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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 or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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) MAJOR AND CONTINUING CONNECTED TRANSACTION:
FACTORING AGREEMENT**

AND

(II) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

SUNWAH KINGSWAY
新華滙富

Capitalised terms used in this cover 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 35 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, Sheung Wan, Hong Kong at 10:00 a.m. on Wednesday, 6 December 2023 is set out on pages 44 to 45 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 17M 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.

20 November 2023

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DEFINITIONS

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

“Accounts Receivables Services”	accounts receivables financing, accounts receivable management services and accounts receivable collection services
“Annual Caps”	the annual maximum amounts of the revolving credit limit and interest and factoring administration fees to be received under the Factoring Agreement for the period from 1 December 2023 to 30 November 2026
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Company”	Yue Da International Holdings Limited, a company incorporated with limited liability in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Completion”	the completion of the transactions contemplated under the Factoring Agreement in accordance with the terms therein
“Completion Date”	the date of Completion, or such other date as the Company and the parties to the Factoring Agreement may agree in writing
“Conditions Precedent”	the conditions precedent to the Completion as set out in the paragraph headed “Conditions Precedent” under the section headed “The Factoring Agreement” in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Customers”	the customers of the Project Companies
“Director(s)”	the director(s) of the Company
“Dongtai”	Yueda Real Estate (Dongtai) Company Limited* (悦達地產(東台)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 Transaction

DEFINITIONS

“Factoring Agreement”	the Factoring Agreement dated 19 October 2023 entered into between Yueda Commercial Factoring, the Project Companies and the Company
“Factoring Agreement Announcement”	the announcement of the Company dated 19 October 2023 in relation to the Factoring Agreement
“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
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors established for the purpose of considering and advising the Independent Shareholders in respect of the Factoring Agreement
“Independent Financial Adviser” or “Kingsway Capital”	Kingsway Capital Limited, a licensed corporation for carrying out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Factoring Agreement
“Independent Shareholders”	Shareholder(s) other than those required to abstain from voting on the resolution(s) relating to the Factoring Agreement at the EGM under the Listing Rules
“Jiangsu Yue Da”	Jiangsu Yue Da Group Company Limited* (江蘇悅達集團有限公司), a state-owned enterprise established with limited liability in the PRC and a controlling shareholder of the Company which holds 100% interests in Yue Da Group and 61.03% interests in Yueda Capital Company, which in turn holds 100% interest in Yue Da Capital HK, and accordingly, deemed interest in 69.22% of the issued share capital of the Company. Jiangsu Yue Da Group Company Limited is ultimately beneficially owned as to approximately 91.3% by Yancheng City People’s Government and 8.7% by Jiangsu Financial Office
“JYCP”	Jiangsu Yueda Commercial Properties Company Limited* (江蘇悅達商業地產有限公司)

DEFINITIONS

“Latest Practicable Date”	17 November 2023, 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 Stock Exchange
“Long Stop Date”	29 February 2024, or any other date as agreed between the Company and parties to the Factoring Agreement in writing
“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
“Project Companies”	collectively, JYCP, Tianhui, Yuezhi, Sheyang, Dongtai, Zhiye, and Shanghai Yueda
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Yueda”	Shanghai Yueda Real Estate Development Company Limited* (上海悦達房地產發展有限公司)
“Share(s)”	ordinary share(s) having a par value of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Sheyang”	Yueda Real Estate (Sheyang) Company Limited* (悦達地產(射陽)有限公司)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Suppliers and Contractors”	the suppliers and contractors of the Project Companies
“Tianhui”	Yancheng Yueda Tianhui Real Estate Company Limited* (鹽城悦達天惠置業有限公司)

DEFINITIONS

“Transaction”	the provision of the financial assistance to the Project Companies pursuant to the Factoring Agreement and the transactions contemplated thereunder
“YDRE”	Yueda Real Estate Group Company Limited* (悦達地產集團有限公司)
“Yue Da Capital”	Yueda Capital Company Limited* (悦達資本股份有限公司), which is held as to 100% by Jiangsu Yue Da
“Yue Da Capital HK”	Yueda Capital (HK) Limited, which is held as to 61.03% by Yue Da Capital
“Yue Da Group”	Yue Da Group (H.K.) Co., Limited, which is held as to 100% by Jiangsu Yue Da
“Yueda Commercial Factoring”	Yueda (Shenzhen) Commercial Factoring Co., Ltd., a company established in the PRC and a subsidiary of the Group, which principal business is, among other things, commercial factoring
“Yuezhi”	Shanghai Yuezhi Real Estate Development Company Limited* (上海悦致房地產發展有限公司)
“Zhiye”	Yancheng Yueda Zhiye Development Company Limited* (鹽城悦達置業發展有限公司)
“%”	per cent.

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

Unless otherwise stated, the conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.0903 and is for information purpose only. Such conversion should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

LETTER FROM THE BOARD



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. Liu Debing
Mr. Li Biao
Mr. Hu Huaimin
Mr. Yu Guangshan

Executive Directors:

Mr. Pan Mingfeng
Mr. Wu Shengquan

Independent non-executive Directors:

Dr. Liu Yongping
Mr. Cheung Ting Kee
Ms. Zhang Yan

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

20 November 2023

To the Shareholders

Dear Sir or Madam,

**(I) MAJOR AND CONTINUING CONNECTED TRANSACTION:
FACTORING AGREEMENT**

AND

(II) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Factoring Agreement Announcement. As disclosed in the Factoring Agreement Announcement, after trading hours on 19 October 2023, Yueda Commercial Factoring, an indirect wholly owned subsidiary of the Company, entered into the Factoring Agreement with the Project Companies and YDRE, pursuant to which Yueda Commercial Factoring agreed to grant revolving factoring financing credit limits of not more than RMB180.0 million to the Project Companies in respect of their rights to receive under their contracts with the Customers or their payment obligations under their contracts with the Suppliers and Contractors.

LETTER FROM THE BOARD

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

THE FACTORING AGREEMENT

The 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 and YDRE upon the grant of the factoring financing and detailed terms, including the interest rate and factoring administration fees (collectively, the “**Interest and Fees**”), the term of the factoring financing and the repayment schedule of each transaction will be determined in accordance with the principles set out in the 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 Factoring Agreement:

- Date : 19 October 2023
- Parties : (1) Sheyang;
(2) JYCP;
(3) Tianhui;
(4) Yuezhi;
(5) Dongtai;
(6) Zhiye;
(7) Shanghai Yueda;
(8) YDRE; and
(9) Yueda Commercial Factoring

LETTER FROM THE BOARD

Revolving credit limit	:	RMB180,000,000 (equivalent to approximately HK\$196,254,000)
Annual rate of return (composed of interest rate and factoring administration fees)	:	7.8% to 8.2%
Guarantor	:	YDRE
Availability period of the factoring facilities	:	From 1 December 2023 to 30 November 2026 (the Factoring Agreement shall be conditional upon the fulfilment of the Conditions Precedent thereunder)

YDRE will provide the full guarantee to Yueda Commercial Factoring for the factoring financing granted to each of the Project Companies under the Factoring Agreement.

Pricing Policy and Internal Control Measures

The interest rate and factoring administration fees of the Factoring Agreement are determined by the parties through arm's length negotiation taking into account: (i) the credit rating of YDRE and the counterparty of the relevant transaction provided by the Project Companies; (ii) the credit period; (iii) the guarantee by YDRE; and (iv) the interest rates and factoring administration fees of similar services offered to the Independent Third Parties.

According to the requirements of management system of the connected transactions of the Company, the finance management department of the Company is responsible for monitoring the transaction amounts relating to the proposed Annual Caps under the Factoring Agreement by consolidating and preparing statistics for the transaction amounts incurred in the continuing connected transactions on a monthly basis. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect of continuing connected transactions that are expected to exceed their annual caps.

The general pricing policy of the Company is based on the assessment of the factors including the credit rating of the factoror, the factoree and the guarantor, the quality of the accounts receivable or securities, structure of the transaction, tenure, repayment schedule and conditions precedent, expected bad debt ratio, fulfilment of obligations of factoror and factoree under commercial contracts, and events and amounts of default. The final internal rate of return was based on the actual borrowing cost of the Company in the market, plus a margin ranging from 250 to 450 basis point, and such margin was based on the assessment factors above.

LETTER FROM THE BOARD

Conditions Precedent

The Factoring Agreement shall be conditional upon the following Conditions:

1. the passing by the majority of Independent Shareholders at the EGM of all resolutions required under the Listing Rules to approve the Transaction;
2. All necessary consents, authorisations and approvals relating to the conclusion of the Factoring Agreement and its performance having been obtained by the Company; and
3. All representations, undertakings and warranties given by the Company under the Factoring Agreement are and shall remain true, accurate, correct and complete and not misleading in all material respects.

If the Conditions Precedents set out above are not fulfilled by the Long Stop Date, the Factoring Agreement shall terminate, in which case none of the Company or the parties shall have any claim against the other parties to the Factoring Agreement for costs, damages, compensation or otherwise (save in respect of any prior breach of the Factoring Agreement).

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

	1 December 2023 to 31 December 2023 RMB'000	1 January 2024 to 31 December 2024 RMB'000	1 January 2025 to 31 December 2025 RMB'000	1 January 2026 to 30 November 2026 RMB'000
Revolving credit limit	180,000	180,000	180,000	180,000
Annual interest and factoring administration fees	<u>1,254</u>	<u>14,760</u>	<u>14,760</u>	<u>13,506</u>

The Annual Caps above are determined with reference to 100% of the expected maximum annual factoring credit limit to be granted by Yueda Commercial Factoring. For any avoidance of doubt, although the proposed Annual Cap for the year of 2023 is calculated commencing from 1 December 2023, the Company will grant the factoring financing under the Factoring Agreement to the Project Companies only after the approval by the Independent Shareholders at the EGM having been obtained.

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 Factoring Agreement during the relevant years will be made available for independent non-executive Directors' and the Company's auditors' review to ensure the relevant continuing connected transactions have been 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.

LETTER FROM THE BOARD

COMMITMENTS UNDER THE FACTORING AGREEMENT

According to the Factoring Agreement, Yueda Commercial Factoring has granted revolving factoring financing credit limits to the Project Companies which may or may not be utilised by the Project Companies. Yueda Commercial Factoring has the sole discretion to decide whether to approve the Project Companies' applications for factoring services. If the credit assessment is to the satisfaction of Yueda Commercial Factoring, Yueda Commercial Factoring will grant the factoring financing within the revolving credit limit. In assessing whether to approve the Project Companies' factoring financing applications, Yueda Commercial Factoring will review a number of factors including the latest credit rating of YDRE and Project Companies, the quality of the accounts receivable or securities, structure of the transaction, tenure, repayment schedule, conditions precedent, expected bad debt ratio, fulfilment of obligations of factoror and factoree under commercial contracts, events and amounts of default and whether the Group has sufficient source of funds for granting the financing and the costs of the funds.

The Company expects that the factoring financing under the Factoring Agreement will be funded by the internal resources of the Group, possible external financing obtained by the Group, the factoring assets provided by the customers and the money repaid by the customers of the Group to whom the Group provided factoring financing.

Any utilised factoring financing credit limits under the Factoring Agreement will be recorded as factoring receivables in the Group's consolidated financial statements, whereas there will be no impact on the Group's consolidated financial statements for any unutilised factoring financing credit limits thereunder.

INFORMATION ON THE PARTIES TO THE 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 services and accounts receivable consultancy services.

The Company provides services of both Factoring and Reverse Factoring. Factoring means provision of factoring credit limit to suppliers with high credit rating, and to provide factoring services based on the accounts receivables, which represent the amounts for supply of goods and services, to be received by these suppliers. Reverse Factoring means provision of reverse factoring limit to customers with high credit rating, and to provide factoring services based on the accounts payable, which represent the amounts for purchase of goods and services, to be paid by these customers. There is no material difference between factoring and reverse factoring in the process of granting factoring financing, where suppliers transfer the accounts receivable to the Company, the Company pays on behalf of the customers to the suppliers and the customers repay the Company upon maturity of the factoring financing. The only difference is the identity of applicants. The Company provides the revolving credit limit to the Project Companies, who will apply for the credit limit to settle the accounts receivables to be received from its customers

LETTER FROM THE BOARD

in the operations or the accounts payable to its suppliers and contractors in the operations, the Factoring Agreement is both factoring and reverse factoring in nature.

Sheyang is a company established in the PRC on 2 December 2022 and is principally engaged in property development in the PRC, which is held as to 95% by YDRE and 5% by Sheyang State Owned Assets Investment Group Company Limited* (射陽國有資產投資集團有限公司) which is held as to 100% by Sheyang County People's Government.

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, which is held as to 100% by YDRE.

Tianhui is a company established in the PRC on 29 February 2012 and is principally engaged in property development, which is directly held as to 33.33% by YDRE and 66.67% by Jiangsu Wanke Yueda Industrial Company Limited* (江蘇萬科悅達實業有限公司), which is in turn directly held as to 48% by YDRE and 50% by Yancheng Vanke Real Estate Development Company Limited* (“**Yancheng Vanke**”) (鹽城萬科房地產開發有限公司). Yancheng Vanke is ultimately controlled by China Vanke Co., Ltd. (萬科企業股份有限公司) with its shares listed on the Stock Exchange and Shenzhen Stock Exchange. Accordingly, Tianhui is directly and indirectly held as to 65% by YDRE.

Yuezhi is a company established in the PRC on 27 July 2022 and is principally engaged in property development in the PRC, which is held as to 100% by YDRE.

Dongtai is a company established in the PRC on 15 November 2019 and is principally engaged in property development and management in the PRC, which is held as to 100% by YDRE.

Zhiye is a company established in the PRC on 1 July 2010 and is principally engaged in property development and management in the PRC, which is held as to 100% by YDRE.

Shanghai Yueda is a company established in the PRC on 27 August 2009 and is principally engaged in property development and management in the PRC, which is held as to 100% by YDRE.

YDRE is a company established in the PRC on 20 March 1993 and is principally engaged in property development and management and sales of construction materials in the PRC, which is held as to approximately 66.36% by Yue Da Group, 17.25% by Yancheng Shiji Xincheng Real Estate Development Company Limited* (“**Shiji Xincheng**”) (鹽城世紀新城地產開發有限公司) and 16.39% by Jiangsu Luyang Transportation Development Group Company Limited* (“**Luyang**”) (江蘇綠陽交通建設集團有限公司). Both of Shiji Xincheng and Luyang are ultimately controlled by Yancheng City Peoples' Government.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE FACTORING AGREEMENT

The Group is principally engaged in the factoring related business in the PRC. Yueda Commercial Factoring (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 7.80% to 9.50%, composed of interest rate per annum (approximately 6.50% to 7.50%), and factoring administration fee income per annum (approximately 1.52% to 2.03%). To determine the annual rate of return of the Factoring Agreement, the Company took reference to (i) The credit rating of YDRE, which was referenced to the total revenue of RMB1,992 million and total net profit of RMB422 million for the year ended 31 December 2022 and the total assets of RMB13,332 million as at 31 December 2022 of YDRE and the counterparty of the relevant transaction provided by the Project Companies; (ii) the credit period; and (iii) the annual rate of return of factoring agreements formed with independent third parties in 2023, which is in the range of 7.80% to 9.50%. After taking consideration of the factors as stated in the general pricing policy and the factors stated above, we concluded that the interest rate of the Factoring Agreement is no less favourable to the Company than those offered to independent customers. The Directors consider that the Factoring Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

Given that the 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 Factoring Agreement are fair and reasonable and that it is in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Jiangsu Yue Da is deemed to be 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. Jiangsu Yue Da holds 100% direct interest in Yue Da Group. Yue Da Group is the shareholder of approximately 66.36% of the issued shares of YDRE. In addition, as at the Latest Practicable Date, (i) Sheyang is held as to 95% by YDRE; (ii) JYCP is held as to 100% by YDRE; (iii) Tianhui is directly and indirectly held as to 65% by YDRE; (iv) Yuezhi is held as to 100% by YDRE; (v) Dongtai is held as to 100% by YDRE; (vi) Zhiye is held as to 100% by YDRE; and (vii) Shanghai Yueda is held as to 100% by YDRE. Accordingly, each of the Project Companies is a connected person of the Company and the Transaction 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 Transaction exceeds 100%, the Factoring Agreement constitutes a major 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.

LETTER FROM THE BOARD

INDEPENDENT FINANCIAL ADVISER

Kingsway Capital Limited has been appointed as the Independent Financial Adviser by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Factoring Agreement. The letter from the Independent Financial Adviser is set out on pages 16 to 35 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 Wednesday, 6 December 2023, at 10:00 a.m. at which the ordinary resolution will be proposed to consider and, if thought fit, approve the Transaction. Notice convening the EGM has been despatched to the Shareholders on 20 November 2023, a copy of which is set out on pages 44 to 45 of this circular.

The proxy form for use at the EGM is enclosed with the notice of the EGM despatched to the Shareholders on 20 November 2023. 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 of the Company, Hong Kong Registrars Limited, at 17M 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 Factoring Agreement (including the proposed Annual Caps) are on normal commercial terms and are fair and reasonable and the Transaction is 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.

Jiangsu Yue Da 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 Transaction. 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 Transaction, and accordingly no other Shareholder is required to 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 Transaction and was required to abstain from voting at the meeting of the Board approving the Transaction.

LETTER FROM THE BOARD

RECOMMENDATION

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

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 appendices to this circular.

Yours faithfully,
By Order of the Board
Yue Da International Holdings Limited
Pan Mingfeng
Executive Director

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



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)

20 November 2023

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTION:
FACTORING AGREEMENT**

INTRODUCTION

We refer to the circular dated 20 November 2023 (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 Factoring Agreement are required to be approved by the Independent Shareholders at the EGM. We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Factoring Agreement are fair and reasonable 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 Factoring Agreement.

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

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 advice from the Independent Financial Adviser (as set out on pages 16 to 35 of this Circular) and the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the advice and recommendations of the Independent Financial Adviser, we consider that the terms of the Factoring Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Transaction is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Yue Da International Holdings Limited

Liu Yongping
Independent
Non-Executive Directors

Cheung Ting Kee
Independent
Non-Executive Directors

Zhang Yan
Independent
Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Kingsway to the Independent Board Committee and the Independent Shareholders in relation to the Factoring Agreement, and the transactions contemplated thereunder which has been prepared for the purpose of inclusion in this circular.

SUNWAH KINGSWAY
新華滙富

Kingsway Capital Limited
7/F, Tower One, Lippo Centre,
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Hong Kong

20 November 2023

*To the Independent Board Committee, the Independent Shareholders of
Yue Da International Holdings Limited*

Dear Sirs,

MAJOR AND CONTINUING CONNECTED TRANSACTION: FACTORING AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the independent board committee (the “**Independent Board Committee**”) of Yue Da International Holdings Limited (the “**Company**”) and the Independent Shareholders in relation to the Factoring Agreement, the Annual Caps and the transactions contemplated thereunder (the “**Continuing Connected Transaction**”), details of which are set out in the Letter from the Board (“**Letter**”) contained in this circular of the Company dated 20 November 2023 to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 19 October 2023, on 19 October 2023, Yueda Commercial Factoring, an indirect wholly owned subsidiary of the Company, entered into the Factoring Agreement with the Project Companies and YDRE, pursuant to which Yueda Commercial Factoring agreed to grant revolving factoring financing credit limit of not more than RMB180.0 million to the Project Companies in respect of their rights to receive under their contracts with the Customers or their payment obligations under their contracts with the Suppliers and Contractors.

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As at the Latest Practicable Date, Jiangsu Yue Da is deemed to be 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. Jiangsu Yue Da holds 100% direct interest in Yue Da Group. Yue Da Group is the shareholder of approximately 66.36% of the issued shares of YDRE. In addition, as at the Latest Practicable Date, (i) Sheyang is held as to 95% by YDRE; (ii) JYCP is held as to 100% by YDRE; (iii) Tianhui is directly and indirectly held as to 65% by YDRE; (iv) Yuezhi is held as to 100% by YDRE; (v) Dongtai is held as to 100% by YDRE; (vi) Zhiye is held as to 100% by YDRE; and (vii) Shanghai Yueda is held as to 100% by YDRE. Accordingly, each of the Project Companies is a connected person of the Company and the Transaction 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 Continuing Connected Transaction exceeded 100%, the Factoring Agreement constitutes a major 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 EGM will be held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolution to approve the Continuing Connected Transaction. Save for Jiangsu Yue Da 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, no other Shareholder has any material interest in the Continuing Connected Transaction. Jiangsu Yue Da and its associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Continuing Connected Transaction. Save for the foregoing, no other Shareholders will be required to abstain from voting on the resolution in respect of the Transaction at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises Dr. Liu Yongping, Mr. Cheung Ting Kee and Ms. Zhang Yan, all being independent non-executive Directors, has been formed to give advice and recommendation to the Independent Shareholders, among other things, whether the terms of the 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.

Kingsway Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to give our recommendation as to whether the Continuing Connected Transaction are conducted in the ordinary and usual course of business of the Group and whether the terms of the 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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OUR INDEPENDENCE

As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Kingsway Capital Limited and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transaction.

We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Kingsway Capital Limited did not provide any service to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the Factoring Agreement.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, statements, opinions and representations which are set out in the Circular or supplied to us by the Directors and the management of the Company. We have also reviewed the published information of the Company, including the annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the interim report for the six months ended 30 June 2023 (the “**2023 Interim Report**”). We have assumed that the information and facts provided and opinion expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have also relied on certain publicly available information and we have assumed such information to be accurate and reliable.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to believe that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us reaching an informed view and justifying our reliance on the information provided, so as to provide a reasonable basis for our opinion. The Directors and the management of the Company have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations, the omission of which would make any statement in the Circular, including this letter, misleading. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true up to the

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time of the EGM, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change of such representations.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Continuing Connected Transaction.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background Information of 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 the provision of factoring, accounts receivable management and collection and factoring consultancy services.

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2. Financial Information of the Group

A. Historical financial Performance of the Group

Set forth below is a summary of (i) the audited consolidated financial results of the Group for the financial years ended 31 December 2021 and 31 December 2022 (“FY2021” and “FY2022”, respectively) as extracted from the 2022 Annual Report; and (ii) the unaudited consolidated financial results of the Group for the six months ended 30 June 2022 and 30 June 2023 (“1H2022” and “1H2023”, respectively) as extracted from the 2023 Interim Report:

	FY2021	FY2022	1H2022	1H2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
– Income from traditional factoring business	36,850	26,883	12,870	16,021
– Income from communications factoring business	21,442	75,735	25,900	32,305
	58,292	102,618	38,770	48,326
Profit and total comprehensive income for the year/period	15,114	30,543	10,800	16,666

(i) FY2022 vs FY2021

The Group’s revenue for FY2022 amounted to approximately RMB102,618,000, which represented the revenue of the factoring operations increased by approximately 76.0% from approximately RMB58,292,000 as compared to FY2021. Such increase was primarily due to the increase in income from communications factoring business from approximately RMB21,442,000 for FY2021 to approximately RMB75,735,000 for FY2022 as a result of the increase in customer demand.

Profit and total comprehensive income for the year increased by approximately 102.1% from approximately RMB15,114,000 for FY2021 to approximately RMB30,543,000 for FY2022. Such increase was primarily due to the increase in revenue generated from the communications factoring business during the year.

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(ii) *1H2023 vs 1H2022*

Factoring Operations

The Group's revenue increased by approximately 24.6% from approximately RMB38,770,000 for 1H2022 to approximately RMB48,326,000 for 1H2023, which was mainly due to the increase in income generated from traditional factoring business from approximately RMB12,870,000 for 1H2022 to approximately RMB16,021,000 for 1H2023 and the increase in income generated from communications factoring business from approximately RMB25,900,000 for 1H2022 to approximately RMB32,305,000 for 1H2023 due to increase in customer demand.

The Group's profit and total comprehensive income for the period increased by approximately 54.3% from approximately RMB10,800,000 for 1H2022 to approximately RMB16,666,000 for 1H2023. Such increase was mainly due to the effect of increase in revenue from traditional factoring business and communications factoring business.

B. *Financial Positions of the Group*

Set out below is a summary of the consolidated financial position of the Group as at 30 June 2023 as extracted from the 2023 Interim Report:

	As at 30 June 2023 <i>RMB'000</i> (unaudited)
Non-current assets	131,905
Current assets	593,611
Non-current liabilities	25,659
Current liabilities	257,789
Net current assets	335,822
Net assets	442,068

As disclosed in the 2023 Interim Report, as at 30 June 2023, non-current assets of the Group amounted to approximately RMB131,905,000 which mainly comprised factoring receivables and other assets of approximately RMB99,730,000, financial assets at fair value through profit or loss of approximately RMB23,980,000 and right-of-use assets of approximately RMB5,201,000. Current assets amounted to approximately RMB593,611,000, which comprised current factoring receivables and other assets of approximately RMB538,677,000, cash and cash equivalents of approximately RMB41,001,000 and amounts due from related parties of approximately

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RMB13,933,000. Non-current liabilities amounted to approximately RMB25,659,000, which mainly comprised deferred tax liabilities of approximately RMB18,327,000 and obligations arising from asset-backed financing arrangements of approximately RMB5,630,000. Current liabilities amounted to approximately RMB257,789,000, which mainly included amounts due to related parties of approximately RMB93,669,000, bank and other borrowings of approximately RMB65,000,000, obligations arising from asset-backed financing arrangements of approximately RMB64,034,000 and other payables and liabilities of approximate RMB25,216,000. The gearing ratio of the Group as at 30 June 2023 as expressed as total liabilities to total assets was approximately 39.1%.

3. Background Information on the Parties to the Factoring Agreement

Yueda Commercial Factoring is a company established in the PRC and a subsidiary of the Group, of which its principal business is providing financing and accounts receivable management services to its customers in return for interest and administration fee income payments.

YDRE is a company established in the PRC on 20 March 1993 and is principally engaged in property development and management and sales of construction materials in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 66.36% by Jiangsu Yue Da. Besides, it is owned as to 17.25% and 16.39% by Yancheng Shiji Xincheng Real Estate Development Company Limited (“**Shiji Xincheng**”) and Jiangsu Luyang Transportation Development Group Company Limited (“**Luyang**”), respectively. Both of Shiji Xincheng and Luyang are ultimately controlled by Yancheng City Peoples’ Government.

Sheyang is a company established in the PRC on 2 December 2022 and is principally engaged in property development in the PRC, As at the Latest Practicable Date, Sheyang is held as to 95% by YDRE and 5% by Sheyang State Owned Assets Investment Group Company Limited which is held as to 100% by Sheyang County People’s Government.

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. As at the Latest Practicable Date, it is beneficially owned as to 100% by YDRE.

Tianhui is a company established in the PRC on 29 February 2012 and is principally engaged in property development. As at the Latest Practicable Date, it is beneficially owned as to 65% by YDRE and 35% indirectly by Jiangsu Wanke Yueda Industrial Company Limited, which is ultimately controlled by Mr. Hu Zhangfei.

Yuezhi is a company established in the PRC on 27 July 2022 and is principally engaged in property development in the PRC. As at the Latest Practicable Date, Yuezhi is held as to 100% by YDRE.

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Dongtai is a company established in the PRC on 15 November 2019 and is principally engaged in property development and management in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 100% by YDRE.

Zhiye is a company established in the PRC on 1 July 2010 and is principally engaged in property development and management in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 100% by YDRE.

Shanghai Yueda is a company established in the PRC on 27 August 2009 and is principally engaged in property development and management in the PRC. As at the Latest Practicable Date, it is beneficially owned as to 100% by YDRE.

4. Reasons for and Benefits of Entering into the Factoring Agreement

As set out in the Letter, the Directors considered that the Factoring Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, entering into the Factoring Agreement will contribute profit to the Company over the financial term and is beneficial to the Group in its business expansion and establishment of long term business relationship with YDRE and the Project Companies.

Given the Group's principal business as mentioned above is providing financing and accounts receivable management services to its customers in return for interest and administration fee income payments, we considered that the Factoring Agreement falls within the Group's ordinary and usual course of business. As a result, additional revenue will be generated from the Factoring Agreement.

Given the Group has past business relationship with YDRE and some of the Project Companies, we considered that it will be beneficial to the Group to enter into the Factoring Agreement with its existing customers during the economic downturn.

Having considered that (i) the Factoring Agreement fall within the Group's ordinary and usual course of business, and (ii) both YDRE and some of the Project Companies are existing customers of the Group, we concur with the Directors' view that entering into the Factoring Agreement will contribute profit to the Company over the financial term and is beneficial to the Group in its business expansion and establishment of long term business relationship with YDRE and the Project Companies.

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5. Principal Terms of the Factoring Agreement

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

Date	:	19 October 2023
Parties	:	(1) Sheyang; (2) JYCP; (3) Tianhui; (4) Yuezhi; (5) Dongtai; (6) Zhiye; (7) Shanghai Yueda; (8) YDRE; and (9) Yueda Commercial Factoring
Revolving Credit Limit	:	RMB180,000,000 (equivalent to approximately HK\$196,254,000)
Annual rate of return (composed of interest rate and factoring administration fees)	:	7.8%–8.2%
Guarantor	:	YDRE
Availability period of the factoring facilities	:	From 1 December 2023 to 30 November 2026

YDRE will provide the full guarantee to Yueda Commercial Factoring for the factoring financing granted to each of the Project Companies under the Factoring Agreement.

As set out in the Letter, the interest rate and factoring administration fees of the Factoring Agreement are determined by the parties through arm's length negotiation taking into account: (i) the credit rating of YDRE and the Project Companies; (ii) the credit

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period; (iii) that the factoring financing is guaranteed by YDRE; and (iv) the interest rates and factoring administration fees of similar services offered to the independent third parties.

To ensure the interest rates and factoring administration fees to be offered under the Factoring Agreement shall be no more favorable to the Project Companies than those offered to the independent third parties for similar services, we have performed comparable analysis on the terms of the Factoring Agreement with the terms of (i) framework agreements entered into by the Group with independent third parties, (ii) definitive agreements entered into by the Group with independent third parties, and (iii) factoring agreements entered into by companies listed on the Stock Exchange (with similar transactions nature).

For the framework and definitive agreements which the Group entered into with independent third parties for comparable analysis, it included both factoring agreements and reverse factoring agreements. As stated in the Letter, the Company provides services of both factoring and reverse factoring. Factoring means the Group provide factoring credit limit to suppliers with high credit rating, and to provide factoring services based on the accounts receivables, which represent the amounts for supply of goods and services, to be received by these suppliers. Reverse factoring means the Group provide factoring credit limit to customers with high credit rating, and to provide factoring services based on the accounts payable, which represent the amounts for purchase of goods and services, to be paid by these customers. As advised by the management of the Company, there is no material difference between factoring and reverse factoring in the process of granting factoring financing from the perspective of the Group where suppliers transfer the accounts receivable to the Group, the Group pays on behalf of the customers to the suppliers and the customers repay the Group upon maturity of the factoring financing. Also, in both scenario, the Group will determine the terms of the agreements based on similar factors which included but not limited to the credit rating of the factoror, factoree and guarantor, the quality of the accounts receivable or securities, structure of the transaction, tenure, repayment schedule and conditions precedent, expected bad debt ratio, fulfilment of obligations of factoror and factoree under commercial contracts, and events and amounts of default (“**Assessment Factors**”). Having considered that factoring and reverse factoring transaction is similar in nature and the Company will consider similar factors when determine the detail terms of the factoring/reverse factoring agreement, we are of the view that the comparison included both factoring and reverse factoring agreement which the Group entered into with independent third parties is fair and reasonable.

Framework Agreement Comparison

As advised by the management of the Company, the Group has entered into 10 framework agreements with independent third parties during the period commencing from 1 October 2022, being approximately twelve-months period preceding the commencement date of the availability period of the factoring facilities as set out in the Factoring Agreement, up to and including the Latest Practicable Date (the “**Review**

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Period”). We consider that the Review Period, covering a full year prior to the commencement date of the availability period of the factoring facilities is appropriate, given that (i) it represents a reasonable period to review the terms of the most recent framework agreements entered into by the Group with independent third parties, and (ii) further extend the review period may not be appropriate as the terms of framework agreements will be affected by the prevailing economic conditions at the times when the Group negotiated the terms with independent third parties.

Among the 10 framework agreements that the Group entered into with independent third parties during the Review Period, we noted that (i) the revolving credit limit ranged from RMB10 million to RMB50 million, (ii) the annual rate of return ranged from 7.8% to 9.5%, and (iii) the available period of the factoring facilities ranged from approximately half year to one year.

Based on our review, we noted that the annual rate of return of 7.8% to 8.2% of the Factoring Agreement fall within the range of those charged to the independent third parties and are no more favourable to the Project Companies than those offered to the independent third parties for similar services.

For the available period of the factoring facilities, the three years period under the Factoring Agreement is longer than those 10 framework agreements entered into by the Group with independent third parties during the Review Period, which is approximately half to one year. As advised by the management of the Company, when determined the length of the framework agreements, factors including length of business relationship, credibility, loan default history of the borrower and guarantor will be considered case by case. In the opinion of the management of the Company, given that YDRE and the Project Companies maintains good business relationship with the Group and have good credibility with no loan default record, three years period is considered fair and reasonable.

As advised by the management, when the Company assess the terms (including the length) of the Factoring Agreement, the management has taken into consideration the credit rating of YDRE, being the guarantor of the Factoring Agreement, which was referenced to the total revenue of approximately RMB1,992.2 million and total net profit of approximately RMB422.3 million for the year ended 31 December 2022 and the total assets of approximately RMB13,331.9 million as at 31 December 2022 of YDRE.

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We have reviewed the audit report of YDRE for the last three financial years and the unaudited management account of YDRE for the six months ended 30 June 2023, key financial information is set out in the table below:

	Year ended 31 December 2020 <i>RMB million</i>	Year ended 31 December 2021 <i>RMB million</i>	Year ended 31 December 2022 <i>RMB million</i>	Six months ended 30 June 2023 <i>RMB million</i> (unaudited)
Revenue	1,655.4	1,037.6	1,992.2	1,324.4
Net profit	554.9	444.3	422.3	78.9
Cash and Bank balance	771.5	1,087.6	671.8	895.7
Net Assets	5,348.2	5,583.0	5,806.7	5,873.0

As shown in the table above, we noted that YDRE maintained a positive revenue and net profit for the last three financial years, it also maintained a strong financial position which was supported by an average cash and bank balance and net assets of approximately RMB843.6 million and RMB5,579.3 million respectively over the last three financial years. Based on the financial information we have reviewed, we concur with the view of the management that YDRE has a good credibility.

Given that (i) it is the Group's purpose to establish a long term business relationship with YDRE and the Project Companies, (ii) both YDRE and the Project Companies have good credibility with no loan default record, and (iii) the transactions under the Factoring Agreement constitute continuing connected transaction for the Company under the Listing Rules and it will be costly for the Company to sought for shareholders' approval for renewal the framework agreement annually, we are of the opinion that the term of the Factoring Agreement of three years is fair and reasonable.

Definitive Agreement Comparison

As advised by the management of the Company and discussed above, a definitive factoring agreement will be entered into between the Company and the counterparty upon the grant of the factoring loans and the details terms, including the annual rate of return, the term, of each loan will be determined in accordance with the principles set out in the framework agreements. We have reviewed 12 definitive agreements, which represents all definitive agreements entered into by the Group with independent third parties during the Review Period ("**Definitive Agreements**"), which was confirmed by the management of the Company as an exhaustive list of definitive agreements during the relevant period.

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Among the Definitive Agreements, we noted that (i) the principal amount of the Definitive Agreements ranged between RMB10 million to RMB50 million, (ii) the terms of the Definitive Agreements ranged between 6 months to 12 months, (iii) the annual rate of return ranged between 8.1% to 9.5% per annum, and (iv) all the Definitive Agreements were provided with guarantee or security.

Based on our review, we noted that the revolving credit limit of the Factoring Agreement of RMB180 million is higher than range of the principal amount of the Definitive Agreements, we were advised by the management of the Company that the RMB180 million credit limit is the limit under the framework agreement and it will be shared among the Project Companies. The principal amount to be granted under the definitive agreements to be entered into with Project Companies will be determined case by case and subject to the Company's internal control procedures to ensure the principal amount granted to each individual Project Company is fair and reasonable.

We noted that the annual rate of return of 7.8% to 8.2% of the Factoring Agreement is slightly lower than the range of those charged to the independent third parties. As advised by the management of the Company, the lower annual rate of return was mainly due to the promotion of decreasing real cost of capital for enterprises introduced by the PRC government. We note from the *Notice regarding the implementation of several policies and measures of the provincial government to promote the overall improvement of economy issued by the government of Yancheng City** (鹽城市人民政府印發關於貫徹落實省政府推動經濟運行率先整體好轉若干政策措施實施意見的通知) that the local government promote and support financial institutions in adjusting their internal fund transfer pricing based on the trends of Loan Price Rate (the "LPR"), to help financial institutions further reduce the financing cost of the real economy. Given the decreasing trend of the LPR since 2020, which the one-year LPR decreased from 4.15% in 2020 to 3.65% in 2022 and further decreased to 3.45% in August 2023, we considered the interest rate charged from the factoring business would remain at a relatively low level and the slightly lower annual rate of return of the Factoring Agreement is reasonable.

Having considered the above findings under the Definitive Agreements comparison, we are of the view that the terms of the Factoring Agreement is fair and reasonable and no favourable to the Project Companies than those offered to the independent third parties.

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Listed Companies Comparison

To further assess the fairness and reasonableness of the terms of the Factoring Agreement, we have identified a list of factoring agreements entered into by companies listed on the Stock Exchange (“**Listed Companies Comparables**”) with announcement published during the Review Period. We have set out several criteria to limit the samples to those factoring transactions with structure similar to the Factoring Agreement, details of each criteria is discussed below:

- (i) *Factoring transactions (including both factoring and reverse factoring transactions)*

The Factoring Agreement is a factoring transaction, as discussed under paragraph headed “Principal Terms of the Factoring Agreement” in this letter, given that there is no material difference between factoring and reverse factoring transactions from the perspective of the Group in both scenario as the Group will consider similar Assessment Factors when determine the terms for each individual factoring loans, therefore, the inclusion of both factoring and reverse factoring transactions is considered reasonable;

- (ii) *Borrower of the factoring loan is a PRC based company*

As stated under paragraph headed “Background Information on the Parties to the Factoring Agreement” in this letter, all the Project Companies are company incorporated and operated in PRC, thus we have limited the Listed Companies Comparables to those factoring loan borrower is a PRC based company because we are of the view that the terms of factoring loan will be affected by the economic condition and/or government regulation of specific geographical location, therefore, limit the Listed Companies Comparables to those factoring loan borrower is PRC based company is considered reasonable;

- (iii) *Factoring loan secured by guarantee*

The factoring loan under the Factoring Agreement will be secured by corporate guarantee from YDRE. As discussed under paragraph headed “Principal Terms of the Factoring Agreement” of this Letter, the Group will determine the terms of the agreements based on various Assessment Factors and whether the factoring loan is secured by guarantee is one of the factors to be considered. We are of the view that whether the factoring loan is secured by guarantee is a major factor which will affect the terms of the factoring loan as guarantee will reduce the default risk of the Group given that the Group will be able to demand repayment from guarantor if the borrower cannot repay the loan. It might be more ideal to further limit the sample size with more Assessment Factors, however, not every factoring agreements entered into by companies listed on the Stock Exchange with announcement published during the Review Period will

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publicly disclose every factors they have assessed when entering into the agreements, given the insufficient public information, Thus, limit the Listed Companies Comparables to those factoring loan secured by guarantee is considered reasonable.

To the best of our endeavor, we believe that the list of the Listed Companies Comparables is an exhaustive list of factoring agreements entered into by listed companies meeting the aforesaid search criteria and is a fair and representative sample to be taken for general reference of the recent market conditions on factoring loans with similar structure to the Factoring Agreement. We are of the view that the listed companies comparison is for a general reference only as the terms of each individual factoring loan is subject to various factors including the credibility of the borrower, credibility of the guarantor, value of the security and cost of financing of the lender and these factors may not be the same as the Group. That said, since the Listed Companies Comparables are the recent factoring transactions announced to the public, we consider that it is still an appropriate basis to assess the fairness and reasonableness of the terms of the Factoring Agreement. Our relevant findings are summarised in the table below:

Company name (stock code)	Date of announcement <i>dd/mm/yyyy</i>	Principal amount <i>RMB million</i>	Term <i>approx. month</i>	Annual rate of return <i>(Note 1)</i> %	With guarantee/ security
Shandong Hi-Speed New Energy Group Limited (412)	18/09/2023	240	6	5.0	Guarantee
FY Financial (Shenzhen) Co., Ltd (8452)	04/08/2023	10	12	10.0	Guarantee
FY Financial (Shenzhen) Co., Ltd (8452)	03/07/2023	27	24	10.0	Guarantee
FY Financial (Shenzhen) Co., Ltd (8452)	16/06/2023	31	12	10.0	Guarantee
Pak Tak International Limited (2668)	24/05/2023	23	12	8.5 ^(Note 2)	Guarantee and security
FY Financial (Shenzhen) Co., Ltd (8452)	19/05/2023	30	12	10.0	Guarantee
FY Financial (Shenzhen) Co., Ltd (8452)	28/04/2023	7.9	12	10.0	Guarantee

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Company name (stock code)	Date of announcement <i>dd/mm/yyyy</i>	Principal amount <i>RMB million</i>	Term <i>approx. month</i>	Annual rate of return <i>(Note 1)</i> %	With guarantee/ security
China Nuclear Energy Technology Corporation Limited (611)	28/12/2022	100	12	5.5	Guarantee
FY Financial (Shenzhen) Co., Ltd (8452)	21/12/2022	32	36	12.0	Guarantee
NOVA Group Holdings Limited (1360)	28/10/2022	38	9	5.5 ^(Note 3)	Guarantee
	Minimum	7.9	6	5.0	
	Maximum	240	36	12.0	
	Average	53.9	14.7	8.7	
The Group		180	36	7.8% to 8.2%	Guarantee

Notes:

1. The annual rate of return composed of interest expenses and factoring administration fees and presented as a percentage of the factoring loan principal amount.
2. Pursuant to the announcement of Pak Tak International Limited, the annual rate of return comprised 8.0% of interest rate and a fixed service fee of RMB115,000, equivalent to approximately 0.5% of the principal loan amount, therefore, the annual rate of return of 8.5% is adopted for comparison purpose.
3. Pursuant to the announcement of NOVA Group Holdings Limited, the annual rate of return comprised 0.5% of management fee and interest rate of 5% per annum, therefore, the annual rate of return of 5.5% is adopted for comparison purpose.

Based on the above table, we noted that (i) the principal amount of Listed Companies Comparables ranged between RMB7.9 million to RMB240 million, which the principal amount of the Factoring Agreement of RMB180 million falls within the range, (ii) the terms of the Listed Companies Comparables ranged from 6 months to 36 months, which the expected term of the Factoring Agreement falls within the range of the Listed Companies Comparables, and (iii) the annual rate of return ranged from 5.0% to 12.0%, with an average of approximately 8.7%, the range of annual rate of return of the Factoring Agreement of 7.8% to 8.2% fall within the range of the annual rate of return of the Listed Companies Comparables. We note the annual rate of return of the Factoring Agreement of 7.8% to 8.2% is slightly lower than that of the average of Listed Companies Comparables of approximately 8.7%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given (i) the continuous promotion of the PRC government for reducing the real cost of capital of enterprises and decreasing LPR in recent years as discussed under the section headed “Definitive Agreement Comparison” in this letter, we considered that there may be downward pressure for the interest rate and administration fee charged for the factoring business as the cost of financing of the lender would be decreased, (ii) the size of the credit limit of the Factoring Agreement is relatively high and the factoree may have better bargaining power (i.e. industry peers such as Shandong Hi-Speed New Energy Group Limited (stock code: 412) and China Nuclear Energy Technology Corporation Limited (stock code: 611) with relatively high credit limit also offered lower than average annual rate of return of approximately 5.0% and 5.5%, respectively), and (iii) the annual rate of return of the Factoring Agreement is lower than the average but fall within the range of the annual rate of return of the Listed Companies Comparables, we considered that the slightly lower than average annual rate of return of the Factoring Agreement is fair and reasonable and in the interest of the Company.

Having considered (i) the annual rate of return of the Factoring Agreement falls within the range of those framework agreements and definitive agreements entered into by the Group and independent third parties and falls within the range of the Listed Companies Comparables, (ii) the revolving credit limit of the Factoring Agreement falls within the range of the framework agreements entered into by the Group and the Listed Companies Comparables, (iii) the expected term of the Factoring Agreement falls within the range of the Listed Companies Comparables, (iv) the terms of the definitive agreements to be entered with Project Companies will be assessed case by case in accordance to the Group’s internal control procedures (as further discussed below) and it is a common market practice for entering into definitive agreements to reflect the detailed terms and conditions for each drawdown after being granted a revolving credit limit, and (v) the 3 years term of the Factoring Agreement is justifiable as the Factoring Agreement is a continuing connected transaction which will be costly for the Company to sought for shareholders’ approval for renewal annually, we are of the view that the terms of the Factoring Agreement are on normal commercial terms and fair and reasonable so far as to the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Basis of the Proposed Annual Caps

The Proposed Annual Caps for the three years from 1 December 2023 to 30 November 2026, in relation to the annual revolving credit limit and the annual aggregate amounts of interest and administration fee income from the Factoring Agreement (“**Proposed Annual Caps**”) are as follows:

	From 1 December 2023 to 31 December 2023 <i>RMB'000</i>	From 1 January 2024 to 31 December 2024 <i>RMB'000</i>	From 1 January 2025 to 31 December 2025 <i>RMB'000</i>	From 1 January 2026 to 30 November 2026 <i>RMB'000</i>
Revolving credit limit	180,000	180,000	180,000	180,000
Annual interest and factoring administration fee	1,254	14,760	14,760	13,506

The revolving credit limit of RMB180 million represents approximately 59.7% of the aggregate factoring credit limits of the Groups’ signed factoring agreements which were effective as at 30 September 2023 of approximately RMB301,504,000.

The management of the Company confirmed that they have determined the Proposed Annual Caps based on (i) the historical transaction amounts under the 2020 Factoring Agreement, and (ii) the expected demand for factoring financing from the Project Companies. Per discussion with the management, we understood that the management expected the demand for the factoring financing from the Project Companies will remain steady given the Project Companies continue carried out property development projects in the PRC which will incur further payment obligations under their contracts with the material suppliers and construction works contractors involved in the projects, which the Project Companies require funding to settle the payment obligations. We have reviewed the schedule showing the historical transaction amounts under the 2020 Factoring Agreement and understood that the management has utilised up to 99.9% of the revolving credit limit under the 2020 Factoring Agreement and concurred with the management’s view that there’s steady demand for factoring financing from the Project Companies.

We have reviewed the calculation of the Proposed Annual Cap for interest and factoring administration fee and noted that it is calculated based on the assumption that the revolving credit limit will be utilised in full and the interest and factoring administration fee is 8.2% (being the maximum rate under the terms of the Factoring Agreement). We considered the calculation was properly compiled according to the terms of the Factoring Agreement and is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that the expected steady demand from the Project Companies for revolving factoring financing in the coming years, we are of the view that the Proposed Annual Cap for the Factoring Agreement is fair and reasonable and in the interests of the Company and Shareholders as a whole.

7. Internal Control Measures

As set out in the Letter and as advised by the management of the Company, the Group has adopted the following internal control procedures to ensure that the transactions under the Factoring Agreement will be conducted on a normal commercial terms, and in accordance with the principal terms set out in the Factoring Agreement and are no more favourable to the Project Companies than those offered to independent third parties:

- (i) according to the requirements of management system of the connected transactions of the Company, the finance management department of the Company is responsible for monitoring the transaction amounts relating to the Proposed Annual Caps under the Factoring Agreement by consolidating and preparing statistics for the transaction amounts incurred in the continuing connected transactions on a monthly basis. The Company will re-comply with the necessary approval procedures in accordance with the Listing Rules in respect of continuing connected transactions that are expected to exceed their annual caps;
- (ii) before entering into a new factoring transaction, the factoring business department members will conduct a due diligence review on the counterparties of the transaction and the risk compliance department will perform a risk assessment on the proposed factoring 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;
- (iii) relevant contracts in respect of the Factoring Agreement during the relevant years will be made available for annual review by the independent non-executive Directors and the Company's auditor to review. The Company's auditor will also provide a letter to the board of directors confirming the transactions under the Factoring Agreement (i) have received the approval of the Board, (ii) are in accordance with the pricing policies of the Company if the transactions involve

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

provision of goods or services by the Company, (iii) have been entered into in accordance with the relevant agreements governing the transactions, and (iv) have not exceeded the cap disclosed in the previous announcement(s).

We have discussed with the management of the Company in relation to the above internal control measures, management of the Company confirmed that the abovementioned internal control policies were, and would be, consistently applied to all factoring transactions, including the transactions to be entered under the Factoring Agreement 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 have also reviewed sample documents in relation to the abovementioned internal control measures, included but not limited to due diligence report, risk assessment report, business application form, approval from review committee of Yueda Commercial Factoring, factoring agreement and the payment approval form, we noted that the internal control measures are properly adopted.

Given the above, we consider that there exist appropriate internal control procedures and arrangements to ensure the factoring transactions under the Factoring Agreement will be conducted on a normal commercial term and are no more favourable to the Project Companies than those offered to independent third parties.

8. Conclusion and Recommendation

Having considered the above principal factors and reasons referred to in the above, we are of the opinion that the terms and conditions under the Factoring Agreement are on normal commercial terms, are in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Board Committee and the Independent Shareholders are concerned. The Factoring Agreement is also in the interest of the Company and Shareholders as a whole. We are also of the opinion that the Proposed Annual Caps have been fairly and reasonably arrived at. Therefore, we would advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favor of the resolution to be proposed at the EGM to approve the Factoring Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
Kingsway Capital Limited
Karen Wong
Managing Director – Head of advisory

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2020, 2021 and 2022 were set out in the Company's annual reports for the each of three years ended 31 December 2020, 2021 and 2022, which can be accessed on the website of the Stock Exchange:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0414/2021041401420.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0413/2022041300468.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600305.pdf>

2. INDEBTEDNESS

As at the close of business on 30 September 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has total outstanding borrowings of approximately RMB301.8 million, comprising unsecured and unguaranteed amounts due to related parties of approximately RMB74.4 million; bank and other borrowings of approximately RMB65.0 million which are secured by Group's factoring receivables and guaranteed by Jiangsu Yue Da; and obligations arising from asset-backed financing arrangements with principal amount of approximately RMB162.4 million in aggregate which are secured by the Group's factoring receivables and its obligations payable to the priority tranches which are guaranteed by Jiangsu Yue Da.

As at 30 September 2023, the Group has outstanding lease payments not yet paid for the remainder of the lease terms amounting to approximately RMB4.7 million in aggregate, comprising approximately HK\$0.4 million (equivalent to approximately RMB0.4 million) and approximately RMB0.4 million, which are secured by the Group's rental deposits and unguaranteed; and approximately HK\$4.2 million (equivalent to approximately RMB3.9 million) which are unsecured and unguaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 30 September 2023, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other outstanding mortgages, charges, bank overdrafts, loans or other similar indebtedness, lease obligations, liabilities under acceptance or acceptance credits, hire purchase commitments, guarantees or any material contingent liabilities.

3. WORKING CAPITAL STATEMENT

After taking into account (i) the effect of the transactions contemplated under the Factoring Agreement; and (ii) the Group's presently available financial resources, including internally generated funds from operation and available facilities of the Group, the Directors after due and careful enquiry, are of the opinion that the Group has sufficient working capital for its requirements, that is for at least the next twelve months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date of which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group will focus on the factoring business and other business with prospects for the Group in the future. We will actively expand the customer base and will explore business opportunities in the area of communications factoring. The Directors endeavour to seek more opportunities in the finance industry and other businesses with prospects to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular 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 is 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 INTEREST

(a) Directors' Interests in Shares, Underlying Shares and Debentures or any Associated Corporation of the Company

As at the Latest Practicable Date, 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 ordinary Shares <i>(Note (i))</i>	Approximate percentage of issued share capital of the Company <i>(Note (ii))</i>
Mr. Hu Huaimin	Beneficial owner	2,424,666 (L)	0.21%
Mr. Li Biao	Beneficial owner	136,666 (L)	0.01%

Notes:

- (i) The letter "L" represents the Director's long position in the ordinary shares of the Company.
- (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:

Name	Capacity	Number of issued ordinary Share <i>(Note (i))</i>	Approximate percentage of issued share capital of the Company <i>(Note (ii))</i>
Yue Da HK	Beneficial owner	208,976,333 (L)	17.88%
Yueda Capital (HK) Limited	Beneficial owner	600,000,000 (L)	51.34%
Yueda Capital Company Limited <i>(Note (iii))</i>	Interest of a controlled corporation	600,000,000 (L)	51.34%
Jiangsu Yue Da <i>(Note (iii))</i>	Interest of a controlled corporation	808,976,333 (L)	69.22%

Notes:

- (i) The letter "L" represents the Director's long position in the ordinary shares of the Company.
- (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.
- (iii) Jiangsu Yue Da holds 100% interests in Yue Da HK and 61.03% interests in Yueda Capital Company Limited which holds 100% interest in Yueda Capital (HK) Limited and is accordingly deemed to be interested in the shares of the Company beneficially owned by Yue Da HK and Yueda Capital (HK) Limited under the SFO.

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 date of 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:

Name of Director	Name of substantial shareholder of the Company	Position in substantial shareholder of the Company
Mr. Liu Debing	Yueda Capital (HK) Limited	Director
	Yueda Capital Company Limited	Director
Mr. Li Biao	Yue Da HK	Director
Mr. Yu Guangshan	Yueda Capital Company Limited	Director

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one 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.

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (i) none of the Directors had any interests, direct or indirect, in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements 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; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into with any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close 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

No contract (not being a contract entered into in the ordinary course of business) have been entered into by the member of the Group within two years immediately preceding the date of this circular and are or may be material.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, there were no litigations or claims of material importance pending or threatened against any member of the Group which was known to the Directors.

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 2022, being the date to which the latest published audited accounts of the Company were made up.

9. EXPERTS

- (a) The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Kingsway Capital Limited	A licensed corporation for carrying out Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) 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 20 November 2023 and references to its name in the form and context in which it appears.
- (c) 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.

- (d) As at the Latest Practicable Date, the Independent Financial Adviser had no interest in any asset which have been since 31 December 2022 (being the date to which the latest published audited accounts of the Company 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

- (a) 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.
- (b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The Hong Kong branch share registrar and transfer office of the Company, Hong Kong Registrars Limited, is located at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Cheng Man Hung who is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified 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 ON DISPLAY

Copies of the following documents are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yueda.com.hk) from the date of this circular up to 14 days thereafter:

- (a) the memorandum and articles of association of the Company;
- (b) the Factoring Agreement;
- (c) the annual reports of the Company for the three years ended 31 December 2022;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 35 of this circular;

- (f) the written consent of the experts referred to in the paragraph headed “Experts” in this appendix; and
- (g) this circular.

NOTICE OF EGM



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 Wednesday, 6 December 2023 for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Factoring Agreement dated 19 October 2023 entered into between the Company and Yueda Commercial Factoring, the Project Companies and YDRE (the “**Factoring Agreement**”) be and is hereby approved, confirmed and ratified;
- (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 Factoring Agreement and the transactions contemplated thereunder.”

On behalf of the Board
Yue Da International Holdings Limited
Pan Mingfeng
Executive Director

Hong Kong, 20 November 2023

NOTICE OF EGM

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 in Hong Kong, Hong Kong Registrars Limited at 17M Floor, 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.

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