 80.19% of the issued shares of YDRE. In addition, as at the Latest Practicable Date, (i) Huakun is held as to 40% by YDRE; (ii) JYCP is held as to 100% by YDRE; (iii) Tianhui is directly and indirectly held as to 65% by YDRE; and (iv) Dongfang is directly and indirectly held as to 73% by YDRE. Accordingly, Jiangsu Yue Da Group Company Limited which was controlled by the Yancheng Municipal People's Government of the PRC was the ultimate beneficial owner of each of the Project Companies and YDRE as at the Latest Practicable Date, and each of the Project Companies and YDRE is a connected person of the Company and the transaction under the Reverse Factoring Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

In addition, as one of the applicable percentage ratios in respect of the Reverse Factoring Agreement is more than 5% but is less than 25%, the Reverse Factoring Agreement constitutes a discloseable and continuing connected transaction for the Company under the Listing Rules and is subject to announcement, reporting and Independent Shareholders' approval requirements under the Listing Rules.

The Company confirms that for the purposes of Rules 14A.55, 14A.56 and 14A.71(6) of the Listing Rules, the relevant contracts in respect of the Reverse Factoring Agreement during the relevant years will be made available for independent non-executive Directors' and the Company's auditors' review to ensure relevant continuing connected transactions have been

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## LETTER FROM THE BOARD

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entered into in accordance with the terms, pricing policies and internal control measures set out above in this circular. The details of the continuing connected transactions will be disclosed in the Company's future annual reports accordingly.

### **INDEPENDENT FINANCIAL ADVISER**

Crescendo Capital has been appointed as the Independent Financial Adviser by the Company to make recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Reverse Factoring Agreement (including the proposed Annual Caps) and transactions contemplated thereunder. The letter from the Independent Financial Adviser is set out on pages 16 to 34 of this circular.

### **EGM**

The EGM will be convened by the Company at office nos. 3321-3323 and 3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Tuesday, 26 November 2019, at 10:00 a.m. at which ordinary resolution will be proposed to consider and, if thought fit, approve the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder. Notice convening the EGM has been despatched to the Shareholders on 8 November 2019, a copy of which is set out on pages 42 to 43 of this circular.

The proxy form for use at the EGM is enclosed with the notice of the EGM despatched to the Shareholders on 8 November 2019. Whether or not you are able to attend (if you are so entitled to) the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return them as soon as possible to the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and in any event not later than 48 hours before the time appointed for holding the EGM.

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

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

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## LETTER FROM THE BOARD

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abstain from voting on any of the resolution(s) to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Director has a material interest in the Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder and was required to abstain from voting at the meeting of the Board approving Reverse Factoring Agreement (including the proposed Annual Caps) and the transactions contemplated thereunder.

### RECOMMENDATION

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

### RESPONSIBILITY STATEMENT

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

### ADDITIONAL INFORMATION

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

Yours faithfully,  
By Order of the Board  
**Yue Da International Holdings Limited**  
**Hu Huaimin**  
*Executive Director and Chief Executive*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**YUE DA INTERNATIONAL HOLDINGS LIMITED**

**悅達國際控股有限公司**

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

**(Stock Code: 629)**

8 November 2019

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE  
REVERSE FACTORING AGREEMENT**

**INTRODUCTION**

We refer to the circular dated 8 November 2019 (the “**Circular**”) of Yue Da International Holdings Limited (the “**Company**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board (as set out on pages 5 to 13 of the Circular), the letter of recommendation from the Independent Financial Adviser (as set out on pages 16 to 34 of this Circular) and the appendix to the Circular.

### RECOMMENDATION

Having taken into account the recommendation of the Independent Financial Adviser, we consider that the transactions contemplated under the Reverse Factoring Agreement are conducted in the ordinary and usual course of business of the Group and the terms of the Reverse Factoring Agreement (including the proposed Annual Caps) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Reverse Factoring Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the

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

**Cui Shuming**

**Liu Yongping**

**Cheung Ting Kee**

*Independent Non-Executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Crescendo Capital to the Independent Board Committee and the Independent Shareholders regarding its advice on the Reverse Factoring Agreement and the transactions contemplated thereunder prepared for the purpose of incorporation into this circular.*



1506 Tai Tung Building  
8 Fleming Road  
Wanchai, Hong Kong

8 November 2019

Yue Da International Holdings Ltd  
Office Nos. 3321-3 & 3325, 33/F  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Reverse Factoring Agreement and the transactions contemplated thereunder (the “**Continuing Connected Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 8 November 2019 to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 30 September 2019, Yueda Commercial Factoring, an indirect wholly-owned subsidiary of the Company, the Project Companies and YDRE entered into the Reverse Factoring Agreement (as supplemented and amended by the Supplemental Agreement dated 5 November 2019), pursuant to which Yueda Commercial Factoring has agreed to grant a revolving reverse factoring loan credit limit of not more than RMB90.0 million to the Project Companies in respect of their payment obligations under their contracts with the Suppliers and Contractors.

As one of the applicable percentage ratios in respect of the Reverse Factoring Agreement is more than 5% but is less than 25%, the entering into of the Reverse Factoring Agreement constitutes a discloseable transaction for the Company under the Listing Rules. As at the Latest Practicable Date, Yue Da Group (a direct wholly-owned subsidiary of Jiangsu Yue Da Group Company Limited) together with its associates was interested in 808,979,333 Shares, representing approximately 69.22% of the issued share capital of the Company and was a controlling Shareholder within the meaning of the Listing Rules. Yue Da Group also owned approximately 80.19% of the issued shares of YDRE as at the Latest Practicable Date. In addition, as at the Latest Practicable Date, (i) Huakun was held as to 40% by YDRE; (ii) JYCP was held as to 100% by YDRE; (iii) Tianhui was directly and indirectly held as to 65% by YDRE; and (iv) Dongfang was directly and indirectly held as to 73% by YDRE. Accordingly, Jiangsu Yue Da Group Company Limited was the ultimate beneficial owner of each of the Project Companies and YDRE as at the Latest Practicable Date, and each of the Project Companies and YDRE is a connected person of the Company and thus the transactions contemplated under the Reverse Factoring Agreement also constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to announcement, reporting and Independent Shareholders' approval requirements under the Listing Rules.

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

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Cui Shuming, Dr. Liu Yongping and Mr. Cheung Ting Kee, has been established to advise the Independent Shareholders on the Continuing Connected Transactions. We, Crescendo Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard, in particular as to whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, and whether the terms of the Reverse Factoring Agreement (and the proposed Annual Caps thereunder) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Save for acting as an independent financial adviser in this appointment and the occasion as detailed in the circular of the Company dated 12 April 2019, we have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates. We were not aware of any relationship or interest between us and the Company or any other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Reverse Factoring Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Continuing Connected Transactions, we have considered the following principal factors and reasons:

#### 1. Information on the Group

The Company is an investment holding company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in factoring business, including factoring, accounts receivable management and collection and factoring consultancy services (the “**Factoring Business**”). Before the completion of the disposal of the entire issued share capital of a wholly-owned subsidiary on 18 October 2019, the Group also engaged in the exploration, mining, processing and sales of metal minerals including zinc, lead and copper in the PRC (the “**Mining Business**”).

The consolidated financial information of the Group for the two years ended 31 December 2017 and 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 and for the six months ended 30 June 2019 and 2018 as extracted from the interim report of the Company for the six months ended 30 June 2019, is summarized as follows:

	<b>For the six months ended</b>		<b>For the year ended</b>	
	<b>30 June</b>		<b>31 December</b>	
	<b>2019</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue				
– Factoring Business	25,580	16,255	45,069	6,579
– Mining Business	<u>16,972</u>	<u>33,046</u>	<u>42,360</u>	<u>72,898</u>
	<u>42,552</u>	<u>49,291</u>	<u>87,429</u>	<u>79,477</u>
Profit/(loss) for the period/year attributable to owners of the Company	<u>3,924</u>	<u>(17,378)</u>	<u>(46,515)</u>	<u>(25,736)</u>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at 30 June 2019</b> <i>RMB'000</i> <i>(unaudited)</i>
Non-current assets	265,503
Current assets	<u>784,453</u>
Total assets	<u>1,049,956</u>
Non-current liabilities	398,388
Current liabilities	<u>310,807</u>
Total liabilities	<u>709,195</u>
Net assets	<u><u>340,761</u></u>
Net assets attributable to owners of the Company	<u><u>340,761</u></u>

For the year ended 31 December 2018, the Group's revenue increased by approximately 10.0% from approximately RMB79.5 million for the year ended 31 December 2017 to approximately RMB87.4 million, of which approximately 51.5% (2017: 8.3%) was derived from the Factoring Business while the remaining 48.5% (2017: 91.7%) was derived from the Mining Business.

The Group started the Factoring Business in the second half of 2017 in view of the uncertainties in the business environment of the mining industry and management of the Company determined to shift the Group's business development focus from mining to factoring related business. Since then, the Group experienced a substantial business growth in the Factoring Business. The loan portfolio increased from approximately RMB57 million as at 31 December 2017 to approximately RMB633 million as at 31 December 2018. The revenue from the Factoring Business for the year ended 31 December 2018 increased substantially by approximately 585.0% and reached approximately RMB45.1 million (2017: RMB6.6 million), of which approximately RMB10.5 million (2017: RMB0.7 million) was derived from management fee for accounts receivable management and collection services, approximately RMB2.1 million (2017: RMB4.9 million) was derived from fees of factoring consultancy services and approximately RMB32.4 million (2017: RMB1.0 million) was generated from interest income from factoring services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On the other hand, the processing volume of zinc, lead and copper ore concentrates of the Group's operations in Baoshan City dropped substantially during the year ended 31 December 2018 and resulted in a significant decrease in revenue of approximately RMB25.0 million for the mining operation in Baoshan City in the relevant period. Consequently, the Group's revenue from the Mining Business decreased significantly by approximately 41.9%, from approximately RMB72.9 million for the year ended 31 December 2017 to approximately RMB42.4 million for the year ended 31 December 2018.

The loss attributable to owners of the Company increased by approximately 80.9% from approximately RMB25.7 million for the year ended 31 December 2017 to approximately RMB46.5 million for the year ended 31 December 2018. There was an increase in loss for the year ended 31 December 2018 as a net foreign exchange loss of approximately RMB39.8 million was recognized in 2018 while a net foreign exchange gain of RMB6.1 million was recognized in 2017. Meanwhile, gain on disposal of subsidiaries also reduced from approximately RMB51.5 million for the year ended 31 December 2017 to approximately RMB3.7 million for the year ended 31 December 2018.

For the six months ended 30 June 2019, the Group's revenue decreased by approximately 13.6% from approximately RMB49.3 million for the six months ended 30 June 2018 to approximately RMB42.6 million, of which approximately 60.1% (2018: 33.0%) was derived from the Factoring Business while the remaining 39.9% (2018: 67.0%) was derived from the Mining Business.

The revenue from the Factoring Business increased by approximately 58.0% from approximately RMB16.2 million for the six months ended 30 June 2018 to approximately RMB25.6 million for the six months ended 30 June 2019, of which approximately RMB7.1 million (2018: RMB8.0 million) was derived from management fee for accounts receivable management and collection services and approximately RMB18.5 million (2018: RMB8.2 million) was generated from interest income from factoring services. The loan portfolio increased from approximately RMB461 million as at 30 June 2018 to approximately RMB555 million as at 30 June 2019.

The revenue of the Group's Mining Business decreased significantly by approximately 48.5% from approximately RMB33.0 million for the six months ended 30 June 2018 to approximately RMB17.0 million for the six months ended 30 June 2019. The decrease in revenue of the Group's Mining Business was mainly attributable to the significant decrease in revenue of the mining operations in Baoshan City, which dropped from approximately RMB30.5 million for the six months ended 30 June 2018 to approximately RMB17.0 million for the six months ended 30 June 2019, following the decreases in both the processing volume of the Group's operations in Baoshan City and the average selling price of zinc, lead and copper ore concentrates during the relevant period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group recorded a profit attributable to owners of the Company of approximately RMB3.9 million for the six months ended 30 June 2019 as compared to a loss attributable to owners of the Company of approximately RMB17.4 million for the six months ended 30 June 2018. Such turnaround in the performance of the Group was mainly attributable to a net foreign exchange gain of RMB2.6 million recognized for the six months ended 30 June 2019. On the other hand, a net foreign exchange loss of approximately RMB19.6 million was recognized for the six months ended 30 June 2018.

As at 30 June 2019, the non-current assets of the Group amounted to approximately RMB265.5 million, of which approximately RMB207.1 million were mining rights and approximately RMB42.5 million were property, plant and equipment. The current assets of the Group amounted to approximately RMB784.5 million as at 30 June 2019, which mainly consisted of trade and other receivables of approximately RMB561.7 million, cash and cash equivalents of approximately RMB201.1 million and inventories of approximately RMB18.3 million. The current liabilities of the Group as at 30 June 2019 amounted to approximately RMB310.8 million, which mainly comprised amounts due to related companies of approximately RMB275.9 million and trade and other payables of approximately RMB21.8 million. As at 30 June 2019, the non-current liabilities of the Group amounted to approximately RMB398.4 million, which mainly comprised bank borrowing of approximately RMB347.3 million and deferred tax liabilities of approximately RMB49.0 million. As at 30 June 2019, the net current assets of the Group amounted to approximately RMB473.6 million while the net assets attributable to the owners of the Company amounted to approximately RMB340.8 million. The gearing ratio, as expressed as total liabilities over total assets, of the Group was approximately 67.5% as at 30 June 2019.

On 23 July 2019, the Company entered into an agreement to dispose of the entire issued share capital of a wholly-owned subsidiary, which together with its subsidiary is principally engaged in the mining operations in Baoshan City, Yunnan Province of the PRC. Upon completion of the disposal on 18 October 2019, the Group ceased its Mining Business and focus on the Factoring Business.

### **2. Information on the parties to the Reverse Factoring Agreement**

Yueda Commercial Factoring is a wholly-owned subsidiary of the Company established in the PRC. Its principal business is, among other things, commercial factoring.

YDRE is owned as to approximately 80.19% by Yue Da Group, being a controlling Shareholder, established in the PRC on 20 March 1993. It is principally engaged in property development and management, and sales of construction materials in the PRC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Project Companies, including Huakun, JYCP, Tianhui and Dongfang, were beneficially owned as to 40%, 100%, 65% and 73% by YDRE respectively as at the Latest Practicable Date. Huakun is a company established in the PRC on 8 June 2005 and is principally engaged in property development in the PRC. JYCP is a company established in the PRC on 18 November 2013 and is principally engaged in property development and commercial property management in the PRC. Tianhui is a company established in the PRC on 29 February 2012 and is principally engaged in property development in the PRC. Dongfang is a company established in the PRC on 23 December 2011 and is principally engaged in property development and management in the PRC.

### **3. Reasons for the Continuing Connected Transaction**

As disclosed in the annual report of the Company for the year ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019, the Group had shifted its business development focus to the Factoring Business given the uncertain environment for the Mining Business and the Group would actively expand its customer base and explore business opportunities in the area of consumer finance in the telecommunication industry.

The Directors consider that the entering into of the Reverse Factoring Agreement will contribute profit to the Group over the financing term and is beneficial to the Group in its business expansion and establishment of long-term business relationship with YDRE and the Project Companies.

Having considered that (i) the provision of factoring loan is one of the core businesses and major sources of income of the Group and the Continuing Connected Transactions shall contribute additional revenue to the Group and expand the customer base of the Group's Factoring Business; and (ii) the entering into of the Reverse Factoring Agreement shall provide flexibility, but not an obligation, to the Group to offer its services under the Factoring Business to the Project Companies, we concur with the view of the Directors that it is reasonable for the Company to grant the revolving reverse factoring loan to the Project Companies, and the Continuing Connected Transactions are normal commercial transactions to be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole.

### **4. Principal terms of the Reverse Factoring Agreement**

Pursuant to the Reverse Factoring Agreement, Yueda Commercial Factoring has agreed to grant a revolving reverse factoring loan credit limit of not more than RMB90.0 million to the Project Companies in respect of their payment obligations under their contracts with the Suppliers and Contractors, subject to the satisfaction of Yueda Commercial Factoring on the credit assessment.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Date	:	30 September 2019
Parties	:	(1) Huakun; (2) JYCP; (3) Tianhui; (4) Dongfang; (5) Yueda Commercial Factoring; and (6) YDRE
Reverse factoring loan credit limit	:	RMB90,000,000 (equivalent to approximately HK\$98,910,000), which is to be shared among the Project Companies
Interest rate and factoring administration fees (collectively, the “ <b>Interest and Fees</b> ”)	:	10% to 12% of the loan principal
Guarantor	:	YDRE
Available period of the factoring facilities	:	From 1 November 2019 to 31 October 2022 (the Reverse Factoring Agreement is conditional upon fulfilment of the conditions precedent thereunder)

As set out in the Letter from the Board, the Interest and Fees under the Reverse Factoring Agreement was determined by the parties through arm’s length negotiation, having taken into account (i) the credit assessment of YDRE; (ii) the credit period; (iii) that the factoring loan is guaranteed by YDRE; and (iv) the interest rates and factoring administration fees of similar services offered to the Independent Third Parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We were advised by management of the Company that the Reverse Factoring Agreement is a master agreement which sets out the principles upon which detailed terms of the definitive agreements are to be determined. Definitive factoring agreements shall be entered into between Yueda Commercial Factoring and the Project Companies upon the grant of the factoring loans and detailed terms (including the Interest and Fees, the term of the factoring loan and the repayment schedule) of each single transaction will be determined in accordance with the principles set out in the Reverse Factoring Agreement. The Directors further confirmed that the terms (including the Interest and Fees) to be offered to the Project Companies shall be no more favourable to the Project Companies than those offered to the Independent Third Parties for transactions of similar nature.

We noted that Yueda Commercial Factoring has performed due diligence review on YDRE to assess its credibility and determine whether to grant the factoring loan or not before entering into the Reverse Factoring Agreement. YDRE is a state-owned enterprise and principally engaged in the business of real estate development and management of property projects mainly located in Shanghai, Xian, Suzhou, Yancheng and Huaian. We have reviewed the due diligence report and risk assessment report prepared by Yueda Commercial Factoring and noted that Yueda Commercial Factoring has reviewed the statutory documents, audit reports and loan records of YDRE and conducted a physical interview with management of YDRE discussing the business operation and financial position of YDRE. Meanwhile, litigation search was conducted through online platforms established by the Supreme People's Court of the PRC. Having considered that YDRE is a profitable state-owned enterprise with healthy financial position and had no loan default records, Yueda Commercial Factoring considers the default risk of YDRE is low. We were also given to understand that the Company would re-assess the credibility of YDRE at the relevant time and take into account the other factors such as the term of the loan, the repayment schedule, the collaterals, the internal rate of return of the loan and the then market situation as a whole in determination of the actual Interest and Fees of loans under each definitive loan agreement.

In order to ensure the terms to be offered shall be no more favourable to the Project Companies than those offered to the Independent Third Parties for transactions of similar nature, Yueda Commercial Factoring shall calculate the internal rate of return, which will take into account the net present value of the expected cash flows, of each factoring loan and ensure that the internal rate of return of the loans to be offered to the Project Companies shall not be lower than the weighted average internal rate of return of the last five factoring loans offered to the independent corporate borrowers whose credibility are similar to that of the Project Companies. No transactions would be carried out if the internal rate of return of the loans to be offered to the Project Companies is lower than the weighted average internal rate of return of the last five factoring loans offered to the independent corporate borrowers. We have compared the internal rate of return of the loans under the Reverse Factoring Agreement and the last five loans offered to the Independent Third Parties by Yueda Commercial Factoring and noted that the minimum

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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internal rate of return of the loans to be granted under the Reverse Factoring Agreement of approximately 10.6% is higher than the weighted average internal rate of return of the last five loans offered to the Independent Third Parties of approximately 10.3%.

### *Framework Agreement Comparables*

We understand from management of the Company that the Group commenced the Factoring Business upon the establishment of Yueda Commercial Factoring in 2017. We noted that the Group had entered into five sets of factoring framework agreements (the “**Framework Agreement Comparables**”) with Independent Third Parties during the period from 29 September 2018, being one year immediately preceding the date of the Reverse Factoring Agreement, to the date of the Reverse Factoring Agreement (the “**Comparison Period**”) and adopted all the Framework Agreement Comparables as samples for comparison purpose. It might be more ideal to have a larger sample size for comparison purpose. However, given that (i) the Framework Agreement Comparables represent all the factoring framework agreements entered into between Yueda Commercial Factoring and the Independent Third Parties during the Comparison Period; (ii) the Comparison Period covers a current period that reveals the prevailing terms offered by Yueda Commercial Factoring to its customers and further extending the comparison period to over one year might not provide a meaningful comparison as the market conditions might vary significantly during the period; and (iii) the nature of the Framework Agreement Comparables are similar to that of the Reverse Factoring Agreement, we consider the Framework Agreement Comparables are sufficient, fair and representative samples for comparison purposes and the data from which can make reasonable inferences about the terms of Yueda Commercial Factoring’s recent factoring transactions as a whole.

We noted from the Company’s announcements dated 29 April 2019 and 6 May 2019 regarding the Framework Agreement Comparables that (i) the revolving credit limit offered by Yueda Commercial Factoring to the Independent Third Parties ranged from RMB85 million to RMB200 million; (ii) the term of the factoring framework agreements ranged from around 3 months to 14 months; and (iii) the Interest and Fees under such agreements ranged from 9.5% to 11.8%. The above information reveals that both the revolving credit limit and the minimum Interest and Fees under the Reverse Factoring Agreement of 10% fall within the range of the Framework Agreement Comparables and the maximum interest and Fees under the Reverse Factoring Agreement of 12% is higher than the upper range of the Interest and Fees of the Framework Agreement Comparables.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The term of the Reverse Factoring Agreement of 3 years is higher than the upper range of the Framework Agreement Comparables of around 14 months. We were advised by management of the Company that the Group usually enters into factoring framework agreements with a term of around one year and renews such agreements annually upon mutual agreement among the parties to the factoring framework agreements. Even the term of the factoring framework agreement is longer than a year, it is a normal practice of the Group to enter into definitive factoring agreements with a term of not more than one year. The Directors confirmed that such practice shall also be followed for the definitive factoring agreements to be entered into with the Project Companies.

Having considered that (i) Yueda Commercial Factoring shall enter into a definitive factoring agreement with the Project Companies for each single transaction; (ii) the normal practice of having the definitive factoring agreements with a term of not more than a year shall also be followed for transactions with the Project Companies; (iii) the Group could exercise its sole discretion to determine whether to accept or reject the application for a factoring loan by the Project Companies on a case-by-case basis; (iv) a longer term of the Reverse Factoring Agreement shall enable the Group to maintain a long-term business relationship with the Project Companies; and (v) the transactions contemplated under the Reverse Factoring Agreement constitute connected transactions for the Company and it shall increase the Company's administrative works and costs if shareholders' approval for renewal of such agreement is sought annually, the Directors consider, and we concur, that the term of the Reverse Factoring Agreement of three years is reasonable and commercially justifiable.

### ***Transaction Comparables***

Besides comparing the terms of the Reverse Factoring Agreement with those of the Framework Agreement Comparables, we have also reviewed five definitive factoring agreements entered into between the Group and the Independent Third Parties during the Comparison Period (the "**Transaction Comparables**"), which was confirmed by the Company as an exhaustive list of factoring agreements entered into by the Group during the relevant period, for comparison purposes. It might be more ideal to have a larger sample size for comparison purpose. However, given that (i) the Transaction Comparables represent all definitive factoring agreements entered into between Yueda Commercial Factoring and the Independent Third Parties during the Comparison Period; (ii) the Comparison Period covers a current period that reveals the prevailing terms offered by Yueda Commercial Factoring to its customers and further extending the comparison period to over one year might not provide a meaningful comparison as the market conditions might vary significantly during the period; and (iii) the transaction nature of the Transaction Comparables are similar to the transactions contemplated under the Reverse Factoring Agreement, we consider the Transaction Comparables are sufficient, fair and representative

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samples for comparison purpose and the data from which can make reasonable inferences about the terms of Yueda Commercial Factoring's recent factoring transactions as a whole. Details of the Transaction Comparables are summarized as follows:

Date of agreement	Principal amount	Term <i>approximate months</i>	Interest and Fees <sup><i>Note</i></sup>	With guarantee/ security	Payment of interest and administration fees
<i>dd/mm/yyyy</i>	<i>RMB million</i>		<i>%</i>		
29/04/2019	85	12	10.5	Personal guarantee and secured by land use rights	Interests to be paid on a monthly basis and administration fees to be paid upon receipt of the loan principal by the borrower
29/04/2019	100	12	9.8	Personal guarantee	Interests for the whole lending period and administration fees to be paid upon receipt of the loan principal by the borrower
07/05/2019	100	12	10.42	Guaranteed by a state-owned enterprise	Interests to be paid on a monthly basis and administration fees to be paid upon receipt of the loan principal by the borrower
24/05/2019	140	12	10.42	Guaranteed by a state-owned enterprise	Interests to be paid on a monthly basis and administration fees to be paid upon receipt of the loan principal by the borrower
06/08/2019	200	12	9.8	Secured by goods related to the account receivables under the factoring agreement	Interests for the whole lending period and administration fees to be paid upon receipt of the loan principal by the borrower
<b>Minimum</b>	<b>85</b>	<b>12</b>	<b>9.80</b>		
<b>Maximum</b>	<b>200</b>	<b>12</b>	<b>10.50</b>		
<b>Average</b>	<b>125</b>	<b>12</b>	<b>10.19</b>		
<b>The Company (629)</b>	<b>90</b>	<b>12</b>	<b>10.00 to 12.00</b>	<b>Guaranteed by a state-owned enterprise</b>	<b>Interests for the whole lending period and administration fees to be paid upon receipt of the loan principal by the borrower</b>

*Note: Interest and Fees composed of interest expenses and factoring administration fees and presented as a certain percentage of the loan principal.*

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We noted that (i) the principal amount of the Transaction Comparables ranged from RMB85 million to RMB200 million; (ii) the term of all the Transaction Comparables were 12 months; (iii) the actual Interest and Fees of the Transaction Comparables ranged from 9.80% to 10.50%, with an average rate of approximately 10.19%; and (iv) all the Transaction Comparables were provided with guarantee or security.

Based on the above, (i) the revolving credit limit of RMB90 million under the Reverse Factoring Agreement falls within the range of the actual loan amount of the Transaction Comparables; (ii) the intended term of factoring loans to be granted by Yueda Commercial Factoring to the Project Companies of one year is the same as the term of the Transaction Comparables; and (iii) the average Interest and Fees under the Reverse Factoring Agreement of 11% is higher than the upper range of the Transaction Comparables. In light of the above, we consider that the proposed Interest and Fees of the loans under the Reverse Factoring Agreement is fair and reasonable.

### **Listco Comparables**

To further evaluate the fairness and reasonableness of the terms of the Reverse Factoring Agreement, we have compared the major terms of the Reverse Factoring Agreement with those factoring agreements of guaranteed or secured loans entered into by companies listed on the Stock Exchange (the “Listco Comparables”), with detailed terms disclosed in their respective announcements, during the Comparison Period. The above criteria were set for the purpose of limiting the comparable samples to those transactions with reliable public information disclosed and with structure similar to the factoring loans under the Reverse Factoring Agreement (i.e. factoring loans with personal or corporate guarantee) and covering a current period that reveals the prevailing market conditions of the factoring industry. We have identified 11 Listco Comparables, which are considered to be exhaustive, relevant and appropriate, for comparison purposes. Details of the Listco Comparables are summarized as follows:

Company name (stock code)	Date of announcement	Principal amount	Term approximate months	Interest and Fees <sup>(Note 1)</sup>	With guarantee/ security
	<i>dd/mm/yyyy</i>	<i>RMB million</i>		<i>%</i>	
FY Finance (Shenzhen) Co., Ltd. (8452)	11/10/2018	5	12	14.00	Guarantee
FY Finance (Shenzhen) Co., Ltd. (8452)	11/10/2018	15	12	15.00	Guarantee and security
China Development Bank Financial Leasing Co., Ltd. (1606)	30/10/2018	1,297	48	5.22 <sup>(Note 2)</sup>	Guarantee
China Development Bank Financial Leasing Co., Ltd. (1606)	28/12/2018	2,456	46	5.18 <sup>(Note 3)</sup>	Guarantee
Wealthy Way Group Limited (3848)	10/05/2019	30	12	10.00	Guarantee

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Company name (stock code)	Date of announcement	Principal amount	Term approximate months	Interest and Fees <sup>(Note 1)</sup>	With guarantee/ security
	<i>dd/mm/yyyy</i>	<i>RMB million</i>		<i>%</i>	
China Development Bank Financial Leasing Co., Ltd. (1606)	20/05/2019	1,297	Not disclosed	5.15 <sup>(Note 4)</sup>	Guarantee
Byleasing Holdings Limited (8525)	23/05/2019	5.2	2	15.60 <sup>(Note 5)</sup>	Guarantee
FY Finance (Shenzhen) Co., Ltd. (8452)	24/07/2019	20	17	13.75 <sup>(Note 6)</sup>	Guarantee and security
FY Finance (Shenzhen) Co., Ltd. (8452)	07/08/2019	25	36 <sup>(Note 7)</sup>	8.59 <sup>(Note 7)</sup>	Guarantee
FY Finance (Shenzhen) Co., Ltd. (8452)	09/08/2019	15	24	14.00 <sup>(Note 8)</sup>	Guarantee and security
FY Finance (Shenzhen) Co., Ltd. (8452)	09/08/2019	10	24	14.00 <sup>(Note 8)</sup>	Guarantee and security
	<b>Minimum</b>		<b>2</b>	<b>5.15</b>	
	<b>Maximum</b>		<b>48</b>	<b>15.60</b>	
	<b>Average</b>			<b>10.95</b>	
	<b>Median</b>			<b>13.75</b>	
<b>The Company (629)</b>		<b>90</b>	<b>36</b>	<b>10.00 to 12.00</b>	<b>Guarantee</b>

*Notes:*

- The Interest and Fees composed of interest expenses and factoring administration fees and presented as a certain percentage of the loan principal.
- Pursuant to the announcement of China Development Bank Financial Leasing Co., Ltd., the interest rate is 4.75% per annum and the one-off management fee is RMB6,073,660, equivalent to approximately 0.47% of the principal amount. Therefore, the Interest and Fees of 5.22% is adopted for comparison purpose.
- Pursuant to the announcement of China Development Bank Financial Leasing Co., Ltd., the interest rate is 4.75% per annum and the one-off management fee is RMB10,605,671, equivalent to approximately 0.43% of the principal amount. Therefore, the Interest and Fees of 5.18% is adopted for comparison purpose.
- Pursuant to the announcement of China Development Bank Financial Leasing Co., Ltd., the interest rate is 4.75% per annum and the one-off management fee is RMB5,186,494, equivalent to approximately 0.40% of the principal amount. Therefore, the Interest and Fees of 5.15% is adopted for comparison purpose.
- Pursuant to the announcement of Byleasing Holdings Limited, the interest rate is 1.3% per month. Therefore, the Interest and Fees of 15.60% is adopted for comparison purpose.
- Pursuant to the announcement of FY Finance (Shenzhen) Co., Ltd., the interest rate is 12% per annum and the management fee is RMB350,000, equivalent to 1.75% of the principal amount. Therefore, the Interest and Fees of 13.75% is adopted for comparison purpose.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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7. Pursuant to the announcement of FY Finance (Shenzhen) Co., Ltd., the initial financing term is around 18 months, which can be extended for three times with six months' extension each time. The interest rates for the initial financing term, the 1st extension period, the 2nd extension period and the 3rd extension period is 8.59%, 7.73%, 6.82% and 5.89% per annum respectively. The maximum interest rate of 8.59% is adopted for comparison purpose.
8. Pursuant to the announcement of FY Finance (Shenzhen) Co., Ltd., the interest rate is 13% per annum and the management fee is equivalent to 1% of the factoring principal amount. Therefore, the Interest and Fees of 14% is adopted for comparison purpose.

As set out in the above table, the term of the Listco Comparables ranged from 2 months to 48 months and the term of the Reverse Factoring Agreement of 36 months falls within the range of the Listco Comparables. It is also noted that the Interest and Fees of the Listco Comparables were in a range of 5.15% and 15.60%, with an average of approximately 10.95% and a median of approximately 13.75%. Therefore, the Interest and Fees in the range of 10% and 12% of the loans under the Reverse Factoring Agreement also fall within the range of the Interest and Fees of the Listco Comparables and the average Interest and Fees of the loans under the Reverse Factoring Agreement of 11% is higher than the average Interest and Fees of the Listco Comparables.

Shareholders should note that the comparison with the Listco Comparables is for illustrative purpose only as the credibility of the borrower, the cost of financing of the lender, the terms of the loans of the Listco Comparables may be different from those of the Group. All these factors may affect the terms of the factoring loans of the Listco Comparables. Despite the aforementioned, since the Listco Comparables can provide a general reference regarding the grant of factoring loans in the PRC, we consider the comparison with the Listco Comparables an appropriate basis for assessing the fairness and reasonableness of the terms of the Reverse Factoring Agreement. Moreover, in forming our opinion on the terms of the Reverse Factoring Agreement, we have considered the results of the comparison with the Listco Comparables together with other factors stated in this letter as a whole.

Having considered that (i) the revolving credit limit under the Reverse Factoring Agreement falls within the range of those of the Framework Agreement Comparables and the Listco Comparables; (ii) the term of the Reverse Factoring Agreement falls within the range of those of the Listco Comparables and is commercially justifiable although it is higher than the upper range of the Framework Agreement Comparables as set out above; (iii) the minimum Interest and Fees under the Reverse Factoring Agreement of 10% fall within the range of the Framework Agreement Comparables and the maximum Interest and Fees under the Reverse Factoring Agreement of 12% is higher than the upper range of the Interest and Fees of the Framework Agreement Comparables; (iv) the average Interest and Fees of 11% of the factoring loans under the Reverse Factoring Agreement falls within the range of those of the Transaction Comparables and the Listco Comparables respectively and is higher than the upper range of the Transaction Comparables and the average Interest and Fees of the Listco Comparables; and (v) the Interest and Fees shall be assessed in accordance with the Group's internal control policies upon granting

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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of each factoring loan to the Project Companies and shall be no more favourable to the Project Companies than those offered to the Independent Third Parties for loans of similar nature, we consider that the terms of the Reverse Factoring Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### **5. Internal control measures**

As set out in the Letter from the Board, prior to committing a factoring transaction, the factoring business department members 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 of Yueda Commercial Factoring will be submitted to the review committee of Yueda Commercial Factoring, comprising five members including the chairman, the directors and the chief risk officer of Yueda Commercial Factoring, for approval. No factoring contracts will be prepared unless approvals from the review committee of Yueda Commercial Factoring are obtained. The release of the factoring loan shall be approved by the head of factoring business department, the financial controller, the general manager and the chairman of Yueda Commercial Factoring.

We have discussed the above internal control measures with management of the Company and reviewed samples of the approval documents, including the due diligence report, the risk assessment report, the business application form, the approval from the review committee of Yueda Commercial Factoring, the factoring contract and the payment approval form, which we considered are representative, and noted that the procedures mentioned above were properly followed. Management of the Company confirmed us that the abovementioned internal control policies were, and would be, consistently applied to all factoring services, including the proposed Continuing Connected Transactions and the Company will ensure that the terms to be offered to the Project Companies will be no more favourable to the Project Companies than those made available to Independent Third Parties.

We were also given to understand that the finance management department of the Company is responsible for monitoring the transaction amounts under the Reverse Factoring Agreement by consolidating the transaction amounts on a monthly basis to ensure that the transaction amounts under the Reverse Factoring Agreement would not exceed the Annual Caps. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in the event the transaction amounts are expected to exceed the Annual Caps.

The Company confirmed that the relevant contracts in respect of the Reverse Factoring Agreement during the relevant years will be made available for annual review by the independent non-executive Directors and the Company's auditors to ensure the Continuing Connected

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Transactions have been entered into in accordance with the terms, pricing policies and internal control measures of the Company and such information will be disclosed in the annual report of the Company.

Having considered the internal control measures implemented by the Group, we concur with the Directors' view that adequate internal control measures are in place to govern its factoring services and ensure the terms of the transactions under the Reverse Factoring Agreement are no more favourable to the Project Companies than those offered to Independent Third Parties. With the implementation of the abovementioned internal control measures, we believe that the Continuing Connected Transactions will be conducted on normal commercial terms and on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

### 6. Annual Caps for the Continuing Connected Transactions

The Directors expect that the annual reverse revolving credit limit and the annual aggregate amounts of interest and administration fee income to be received under the Reverse Factoring Agreement for the period from 1 November 2019 to 31 October 2022 will be as follows:

	<b>Annual Caps</b>			
	<b>from 1 November 2019 to 31 December 2019 RMB'000</b>	<b>for the financial year ending 31 December 2020 RMB'000</b>	<b>for the financial year ending 31 December 2021 RMB'000</b>	<b>from 1 January 2022 to 31 October 2022 RMB'000</b>
Reverse revolving credit limit	90,000	90,000	90,000	90,000
Interest and factoring administration fees	<u>1,800 <sup>(Note)</sup></u>	<u>10,800</u>	<u>10,800</u>	<u>9,000 <sup>(Note)</sup></u>

*Note:* The interest and factoring administration fees are calculated on a pro-rata basis.

The reverse revolving credit limit of RMB90 million represents approximately 14.4% of the aggregate factoring credit limits of the Groups' signed factoring agreements which were effective as at 30 September 2019 of RMB625 million.

Given that Yueda Commercial Factoring has not conducted any factoring business with the Project Companies and YDRE since its incorporation, the Annual Caps for the reverse revolving credit limit and the Interest and Fees accruing under the Reverse Factoring Agreement were determined after taking into account the following: (i) the expected maximum annual factoring limit to be granted by Yueda Commercial Factoring; (ii) the maximum interest rate and factoring administration fees under the Reverse Factoring Agreement; (iii) the average cash balance of Yueda Commercial Factoring during the latest financial year of approximately RMB138.5

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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million; and (iv) the annual business development needs of Yueda Commercial Factoring, including credit limits under the Reverse Factoring Agreement and other factoring agreements of the Group and cash resources for its possible business expansion.

We have reviewed the terms of the Reverse Factoring Agreement and the calculation of the Annual Caps and noted that the Annual Caps for the interest and factoring administration fees were calculated with the assumption that the reverse revolving credit limit would be utilized in full and the maximum Interest and Fees of 12% shall be applied for all factoring loans granted to the Project Companies. We consider that the calculation of the Annual Caps were properly compiled and prepared in accordance with the terms of the Reverse Factoring Agreement. Based on the above, we consider that the Annual Caps are fair and reasonable and in the interests of the Company and Shareholders as a whole.

### RECOMMENDATION

Having considered the principal factors and reasons stated above, we consider that the transactions contemplated under the Reverse Factoring Agreement are conducted in the ordinary and usual course of business of the Group and the terms of the Reverse Factoring Agreement (and the proposed Annual Caps thereunder) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we ourselves also recommend the Independent Shareholders, to vote in favor of the resolution to be proposed at the EGM to approve the Reverse Factoring Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Crescendo Capital Limited**

**Amilia Tsang**  
*Managing Director*

**Helen Fan**  
*Director*

#### Notes:

1. Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 15 years of experience in corporate finance.
2. Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 11 years of experience in corporate finance.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the interests of each Director and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange 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 Issuers, to be notified to the Company and the Stock Exchange were as follows.

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

Notes:

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

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

**(B) CONTROLLING AND SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST**

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

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

*Notes:*

- i. The letter "L" represents the substantial Shareholders' long position in the Shares.
- ii. The percentage of issued share capital of the Company is calculated by reference to 1,168,626,516 Shares in issue as at the Latest Practicable Date.

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

**(C) OTHER DIRECTORS' INTEREST**

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

<b>Name of Director</b>	<b>Name of substantial Shareholder of the Company</b>	<b>Position in substantial Shareholder of the Company</b>
Mr. Tang Rujun	Jiangsu Yue Da Group Company Limited	Director
	Yueda Capital Company Limited	Secretary and Managing Director
	Yueda Capital (HK) Limited	Director
Mr. Li Biao	Yue Da Group	Director
Mr. Liu Debing	Yueda Capital (HK) Limited	Director

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

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

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

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries which was not determinable by the Group within one (1) year without payment of compensation, other than statutory compensation.

The term of office of each of the non-executive Directors and the independent non-executive Directors is the period up to his retirement by rotation as required by the Company's articles of association.

**5. COMPETING INTERESTS**

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

**6. MATERIAL CONTRACTS**

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

- (i) a settlement agreement dated 22 December 2017 entered into among Yue Da Mining Limited ("YDM"), Mineral Land Holdings Limited and an Independent Third Party in relation to a sum of USD6 million then due and owing by Mineral Land Holdings Limited to YDM;
- (ii) a sale and purchase agreement dated 30 December 2017 entered into between the Company and the purchaser, pursuant to which the purchaser acquires 100% of the issued share capital of Fly Ascent Group Limited at a consideration of RMB65.1 million, a company established in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company;
- (iii) a share purchase agreement dated 28 May 2018 entered into between the Company and Yue Da Group, pursuant to which the Company has conditionally agreed to sell and Yue Da Group conditionally agreed to purchase all the issued shares of Absolute Apex Limited at a consideration of RMB140 million;

- (iv) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Enterprise Group (H.K.) Company Limited (“**Yue Da Enterprise**”) as landlord of Flat C2 on 8th Floor of Pearl City Mansion, No. 22/36 Paterson Street, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK\$18,000;
- (v) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Enterprise as landlord of Flat A on 14/F of Dragon Centre, 9-11 Pennington Street, Causeway Bay, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK\$15,000;
- (vi) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Enterprise as landlord of Flat C2 on 9th Floor of Paterson Building, Block C and D, No. 37 Paterson Street, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK\$20,000;
- (vii) a tenancy agreement dated 20 November 2018 entered into between the Company as tenant and Yue Da Group as landlord of Office nos. 3321, 3322, 3323 and 3325 on 33rd Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong for a term of twelve months commencing from 1 January 2019 with monthly rental of HK\$260,000;
- (viii) a loan assignment dated 11 December 2018 entered into among YDM, Mineral Land Holdings Limited, Daiichi Kigenso Kagaku Kogyo Co Limited and an Independent Third Party, pursuant to which YDM has conditionally agreed to sell and Daiichi Kigenso Kagaku Kogyo Co Limited has conditionally agreed to purchase the debts payable or owing by Mineral Land Holdings Limited to YDM at a consideration of USD4.8 million;
- (ix) a disposal agreement dated 20 March 2019 entered into between the Company and Yue Da Group, pursuant to which the Company has conditionally agreed to sell and Yue Da Group conditionally agreed to purchase all the issued shares of YDM at a consideration of USD5.6 million;
- (x) a share purchase agreement dated 23 July 2019 entered into between the Company and Yue Da Group, pursuant to which the Company has conditionally agreed to sell and Yue Da Group conditionally agreed to purchase the entire issued share capital of Yuelong Limited at a consideration of RMB230.8 million; and
- (xi) the Reverse Factoring Agreement.

**7. MATERIAL LITIGATION**

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

**8. MATERIAL ADVERSE CHANGES**

The Directors confirm that there was no material adverse changes in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statement of the Group were made up.

**9. EXPERT**

The following are the qualification of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Crescendo Capital Limited	a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter dated 8 November 2019 and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no interest in any asset which have been since 31 December 2018 (being the date to which the latest published audited consolidated financial statement of the Group were made up) acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

**10. GENERAL**

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

**11. MISCELLANEOUS**

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

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at office nos. 3321-3323 and 3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Sheung Wan, Hong Kong from the date of this circular up to 14 days thereafter:

- (i) the memorandum and articles of association of the Company;
- (ii) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (iii) the annual reports of the Company for each of the three years ended 31 December 2016, 2017 and 2018;
- (iv) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 34 of this circular;
- (vi) the written consent of the experts referred to in the paragraph headed "Expert" in this appendix; and
- (vii) this circular.

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## NOTICE OF EGM

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### YUE DA INTERNATIONAL HOLDINGS LIMITED

### 悅達國際控股有限公司

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

**(Stock Code: 629)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**Meeting**”) of Yue Da International Holdings Limited (the “**Company**”) will be held at office nos. 3321-3323 and 3325, 33/F, China Merchants Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Sheung Wan, Hong Kong on at 10:00 a.m. on Tuesday, 26 November 2019 for the purpose of considering and, if thought fit, passing the following resolution of the Company:

#### **ORDINARY RESOLUTION**

1. “**THAT:**

- (a) the reverse factoring agreement dated 30 September 2019 (as supplemented and amended by the supplemental agreement date 5 November 2019) entered into among Yueda (Shenzhen) Commercial Factoring Co., Ltd., Jiangsu Yueda Commercial Properties Company Limited, Yancheng Yueda Tianhui Real Estate Company Limited, Yancheng Yueda Dongfang Real Estate Company Limited, Changshu Huakun Property Development Company Limited and Yueda Real Estate Group Company Limited (the “**Reverse Factoring Agreement**”) be and is hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in his/her opinion be necessary, desirable or expedient to implement and give effect to any matters arising from, relating to or incidental to the Reverse Factoring Agreement (including the annual caps) and the transactions contemplated thereunder.

On behalf of the Board  
**Yue Da International Holdings Limited**  
**Hu Huaimin**  
*Executive Director and Chairman*

Hong Kong, 8 November 2019

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## NOTICE OF EGM

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*Registered office:*

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

*Head office and principal place of business  
in Hong Kong:*

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

*Notes:*

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding of the above Meeting or any adjournment thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. As at the date of this notice, the executive Directors are Mr. Liu Debing, Mr. Hu Huaimin, Mr. Cai Baoxiang and Mr. Bai Zhaoxiang, the non-executive Directors are Mr. Tang Rujun and Mr. Li Biao, and the independent non-executive Directors are Mr. Cui Shuming, Dr. Liu Yongping and Mr. Cheung Ting Kee.