



**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)**



**2022**

**INTERIM REPORT**

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## Corporate Information

### BOARD OF DIRECTORS:

#### Non-executive directors

Mr. Liu Debing

*(Chairman of the Board)*

Mr. Li Biao

Mr. Hu Huaimin

*(Vice Chairman of the Board)*

Mr. Yu Guangshan

*(appointed on 23rd May, 2022)*

#### Executive directors

Mr. Bai Zhaoxiang

*(Vice Chief Executive)*

Mr. Pan Mingfeng

Mr. Cai Baoxiang

*(resigned on 23rd May, 2022)*

#### Independent non-executive directors

Dr. Liu Yongping

Mr. Cheung Ting Kee

Mr. Cui Shuming

*(retired on 20th May, 2022)*

### AUDIT COMMITTEE:

Mr. Cheung Ting Kee *(Chairman)*

Dr. Liu Yongping

### REMUNERATION COMMITTEE:

Mr. Pan Mingfeng, Dr. Liu Yongping and

Mr. Cui Shuming

*(retired on 20th May, 2022)*

### NOMINATION COMMITTEE:

Mr. Liu Debing *(Chairman)*,

Dr. Liu Yongping and Mr. Cui Shuming

*(retired on 20th May, 2022)*

### AUTHORISED REPRESENTATIVES:

Mr. Hu Huaimin

Mr. Bai Zhaoxiang

### COMPANY SECRETARY:

Mr. Cheng Man Hung FCPA, FCCA

### AUDITOR:

Deloitte Touche Tohmatsu,

*Registered Public Interest Entity Auditors*

### LEGAL ADVISERS AS TO HONG KONG LAW:

Jun He Law Offices

## Corporate Information

### REGISTERED OFFICE:

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

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

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

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

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

### PLACE OF LISTING:

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

### PRINCIPAL BANKERS:

China Construction Bank  
Bank of Communication China

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

For the six months ended 30th June, 2022

	NOTES	Six months ended	
		30.6.2022 RMB'000 (unaudited)	30.6.2021 RMB'000 (unaudited)
Revenue			
Contracts with customers	3A	1,783	4,656
Interests		36,987	23,079
		<b>38,770</b>	27,735
Cost relating to services rendered		(12,127)	(4,456)
Other income		78	1,135
Other gains and losses, net	4	81	8,820
Impairment losses under expected credit loss model, net of reversal		287	1,384
Administrative expenses		(3,445)	(5,468)
Finance costs	5	(4,825)	(3,243)
Profit before tax		<b>18,819</b>	25,907
Income tax expense	6	(8,019)	(10,050)
Profit and total comprehensive income for the period	7	<b>10,800</b>	15,857
<b>Earnings per share</b>	9		
– Basic		RMB0.92 cents	RMB1.36 cents
– Diluted		RMB0.92 cents	RMB1.36 cents

## Condensed Consolidated Statement of Financial Position

At 30th June, 2022

	NOTES	30.6.2022 RMB'000 (unaudited)	31.12.2021 RMB'000 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	10	225	262
Right-of-use assets	10	916	1,209
Deferred tax assets		3,167	3,238
Other receivables and other assets	11	205,369	197,869
		<b>209,677</b>	<b>202,578</b>
<b>Current Assets</b>			
Other receivables and other assets	11	478,427	474,294
Amounts due from related companies	12	7,015	6,417
Cash and cash equivalents		46,712	24,454
		<b>532,154</b>	<b>505,165</b>
<b>Current Liabilities</b>			
Other payables	13	15,477	13,467
Contract liabilities		3,411	3,531
Bank borrowing	14	50,000	50,000
Other borrowings	15	172,582	–
Amounts due to related companies	12	72,085	233,403
Amounts due to directors		405	631
Lease liabilities		551	539
Taxation payable		2,179	1,119
		<b>316,690</b>	<b>302,690</b>
<b>Net Current Assets</b>		<b>215,464</b>	<b>202,475</b>
<b>Total Assets Less Current Liabilities</b>		<b>425,141</b>	<b>405,053</b>

## Condensed Consolidated Statement of Financial Position

At 30th June, 2022

	<i>NOTES</i>	<b>30.6.2022</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2021 RMB'000 (audited)
<b>Capital and Reserves</b>			
Share capital	16	<b>105,965</b>	105,965
Reserves		<b>299,694</b>	288,894
Equity attributable to owners of the Company		<b>405,659</b>	394,859
<b>Non-current Liabilities</b>			
Other borrowings	15	<b>7,939</b>	–
Lease liabilities		<b>454</b>	746
Deferred tax liabilities		<b>11,089</b>	9,448
		<b>19,482</b>	10,194
		<b>425,141</b>	405,053

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2022

	Attributable to owners of the Company						
	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2021	105,965	967,576	6,027	157,178	23,949	(880,950)	379,745
Profit and total comprehensive income for the period	-	-	-	-	-	15,857	15,857
Transfer	-	-	303	-	-	(303)	-
At 30th June, 2021 (unaudited)	105,965	967,576	6,330	157,178	23,949	(865,396)	395,602
At 1st January, 2022	105,965	967,576	9,405	157,178	23,949	(869,214)	394,859
Profit and total comprehensive income for the period	-	-	-	-	-	10,800	10,800
At 30th June, 2022 (unaudited)	105,965	967,576	9,405	157,178	23,949	(858,414)	405,659

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2022

	Six months ended	
	30.6.2022 RMB'000 (unaudited)	30.6.2021 RMB'000 (unaudited)
Net cash from operating activities	<b>36,238</b>	54,795
Net cash (used in) from investing activities		
Advance to related companies	–	(1,044)
Withdrawal of pledged bank deposits	–	217,500
Interest received from bank deposits	<b>65</b>	1,130
Purchase of property, plant and equipment	<b>(8)</b>	–
Addition of other assets	<b>(28,093)</b>	–
	<b>(28,036)</b>	217,586
Net cash from (used in) financing activities		
New bank borrowing raised	<b>50,000</b>	50,000
Repayment of bank borrowing	<b>(50,000)</b>	(341,658)
New other borrowings raised	<b>280,462</b>	–
Repayment of other borrowings	<b>(99,941)</b>	–
Advance from related companies	<b>142,166</b>	14,000
Repayment to related companies	<b>(303,518)</b>	–
Other financing cash flows	<b>(5,113)</b>	(2,079)
	<b>14,056</b>	(279,737)
Net increase (decrease) in cash and cash equivalents	<b>22,258</b>	(7,356)
Cash and cash equivalents at beginning of the period	<b>24,454</b>	21,060
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>46,712</b>	13,704

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than change in accounting policies resulting from application of new and amendments and interpretation to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30th June, 2022 are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31st December, 2021.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied, the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1st January, 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

### 3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### Disaggregation of revenue from contracts with customers

	Six months ended	
	30.6.2022 RMB'000	30.6.2021 RMB'000
<b>Types of goods or service</b>		
Management fee from accounts receivable management and collection services	1,783	4,656
<b>Timing of revenue recognition</b>		
Overtime	1,783	4,656

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

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

	Six months ended	
	30.6.2022 RMB'000	30.6.2021 RMB'000
Revenue disclosed in segment information	38,770	27,735
Less: Interest income from traditional factoring business	(11,087)	(16,667)
Factoring service income from communications factoring business	(25,900)	(6,412)
<b>Revenue from contracts with customers</b>	<b>1,783</b>	<b>4,656</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 3B. SEGMENT INFORMATION

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

### Segment result

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

	Six months ended	
	30.6.2022 RMB'000	30.6.2021 RMB'000
Segment revenue – external sales	<b>38,770</b>	27,735
Segment profit	<b>26,930</b>	24,663
Other income	<b>78</b>	1,135
Other gains and losses		
– Net foreign exchange gain	<b>81</b>	8,820
Central administration costs	<b>(3,445)</b>	(5,468)
Finance costs	<b>(4,825)</b>	(3,243)
Profit before tax	<b>18,819</b>	25,907

### Segment assets and liabilities

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

### 4. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30.6.2022 RMB'000	30.6.2021 RMB'000
Net foreign exchange gain	81	8,820

### 5. FINANCE COSTS

	Six months ended	
	30.6.2022 RMB'000	30.6.2021 RMB'000
Interest on bank borrowings	1,549	3,236
Interest on other borrowings	3,241	–
Interest on lease liabilities	35	7
	4,825	3,243

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

### 6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2022 RMB'000	30.6.2021 RMB'000
Current tax		
– PRC Enterprise Income tax	6,307	7,450
Deferred tax	1,712	2,600
	<b>8,019</b>	10,050

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

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

### 7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

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

	Six months ended	
	30.6.2022 RMB'000	30.6.2021 RMB'000
Depreciation of property, plant and equipment	45	14
Depreciation of right-of-use assets	301	52
Interest income from bank deposits (included in other income)	(65)	(1,130)

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

### 8. DIVIDEND

No dividend was paid, declared or proposed during six months ended 30th June, 2022. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th June, 2022.

### 9. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2022 RMB'000	30.6.2021 RMB'000
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	10,800	15,857
<b>Number of shares</b>	<b>Number</b>	Number
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,168,626,516	1,168,626,516

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

During the six months ended 30th June, 2022, the Group incurred RMB8,000 (during the six months ended 30th June, 2021: nil) on the purchase of property, plant and equipment.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 11. OTHER RECEIVABLES AND OTHER ASSETS

	<b>30.6.2022</b>	31.12.2021
	<b>RMB'000</b>	RMB'000
Factoring receivables	<b>650,057</b>	667,812
Subordinated tranches of asset-backed securities ( <i>note 15</i> )	<b>28,093</b>	–
Other receivables and prepayments	<b>5,646</b>	4,351
	<b>683,796</b>	672,163
Analysed as:		
Current portion	<b>478,427</b>	474,294
Non-current portion	<b>205,369</b>	197,869
	<b>683,796</b>	672,163

As at 30th June, 2022, the Group's other receivables with an aggregate carrying amount of approximately RMB184,240,000 (31st December, 2021: nil) were pledged to asset-backed securities schemes as participated by the Group (note 15).

As at 30th June, 2022, the factoring receivables balance included debts due from related companies of RMB126,369,000 (31st December, 2021: RMB93,038,000) which were guaranteed by a related company of the Company and detailed as below.

	<b>30.6.2022</b>	31.12.2021
	<b>RMB'000</b>	RMB'000
Yancheng Yue Da Tianhui Real Estate Company Limited ("Yancheng Yue Da Tianhui Real Estate") ( <i>Note</i> )	<b>24,651</b>	32,870
Dafeng Yuefeng Industrial Company Limited ("Dafeng Yuefeng Industrial") ( <i>Note</i> )	<b>76,787</b>	26,926
Yancheng Yueda Zhiye Development Limited ("Yancheng Yueda Zhiye Development") ( <i>Note</i> )	<b>24,931</b>	33,242
	<b>126,369</b>	93,038

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

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

	Due from	
	30.6.2022 RMB'000	31.12.2021 RMB'000
Yue Da Mining Limited ("YDM") (Note 1)	4,174	3,971
Yueda Capital (HK) Limited ("Yue Da Capital HK") (Note 2)	2,841	2,446
	<b>7,015</b>	6,417

The balances of amounts due from related companies are non-trade related, unsecured, interest-free and repayable on demand for as at 30th June, 2022 and 31st December, 2021.

	Due to	
	30.6.2022 RMB'000	31.12.2021 RMB'000
Yueda Capital Company Limited ("Yue Da Capital") (Note 3)	5	219,043
Yue Da Capital HK (Note 2)	71,313	13,626
Yue Da Group (H.K.) Co., Limited ("YDHK") (Note 4)	767	604
Yue Da Enterprise Group (HK) Co., Ltd. ("Yue Da Enterprise") (Note 5)	–	130
	<b>72,085</b>	233,403

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

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

The balance of amounts due to related companies are non-trade related, unsecured, interest-free and repayable on demand as at 30th June, 2022 and 31st December, 2021.

*Notes:*

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

### 13. OTHER PAYABLES

	<b>30.6.2022</b>	31.12.2021
	<b>RMB'000</b>	RMB'000
Accrued staff costs	<b>3,198</b>	3,942
Other payables and accrued charges	<b>12,279</b>	9,525
	<b>15,477</b>	13,467

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

### 14. BANK BORROWING

	<b>30.6.2022</b>	31.12.2021
	<b>RMB'000</b>	RMB'000
Bank loan – payable within one year*	<b>50,000</b>	50,000

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

During the current interim period, a new borrowing of RMB50,000,000 is obtained by the Group (during the six months ended 30th June, 2021: RMB50,000,000). As at 30th June, 2022, the bank borrowing amounting RMB50,000,000 (31st December, 2021: RMB50,000,000) carried fixed interest of 6.3% per annum (31st December, 2021: fixed interest rate of 6.3%).

As at 30th June, 2022 and 31st December, 2021, the bank borrowing amounting RMB50,000,000 is secured by the Group's factoring receivables with carrying amount of RMB50,000,000 and guaranteed by Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), the ultimate parent of the Company.

### 15. OTHER BORROWINGS

	<b>30.6.2022</b>	31.12.2021
	<b>RMB'000</b>	RMB'000
Asset-backed securitisation debts	<b>180,521</b>	–
Analysed as:		
Current portion	<b>172,582</b>	–
Non-current portion	<b>7,939</b>	–
	<b>180,521</b>	–

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 15. OTHER BORROWINGS (CONTINUED)

During six months ended 30th June, 2022, the Group participated in two asset-backed securities schemes. The purpose of launching the schemes is to securitise certain factoring receivable of the Group and to fund the expansion of the factoring business of the Group.

On 25th March, 2022, an asset-based securities scheme with a total issue size of RMB333,000,000 ("Scheme A") was established, including: (i) the priority tranches in the principal amount of RMB316,000,000 with fixed coupon rates ranging from 4.96% to 6.50% per annum and a maturity term ranging from 27th February, 2023 to 27th June, 2023, all of which were subscribed by independent qualified investors and has been listed on the Shenzhen Stock Exchange; and (ii) the subordinated tranches in the principal amount of RMB17,000,000 with no fixed coupon rate and a maturity term on 27th December, 2024. The subordinated tranches of Scheme A were issued to Yueda (Shenzhen) Commercial Factoring Co., Limited ("Yueda Commercial Factoring"), a wholly-owned subsidiary of the Company and a subsidiary of Jiangsu Yue Da, with amount of RMB11,200,000 and RMB5,800,000 respectively. The subordinated tranches will not be listed. According to the subscription agreement, the holders of subordinated tranches could exercise the early distribution option when all the principal and interest of priority tranches are fully repaid. Jiangsu Yue Da, the ultimate holding company of the Company, undertakes the obligation to pay the shortfall if the fund of the scheme is insufficient to settle all costs of the scheme, expected returns and the outstanding principal amounts for the priority tranches of the scheme. Out of the factoring receivables under the Scheme A of RMB333,000,000, RMB220,569,000 are contributed by the Group while the remaining amount of RMB112,431,000 are contributed by a subsidiary of Jiangsu Yue Da.

On 14th April, 2022, the Group participated in another asset-backed securities scheme with total issuance size of RMB59,893,000 ("Scheme B"), including: (i) the priority tranches in the principal amount of RMB43,000,000 with a fixed coupon rate of 5.90% per annum and a maturity term on 28th April, 2023, all of which were subscribed by independent qualified investors; and (ii) the subordinated tranche in the principal amount of RMB16,893,000 with no fixed coupon rate and a maturity term on 28th February, 2024, all of which were subscribed by Yueda Commercial Factoring. According to the subscription agreement, the holder of subordinated tranche could exercise the early distribution option when all the principal and interest of priority tranches are fully repaid. All the underlying factoring receivables of RMB59,893,000 are contributed by the Group.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

### 15. OTHER BORROWINGS (CONTINUED)

Under both Scheme A and Scheme B, the Group has the obligation to pass cash flows from the underlying assets to the investors. The holders of the priority tranches of the schemes shall have priority in receiving interest and repayment of the principal amount of the scheme over the holders of the subordinated tranches of the schemes. The asset-backed debt securities issued by the securitisation vehicle to independent qualified investors are recourse to the Group. As at 30th June, 2022, the carrying amount of factoring receivables that were collateralised in securitisation transactions was RMB184,240,000 and the balance of subordinated tranches of asset-backed securities held by the Group amounted to RMB28,093,000.

### 16. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Shown in the condensed consolidated financial statements RMB'000
Ordinary shares of HK\$0.25 each:			
Authorised			
At 1st January, 2021,			
30th June, 2021,			
1st January, 2022 and			
30th June, 2022	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2021,			
30th June, 2021,			
1st January, 2022 and			
30th June, 2022	1,168,626,516	116,863	105,965

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 17. RELATED PARTY DISCLOSURES

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

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

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

Name of related parties	Nature of transactions	Six months ended	
		30.6.2022 RMB'000	30.6.2021 RMB'000
<b>Fellow subsidiary</b>			
Jiangsu Yue Da	Interest income from		
Commercial Properties	factoring business	2,197	3,271
Company Limited	Management fee income	765	820
Jiangsu Yue Da	Interest income from		
Construction Technology	factoring business	977	-
Company Limited	Management fee income	259	-

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

Details of the guarantee provided by Jiangsu Yue Da are set out in Notes 14 and 15.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

### 17. RELATED PARTY DISCLOSURES (CONTINUED)

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

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

As at 30th June, 2022, the receipt in advance relating to management fee income from the fellow subsidiaries are set out below:

Name of related parties	30.6.2022 RMB'000	31.12.2021 RMB'000
<b>Fellow subsidiary</b>		
Jiangsu Yue Da Commercial Properties Company Limited	2,123	2,888
Jiangsu Yue Da Green Construction Technology Company Limited	1,103	338

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

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2022

## 17. RELATED PARTY DISCLOSURES (CONTINUED)

- (ii) Compensation of key management personnel:

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

	Six months ended	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
Short-term benefits	944	1,413
Post-employment benefits	109	119
	<b>1,053</b>	<b>1,532</b>

# Management Discussion and Analysis

## FINANCIAL PERFORMANCE

The Group recorded an operating revenue of RMB38,770,000 for the Period in the factoring business (the “Period”), which increased by approximately 39.8% when compared with RMB27,735,000 for the corresponding period in 2021. The profit and total comprehensive income for the Period was RMB10,800,000 (corresponding period of last year: RMB15,857,000) and basic earnings per share was RMB0.92 cents (corresponding period of last year: RMB1.36 cents).

The decrease in consolidated profit and total comprehensive income is mainly due to the effect of (1) increase in cost relating to services rendered and (2) decrease in net exchange gain.

## INTERIM DIVIDEND

The board (“Board”) of directors (“Directors”) of the Company does not recommend the payment of any interim dividend during the Period.

## BUSINESS REVIEW

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

## FACTORING OPERATIONS

During the Period, the Factoring Operations recorded an operating revenue of RMB38,770,000 (corresponding period of last year: RMB27,735,000) with a segment profit of RMB26,930,000 (corresponding period of last year: RMB24,663,000).

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

# Management Discussion and Analysis

## FACTORING OPERATIONS (CONTINUED)

### Traditional Factoring

As at 30th June, 2022, under traditional factoring business, total principal financing receivables amounted RMB226,720,000 (31st December, 2021: RMB288,293,000), and recorded interest income and management fee income of RMB11,087,000 (corresponding period of last year: RMB16,667,000) and RMB1,783,000 (corresponding period of last year: RMB4,656,000) respectively during the Period.

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

The Group adopts an organisation structure that is commonly used by banking institutions and other factoring services providers – general manager office, financing team, risk management department team, business development team, product development team and administration. As at 30th June, 2022, the Factoring Operations of the Group has approximately 15 employees and is led by an experienced management team, including:

- Mr. Pan Mingfeng, being an executive director of the Company and the general manager of Yueda Commercial Factoring, has more than 11 years' experience in marketing, risk control and management, and has previously worked for several renowned enterprises in the financial sector in the PRC. He is responsible for leading the promotion of several innovative factoring projects of Yueda Commercial Factoring, including the communications factoring.
- Ms. Gao Ying, being the chief risk officer of Yueda Commercial Factoring, has 6 years of experience in the risk management industry. She is a holder of a Ph.D. in financial engineering at the Graduate School of Management of the Chinese Academy of Sciences. During her studies, she took part in various research topics such as those related to the causes of the US financial crisis and its impact on the Chinese economy, and the corresponding countermeasures. She is responsible for risk management in Yueda Commercial Factoring.

## Management Discussion and Analysis

### FACTORING OPERATIONS (CONTINUED)

#### Traditional Factoring (Continued)

Yueda Commercial Factoring conducts its factoring business in the PRC within the scope of its business license. Yueda Commercial Factoring (as the factor) provides factoring services and accounts receivable management and collection services to its customers (as seller) in return for interest and management fee income payments with comprehensive rates of return ranging from approximately 8.3% to 10.0%, composed of interest rate per annum (approximately 7.1% to 10.0%), and factoring management fee income per annum (approximately 0% to 2.0%).

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

Prior to the provision of factoring services and approval of the grant of revolving loan credit facilities to its factorees, the factoring business team will conduct due diligence on the customer and the risk compliance department will perform a risk assessment on the proposed transaction. The due diligence report and risk assessment report together with the business application form approved by, among others, the heads of factoring business department and risk compliance department and the General Manager, will be submitted to the Review Committee of Yueda Commercial Factoring, comprising five members including the Chairman, the Directors and the chief risk officer of Yueda Commercial Factoring, for approval. No factoring contracts will be prepared unless approvals from the Review Committee of Yueda Commercial Factoring is obtained. The release of the factoring loan shall be approved by the head of factoring business department, the Financial Controller, the General Manager and the Chairman of Yueda Commercial Factoring.

# Management Discussion and Analysis

## FACTORING OPERATIONS (CONTINUED)

### Communications Factoring

As at 30th June, 2022, under communications factoring business, outstanding principal financing receivables amounted RMB435,564,000 (31st December, 2021: RMB391,998,000), and recorded service income of RMB25,900,000 during the Period (corresponding period of last year: RMB6,412,000).

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

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

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

## Management Discussion and Analysis

### FACTORING OPERATIONS (CONTINUED)

#### Communications Factoring (Continued)

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

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

#### Existing factoring financial services:

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

The Group has identified several potential new customers for its traditional factoring business. Due to slowdown of economy of China and the prolonged COVID-19 outbreak, due diligence on potential new customers was more stringent in order to improve the overall quality of customer base.

#### Communications factoring:

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

# Management Discussion and Analysis

## FACTORING OPERATIONS (CONTINUED)

### Accounts receivable consultancy services:

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

### Exploring potential investment opportunities:

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

### Funding requirements:

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

## PROSPECTS

Looking forward to the second half of 2022, the Group will focus on the factoring business in the future. The prolonged outbreak of the COVID-19 in the PRC and the slow recovery in rest of the world will remain a great challenge to the economy and our operations in 2022. As at the date of this report, we have not experienced any significant default in repayment of principal, interest and fee income from our customers. We will remain highly alert about the impact of the epidemic on our operations and take any necessary measures to mitigate the impact. We will actively expand the customer base and will explore business opportunities in the area of factoring in the communications industry and business opportunities in other industry with potential in particular. The Directors endeavor to seek more business opportunities in the financial industry as well as other industries to diversify the Group’s existing business stream to enhance the long-term benefits of the Group and the shareholders as a whole.

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2022, the Group's current assets were RMB532,154,000 (31st December, 2021: RMB505,165,000), of which RMB46,712,000 (31st December, 2021: RMB24,454,000) were cash and cash equivalents. As at 30th June, 2022, the net asset value of the Group amounted to RMB405,659,000, representing an increase of approximately 2.7% as compared to RMB394,859,000 at 31st December, 2021. The gearing ratio (total liabilities/total assets) of the Group was approximately 45.3% (31st December, 2021: 44.2%).

As at 30th June, 2022, the share capital of the Company was RMB105,965,000 (31st December, 2021: RMB105,965,000). The Group's reserves were RMB299,694,000 (31st December, 2021: RMB288,894,000). As at 30th June, 2022, the Group had total current liabilities of RMB316,690,000 (31st December, 2021: RMB302,690,000), mainly comprising other payables, bank borrowing, other borrowings and amounts due to related companies. The total non-current liabilities of the Group amounted to RMB19,482,000 (31st December, 2021: RMB10,194,000), which mainly represented other borrowings, lease liabilities and deferred tax liabilities.

### CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of debts, which include bank borrowing, other borrowings, amounts due to related companies and amounts due to directors and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

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

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

## Management Discussion and Analysis

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

The Group's credit facilities for issuance of letters of credit which were secured by the Group's factoring receivables of RMB50,000,000 (31st December, 2021: secured by the Group's factoring receivables of RMB50,000,000) in aggregate as at 30th June, 2022. As at 30th June, 2022, the carrying amount of factoring receivables that were collateralised in securitisation transactions was RMB184,240,000 (31st December, 2021: nil).

Apart from above, the Group did not have any other guarantees and charges nor any other material contingent liabilities (31st December, 2021: Nil).

### EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2022, the Group had a total of approximately 19 employees (where they were located in Hong Kong and the PRC), engaged in management, administration and business factoring related business. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practices. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Period, the Group provided various training courses on relevant business or skills for its management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute.

### REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

## Management Discussion and Analysis

### CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In the opinion of the Board, the Group has complied with all of the code provisions of the Corporate Governance Code (“Code”) as set out in Part 2 of Appendix 14 to the Listing Rules throughout the Period, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 20th May, 2022 (the “2021 AGM”) (deviated from Code F.2.2) due to other business commitment. Nevertheless, one of the independent non-executive Directors attended and acted as the chairman of the 2021 AGM; and (ii) Mr. Li Biao, being non-executive Director, was not able to attend the 2021 AGM (deviated from Code C.1.6) due to his other business commitments. Nevertheless, each of these Directors has passed their opinion to the chairman of the 2021 AGM before its commencement. All non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company’s Articles of Association.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

### AUDIT COMMITTEE

The Company’s audit committee currently comprises Mr. Cheung Ting Kee (Chairman of the audit committee, an independent non-executive Director) and Dr. Liu Yongping (an independent non-executive Director). Duties of the audit committee include reviewing all matters relating to the scope of audit, such as the financial statements and internal control, with an aim to safeguard the interest of the shareholders of the Company. At a meeting held on 29th July, 2022, the audit committee reviewed the accounting principles and practices adopted by the Group, the unaudited interim results of the Group for the Period and discussed matters relating to audit, internal control and financial reporting with the management.

# Management Discussion and Analysis

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

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

Pursuant to Rule 3.10 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The audit committee of a listed issuer must comprise a minimum of three members under Rule 3.21 of the Listing Rules. Upon the retirement of Mr. Cui Shuming as an independent non-executive Director at the 2021 AGM, the Board comprises eight members with three executive Directors, three non-executive Directors and two independent non-executive Directors. As a result, the number of independent non-executive Directors of the Board will be reduced to two which is below the minimum number under Rule 3.10 of the Listing Rules. The chairman of the remuneration committee of the Company will fall vacant under Rule 3.25 of the Listing Rules and the number of members of the audit committee of the Company will be reduced to two which is below the minimum number prescribed under Rule 3.21 of the Listing Rules. In order to comply with Rule 3.10, Rule 3.25 and Rule 3.21 of the Listing Rules, the Company is endeavoring to identify a suitable candidate to fill up the above-mentioned vacancies as soon as practicable and in any event within three months from the 2021 AGM, and will make further announcement(s) as and when appropriate.

## Other Information

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

As at 30th June, 2022, the interests of each Director and their associates in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

*Note:*

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

Save as disclosed above and in this interim report, as at 30th June, 2022, none of the Directors, chief executives nor their associates had any interests or short positions in any Shares and underlying shares of the Company or any of the Company’s associated corporations.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTEREST

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, as at 30th June, 2022, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

*Notes:*

- All interests in the Shares are long positions.
- Jiangsu Yue Da Group Company Limited holds 100% interests in Yue Da Group (H.K.) Co., Limited and 61.03% interests in Yueda Capital Company Limited which holds 100% interests in Yueda Capital (HK) Limited and is accordingly deemed to be interested in the shares of the Company beneficially owned by Yue Da Group (H.K.) Co., Limited and Yueda Capital (HK) Limited under the SFO.

## Other Information

### SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a resolution passed on 20th May, 2021 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. As at 30th June, 2022 and 31st December, 2021, there is no share options remained outstanding under the share option scheme.

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

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

By order of the Board

**Yue Da International Holdings Limited**

**Liu Debing**

*Non-executive Director and Chairman of the Board*

Hong Kong, 29th July, 2022