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)

2020 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS:

Non-executive directors

Mr. Liu Debing
(Chairman of the Board)
(re-designated on 1st June 2020)
Mr. Li Biao
Mr. Hu Huaimin
(Vice Chairman of the Board)
(re-designated on 1st June 2020)
Mr. Tang Rujun
(resigned on 1st June 2020)

Executive directors

Mr. Sun Yuanming *(Chief Executive and Vice Chairman of the Board)*
(appointed on 1st June 2020)
Mr. Cai Baoxiang
Mr. Bai Zhaoxiang

Independent non-executive directors

Mr. Cui Shuming
Dr. Liu Yongping
Mr. Cheung Ting Kee

AUDIT COMMITTEE:

Mr. Cheung Ting Kee *(Chairman)*
Mr. Sun Yuanming and Mr. Cui Shuming

REMUNERATION COMMITTEE:

Mr. Cui Shuming *(Chairman)*
Mr. Sun Yuanming and Dr. Liu Yongping

NOMINATION COMMITTEE:

Mr. Liu Debing *(Chairman)*
Mr. Cui Shuming and Dr. Liu Yongping

AUTHORISED REPRESENTATIVES:

Mr. Hu Huaimin
Mr. Bai Zhaoxiang

COMPANY SECRETARY:

Mr. Shum Chi Chung *FCPA*

AUDITOR:

Deloitte Touche Tohmatsu,
Registered Public Interest Entity Auditors

LEGAL ADVISERS AS TO HONG KONG LAW:

Jun He Law Offices

REGISTERED OFFICE:

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

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

STOCK CODE:

00629 (Main Board of The Stock Exchange of Hong Kong Limited)

PRINCIPAL BANKERS:

China Construction Bank
Bank of Communication

WEBSITE:

www.yueda.com.hk

On behalf of the board ("Board") of directors ("Directors") of Yue Da International Holdings Limited (the "Company"), I am pleased to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2020 (the "Year").

FINANCIAL PERFORMANCE

Total revenue for the Year amounted to RMB47,658,000 which represented the revenue of the factoring operations and decreased by 6.0% when compared with the year ended 31st December, 2019 ("2019"). Audited profit and total comprehensive income attributable to the owners of the Company for the Year amounted to RMB10,499,000 (Profit and total comprehensive income for 2019 from continuing operations: RMB7,821,000) and basic earnings per share amounted to RMB0.90 cents for the Year (Basic earnings per share from continuing operations for 2019: RMB0.67 cents).

BUSINESS DEVELOPMENT

During the Year, the Group was principally engaged in factoring related business (the "Factoring Operations"), which offers trade finance, sales ledger management, customer credit rating, accounts receivable management and collection, credit risk guarantee, supply chain management.

Traditional Factoring

During the Year, the gross loan size has decreased by 9.7% as compared to 2019 as a result of slowdown of economy of China and the outbreak of COVID-19, the Group took a more conservative approach in granting of factoring loan and the overall revenue dropped by 7.1%.

Consumers Instalment Factoring

During the Year, the Group has commenced telecommunication factoring with three leading telecommunication providers in the PRC. Loans with outstanding principal amount of RMB39,118,000 was granted as at 31st December 2020 (2019: Nil). The Consumers Instalment Factoring has the nature of large number of customers with small size of loan amounts per each customer. It is positioned as the main source of growth of the business growth in the foreseeable future.

Accounts Receivable Management Services

On 28th December 2020, the Group entered into a revolving factoring agreement with Dongfeng Yueda Kia Motors Co., Ltd ("DYK"), pursuant to which the Group agreed to provide accounts receivable management services and factoring financing services in respect of DYK's accounts receivable to be received from its' authorized dealers. The arrangement will provide a low cost financing channel for the Group and facilitate the expansion of the existing factoring financial services and telecommunication instalment services in future.

PROSPECTS

Looking forward to 2021, the Group will focus on the development of the Factoring Operations. The outbreak of the COVID-19 in China and the rest of the world will remain a great challenge to the economy and our operations in the foreseeable future. As at the date of this report, we have not experienced any default in repayment of principal, interest and fee income from our customers. We will remain highly alert about the impact of the epidemic on our operations and take any necessary measures to mitigate the impact. As such, the Directors endeavor to seek suitable business opportunities to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

APPRECIATION

Finally, I would like to take this opportunity to express my gratitude to the Directors, management personnel and all staff for their contributions to the development of the Group. Likewise, I would like to express my appreciation to the shareholders for their support. The Group is fully committed to do its best to bring higher returns to shareholders.

By order of the Board

Liu Debing
Chairman

Hong Kong, 19th March, 2021

FINANCIAL HIGHLIGHTS

The Factoring Operations of Group recorded an operating revenue of RMB47,658,000 for the Year which is approximately 6.0% lower than that in 2019.The audited profit and total comprehensive income attributable to the owners of the Company increased from RMB7,821,000 from continuing operations in 2019 to RMB10,499,000 for the Year and basic earnings per share increased from RMB0.67 cents from continuing operations in 2019 to RMB0.90 cents for the Year.

DIVIDENDS

The Board did not recommend the payment of any dividend for the Year (2019: Nil).

BUSINESS REVIEW

Overview

The Group is principally engaged in Factoring Operations. During the Year, Factoring Operations realized an operating revenue of RMB47,658,000 with segment profit of RMB38,471,000.

Factoring Operations

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

The following table summarises the operating performance of Factoring Operations of the Group:

Business	Gross Loan granted as at 31st December		Interest income		Management fee income	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Traditional Factoring	487,847	540,009	34,931	35,963	12,184	14,726
Consumers Instalment Factoring	39,118	–	543	–	–	–
	526,965	540,009	35,474	35,963	12,184	14,726

Total average rate of return for the Year is 8.93% (2019:8.64%)

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

The Company adopts an organisation structure that is commonly used by banking institutions and other factoring services providers – general manager office, financing team, risk management department team, business development team, product development team and administration. As at 31st December 2020, the Factoring Operations of the Company has approximately 16 employees and is led by an experienced management team, including:

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

- Mr. Pan Mingfeng, being the general manager of Yueda Factoring, has more than 10 years' experience in marketing, risk control and management, and has previously worked for several renowned enterprises in the financial sector in the PRC. He is responsible for leading the promotion of several innovative factoring projects of Yueda Factoring, including the abovementioned Consumers Installment Factoring.

- Ms. Gao Ying being the chief risk officer of Yueda Factoring, has 5 years of experience in the risk management industry. She is a holder of a Ph.D. in financial engineering at the Graduate School of Management of the Chinese Academy of Sciences. During her studies, she has taken part in various research topics such as those related to the causes of the US financial crisis and its impact on the Chinese economy, and the corresponding countermeasures. She is responsible for risk management in Yueda Factoring.

Yueda Factoring conducts its factoring business in the PRC within the scope of its business license. Yueda Factoring (as the factor) provides accounts receivable management and collection services to its customers (as seller) in return for interest and management fee income payments with comprehensive rates of return ranging from approximately 6.0% to 14.0%.

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

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

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

Existing factoring financial services:

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

The Group has identified several potential new customers for its traditional factoring business. Due to slowdown of economy of China and the COVID-19 outbreak in 2020, due diligence on certain potential new customers was put on hold and have been postponed to a later date. There has been a temporary downturn in business activities in the Factoring Operations but the Group believes it will pick up again after stabilisation of the COVID-19 outbreak.

Consumers instalment factoring:

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

Accounts receivable consultancy services:

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

Exploring potential investment opportunities:

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

Funding requirements:

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

Prospects

Looking forward to 2021, the Group will focus on the development of the Factoring Operations. The outbreak of the COVID-19 in China and the rest of the world will remain a great challenge to the economy and our operations in the foreseeable future. As at the date of this report, we have not experienced any default in repayment of principal, interest and fee income from our customers. We will remain highly alert about the impact of the epidemic on our operations and take any necessary measures to mitigate the impact. As such, the Directors endeavor to seek suitable business opportunities to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14th May, 2021 to 19th May, 2021, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the annual general meeting (the "AGM") of the Company to be held on 20th May, 2021, all transfer of shares in the Company accompanied by the relevant share certificates must be lodged with the Company's branch shares registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 13th May, 2021.

Notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") in due course.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

As at 31st December, 2020, the Group' s current assets were RMB709,126,000 (2019: RMB752,490,000), of which RMB21,060,000 (2019: RMB206,399,000) were bank balances and cash. As at 31st December, 2020, the net asset value of the Group amounted to RMB379,745,000, representing an increase of approximately 2.8% as compared to RMB369,246,000 in 2019. The gearing ratio (total liabilities/total assets) of the Group was approximately 50.7% (2019: 51.0%).

Borrowings

As at 31st December, 2020, bank borrowings amounted to RMB356,519,000 (2019: RMB347,211,000). Bank borrowings are denominated in Euro, charging at floating rates and repayable in 2021.

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollars and Euro. During the Year, most of the transactions were denominated and settled in Renminbi. The Group was not engaged in any hedging by financial instruments in relation to exchange rate risk. However, the Group will closely monitor the fluctuation in exchange rate and will take necessary measures to minimise the impact arising from adverse currency fluctuation.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2020, except for pledged bank deposits to secure the banking facilities granted to the Group, the Group did not have any guarantees and charges nor any other material contingent liabilities (2019: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2020, the Group had a total of approximately 20 employees (where they were located in Hong Kong and the PRC), engaged in management, administration and Factoring Operations. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practices. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Year, the Group provided various training courses on relevant business or skills for its management and staff at different levels.

PRINCIPAL RISKS

The Group's financial position, business results and prospects would be affected by a number of risks. The Factoring Operations are exposed to credit risk and liquidity risk. Besides, several assets and liabilities of the Group are denominated in currencies other than Renminbi and are susceptible to foreign exchange risk. The Group's principal risks and uncertainties and the risk management measures are set out on page 39 of the Annual Report.

ENVIRONMENTAL POLICIES AND PRACTICE

The Group is committed to the long term sustainability of the environment and communities. The Group endeavours to comply with laws and regulations regarding environmental protection and production safety.

DIVIDEND POLICY

It is the Board's intention to distribute any excess balance by way of dividend to the extent permitted by law, the Memorandum and the Articles. Dividends will only be paid to the extent that they are covered by net profit from operations. Distribution will be made annually after the financial statements of the Company are approved by the shareholders as appear to the Board to be justified by the position of the Company. Distribution will be made in Hong Kong dollars.

As the Company does not have any pre-determined dividend distribution ratio, the declaration of future dividends will be subject to the decision by the Board and will depend on, among other things, the earnings, financial condition, cash requirements and availability of funds to meet the financial covenants of the Group's bank loans (if applicable) and any other factors that our Directors may consider relevant.

The Company, as a listed company in Hong Kong, is committed to enhance its corporate governance level.

The Board and the management of the Company are responsible for the formulation and strict implementation of a sound corporate governance structure and code, so as to improve the accountability system and transparency of the Company, protect the interests of and create value for shareholders.

In the opinion of the Board, the Group has complied with all of the code provisions of the Corporate Governance Code ("Code") as set out in Appendix 14 to the Listing Rules throughout the Year, except that (i) the Chairmen of the Board was not able to attend the annual general meeting of the Company held on 20th May, 2020 (the "2019 AGM") and the extraordinary general meetings of the Company held on 10th November 2020 (the "November EGM") (deviated from code provision E.1.2) due to other business commitment. Nevertheless, one of the independent non-executive Directors attended and acted as the chairmen of the 2019 AGM and November EGM; (ii) Mr. Li Biao, being a non-executive Director, was not able to attend the 2019 AGM and the November EGM (deviated from code provision A.6.7) due to his other business commitments; (iii) Mr. Hu Huaimin, being a non-executive Director, was not able to attend the November EGM (deviated from code provision A.6.7) due to his other business commitments; Nevertheless, each of these Directors has passed their opinion to the chairmen of the 2019 AGM and the November EGM before its commencement; and (iv) the non-executive Directors are not appointed for a specific term (deviated from code provision A.4.1). However, all non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Articles of Association.

BOARD OF DIRECTORS

Pursuant to the Code, an issuer should be headed by an effective board of directors which should assume responsibility for leadership and control of the company and be collectively responsible for promoting the success of the company by directing and supervising the company's affairs. The Board should make decisions objectively in the interests of the Company. The Board is committed to the improvement of the corporate governance system of the Company and is ultimately responsible for formulating and implementing strategies and the operating results of the Company. The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. The Board steers and oversees the management of the Company such as, establishing strategic direction and setting long term objectives of the Company, monitoring performance of management, protecting and maximizing the interests of the Company and its shareholders, and reviewing and monitoring of annual budget against actual performances and results. The Board has delegated management, under the leadership of the Chief Executive, with authorities and responsibilities for the day-to-day operations and administration of the Group and has specified a schedule of matters which should be reserved to the Board and which should be delegated to management. All policy matters of the Group and material transactions where there is conflict of interests, considered as being notifiable or connected transactions within the meaning ascribed to by the Listing Rules, should be reserved to the decision of the Board.

The main duties of the Board include:

1) to determine the strategies, objectives, policies and business plans of the Company and monitor the implementation of the strategies of the Company;

2) to monitor and control the operating and financial performance of the Company and establish appropriate risk management policies and procedures to ensure the implementation of the Company's strategic objectives;

3) to supervise the performance of the senior management and determine their remuneration; and

4) to perfect the corporate governance structure and facilitate communication with shareholders.

The Company has established internal guidelines to clarify matters which require approval of the Board. Under the guidelines, the Board's approval is required for significant financing programs of the Company, such as investment plans, merger and acquisition or disposal of major assets, major capital expenditure and external borrowings.

All Directors are committed to devote sufficient time and attention to the affairs of the Group. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations. Directors are reminded to notify the Company in a timely manner of any changes of such information.

The Board will conduct meetings on a regular basis and on an ad hoc basis so far as the business required. The Directors may take independent professional advice at the Company's expense in carrying out their functions. The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular Board meeting. At least 14 days notice of a regular Board meeting is given to all Directors to give them the opportunity to attend. Board papers are dispatched to the Directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The Board is also committed to perform the following tasks as set out in the Code D.3.1:

1) to develop and review the Company's policies and practices on corporate governance;

2) to review and monitor the training and continuous professional development of directors and senior management;

3) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

4) to develop, review and monitor the code of conduct and compliance manual of employees and directors; and

5) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution of and discharge of their duties or in relation thereto, the Company has arranged insurance for this purpose.

The Board has set up three standing committees, namely, the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee ("Nomination Committee") with specific duties, power and written terms of reference. The chairman of each committee reports to the Board regularly and advises on matters for discussion when necessary. Attendance of each of the Directors to meetings of the Board and each of the committees during the Year was set out as follows:

	General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	2	6	2	1	2
Attendance					
Chairman and non-executive Directors					
Liu Debing	0	3	1	1	0
Tang Rujun	0	1	0	0	1
Non-executive Directors					
Li Biao	0	2	0	0	0
Hu Huaimin	0	6	0	0	0
Executive Directors					
Sun Yuanming	0	3	1	0	0
Cai Baoxiang	0	2	0	0	0
Bai Zhaoxiang	1	6	0	0	0
Independent non-executive Directors					
Cui Shuming	2	4	2	1	2
Liu Yongping	2	5	0	1	2
Cheung Ting Kee	2	5	2	0	0

Minutes of the Board and committees meetings are recorded in appropriate details and are kept by the company secretary of the Company (the "Company Secretary"). Draft minutes are circulated to the Director for comment within reasonable time after each meeting and the final version is always open for Directors' inspection.

Apart from regular Board meetings, the Chairman also held a meeting with the Independent non-executive Directors without the presence of other Directors during the Year.

The Company also maintains on its website (www.yueda.com.hk) an updated list of its Directors identifying their roles and functions and whether they are independent non-executive Directors. Members of the Board, with different backgrounds and possessing different expertise, have extensive experience in corporate planning and operation management, capital market, financial accounting, auditing and so forth as a whole.

The Company has received, from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

There is no relationship (including financial, business, family and other material/relevant relationship) among the members of the Board (including between the Chairman and the Chief Executive).

The Company encourages the Directors to participate in the continuous professional development programme to develop and update their knowledge and skills to ensure that they are equipped with all information and can continue to contribute to the Board when required. The Company is responsible for the costs of such programme. During the Year, all Directors are committed to comply with Code A.6.5 and have attended training on topics such as update on the Listing Rules.

Every newly appointed Director has received formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

According to the records provided by the Directors, a summary of training received by the Directors during the Year is as follows:

	Types of continuous professional development activities
Mr. Liu Debing	A, B
Mr. Tang Rujun	A, B
Mr. Li Biao	A, B
Mr. Hu Huaimin	A, B
Mr. Sun Yuanming	A, B
Mr. Cai Baoxiang	A, B
Mr. Bai Zhaoxiang	A, B
Mr. Cui Shuming	A, B
Dr. Liu Yongping	A, B
Mr. Cheung Ting Kee	A, B

Notes:

A Attending seminars and/or conferences and/or forum

B Reading materials relevant to the latest development of business of the Group, the Listing Rules and other applicable regulatory requirement

CHAIRMAN AND CHIEF EXECUTIVE

The roles of chairman and chief executive are separated to ensure a balance of power and authority and that power is not concentrated in any one individual.

The functions of the Chairman and the chief executive of the Company are clearly segregated. The present Chairman of the Board, Mr. Liu Debing, is responsible for providing leadership for the Board. His main responsibility is to ensure that the Board works effectively and that all key and appropriate issues are discussed by it in a timely manner. The Chairman is also responsible for ensuring that good corporate governance practices and procedures are established and followed. The Chairman is also responsible for ensuring appropriate steps be taken to provide effective communication with the shareholders and that the views of shareholders are communicated to the Board as a whole.

The present chief executive of the Company, Mr. Sun Yuanming is responsible for the overall business operations of the Group focusing on strategic planning and business development.

DIRECTORS' SECURITIES TRANSACTIONS

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

NON-EXECUTIVE DIRECTORS

Each of Mr. Liu Debing, Mr. Li Biao and Mr. Hu Huaimin has been appointed as a non-executive Director whereas each of Mr. Cui Shuming, Dr. Liu Yongping and Mr. Cheung Ting Kee has been appointed as an independent non-executive Director. The non-executive Directors are not appointed for a specific term, however, all non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's articles of association.

Directors' responsibility for the Financial Statements

The Directors acknowledge their responsibility for overseeing the preparation of the financial statements of the Group for the Year. The Directors ensure the financial statements of the Group be prepared so as to give a true and fair view of the Group's state of affairs, the results and cash flow for the Year, and on a going concern basis in accordance with the statutory requirements and applicable accounting and financial reporting standards.

During the year, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Directors also ensure timely publication of the Group financial statements and aim to present a clear, balanced and understandable assessment of the Group's performance and position through all its publications and communications to the public and is aware of the requirements under the applicable rules and regulations about timely disclosure of inside information.

The report from the auditor of the Company regarding their responsibilities and opinion on the financial statements of the Group for the Year is set out in the "Independent Auditor's Report" to this annual report. The Board has taken steps to ensure the continued objectivity and independence of the external auditor. For the Year, the remuneration paid/payable to the external auditor of the Company were approximately HK$1,930,000 and HK$1,210,000 in respect of the audit and non audit services provided to the Group respectively. Details of the significant non audit services and the related amount are as follows:

Professional services rendered in connection with preliminary announcement of results	HK$20,000
Professional services rendered in connection with connected transactions	HK$50,000
Professional services rendered in connection with major transactions	HK$800,000
Professional services rendered in connection with major and connected transaction	HK$340,000

The Company has adopted a board diversity policy ("the Policy") which sets out the approach to achieve and maintain diversity on the Board in order to maintain a competitive advantage of the Board. Pursuant to Policy, the Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, gender and other qualities. The Board will from time to time consider to set measurable objectives to implement the Policy and review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those objective. During the Year, the Board has not set any measurable objectives to implement the Policy.

BOARD COMMITTEES

Audit Committee

Pursuant to the Code, a board of directors should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditor. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

The Board has established the Audit Committee. As a standing committee of the Board, the Audit Committee is mainly responsible for monitoring the completeness of the financial statements and regular reports issued by the Company and reviewing the financial control, internal control and risk management system of the Company. The members of the Audit Committee comprised Mr. Cheung Ting Kee and Mr. Cui Shuming, both being independent non-executive Directors, and Mr. Sun Yuanming, an executive Director, with Mr. Cheung Ting Kee as the chairman of the Audit Committee.

The terms of reference of the Audit Committee setting out the committee's authority and duties are available from the Company's website.

The main duties of the Audit Committee include, but not limited to:

(1) to be responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to handle any questions on resignation or dismissal of any relevant auditor;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(3) to develop and implement policy on the engagement of an external auditor to supply non-audit services and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(4) to monitor the integrity of the financial statements, annual report and accounts and interim report and to review significant financial reporting judgements contained therein;

(5) to review the Company's financial control, internal control and risk management systems;

(6) to discuss the risk management and internal control system with the management and ensure that management has performed its duty in establishing an effective internal control system;

(7) to consider any findings of major investigations or risk management and internal control matters and management responses as delegated by the Board or on its own initiative;

(8) to review the Group's financial and accounting policies and practices;

(9) to review the external auditor's management letter to the management of the Company, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;

(10) to ensure that the Board will provide a timely response to the issues raised in the management letter from the external auditor to the management; and

(11) to report to the Board on the matters set out in the Code; and consider other topics, as defined by the Board.

The Audit Committee held two meetings during the Year, at which the Audit Committee reviewed the annual report and interim report of the Company and matters relating the connected transactions and made recommendations to the Board. The Audit Committee also reviewed the risk management and internal control system of the Company. The Board and the Audit Committee concurred in their opinions regarding the election and appointment of the external auditor. The Audit Committee was provided with sufficient resources to perform its duties.

Remuneration Committee

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

The terms of reference of the Remuneration Committee setting out the committee's authority and duties are available in the Company's website.

The principal role of the Remuneration Committee is to provide advice and recommendation to the Board on the remuneration package of Directors, on any specific remuneration package with reference to market conditions, performance of the Group and the individuals against present goals and targets as set by the Board from time to time, and if necessary, on any compensation policy for termination of office of Directors.

The Remuneration Committee held one meeting during the Year, in the meeting, the Remuneration Committee reviewed and recommended (i) the remuneration package and performance of Directors; and (ii) adjustment of the fees for certain directors.

The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee and approved by the Board. Details of the Directors' remuneration are set out in Note 7 to the consolidated financial statements.

Nomination Committee

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

The terms of reference of the Nomination Committee setting out the committee's authority and duties are available in the Company's website.

The principal duties of the Nomination Committee are as follows:

1. reviews the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. identifies individuals suitably qualified to become Board members and selects or makes recommendations to the Board on the selection of individuals nominated for directorships;

3. assesses the independence of the independent non-executive Directors; and

4. makes recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

During the Year, two meetings were held to (i) review the existing structure, size and composition of the Board; (ii) confirm independence of independent non-executive Directors; and (iii) make recommendation to the Board on the proposed re-election of the retiring Directors at the forthcoming annual general meeting.

Risk Management and Internal controls

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Board has an overall and ongoing responsibility for the internal control system and risk management procedures of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing at least once a year and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the Year, the Board has entrusted the Audit Committee and appointed a professional internal control consultant with the responsibility to assess risk of the Company and perform the agreed-upon procedures in relation to the internal controls of the main business of the Company. The risk assessment report documents major business risks and the 3-year internal audit plan is developed based on the risk assessment results. The agreed-upon procedures report provided factual findings of whether the internal control procedures of the main business of the Company are suitably designed to achieve specified control objectives with recommendations proposed for the Company to further improve its internal control system in respect of areas including identification of significant control failings or weakness which have or will have a material impact on the Group's financial performance, and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance.

The Board reviews the effectiveness of the Group's material internal controls and considers the Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties. The Board's opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

Company Secretary

Mr. Shum Chi Chung was appointed as the Company Secretary with effect from 18th August, 2015. All Directors have access to the advices and services of the Company Secretary. During the year ended 31st December, 2020, Mr. Shum Chi Chung has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

Investors' Relations and Communication with Shareholders

Pursuant to the Code, a board of directors should endeavour to maintain an on-going dialogue with shareholders and, in particular, to communicate through annual general meetings with shareholders and encourage their participation. The company should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the company.

The Company, the Board and the management place high regard on the opinions and needs of shareholders.

The Company attempts to enhance the communication with its shareholders through publishing interim and annual results and reports and press releases as well as announcing publicly its latest developments on its website (www.yueda.com.hk).

Shareholders may also receive the latest information released by the Company electronically. The annual general meeting of the Company is a communication channel between the shareholders and the Board members, including independent non-executive Directors and the senior management. The chairman of the Board and chairmen of each committee shall try their best to attend the meeting to answer questions raised by the shareholders. During the Year, the Company held the 2019 AGM and one EGM, at which a separate resolution was proposed in respect of each motion.

The procedures for and the rights of shareholders to demand for a poll and details of the proposed resolutions were disclosed in the circular sent to shareholders prior to each of the general meeting.

The Company is committed to ensure that it is fully compliant with the disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders of the Company and potential investors have an equal opportunity to receive and obtain externally available information released by the Group.

During the Year, the Company has not made any changes to its articles of association.

Shareholders' Rights

Pursuant to article 64 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The above written requisition shall be addressed to the Company's head office at:

Room 3321-23 and 3325, 33rd Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong

The procedures for proposing a person for election as a Director are set out in the section "Investor Relations" on the home page of the Company's website.

To put forward proposals at an annual general meeting or an extraordinary general meeting, the shareholders shall submit a written notice of those proposals with the detailed contact information to the company secretary of the Company at the Company's registered office.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to include the resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to article 65 of the articles of association of the Company:

(a) for an annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered, it shall be called by at least 21 days' notice in writing; and

(b) for all other extraordinary general meetings, they may be called by not less than 14 days' notice in writing.

Shareholders may at any time send their enquiries to the Board in writing through the Company Secretary.

SCOPE AND REPORTING PERIOD

This is the fifth Environmental, Social and Governance ("ESG") Report ("ESG Report") by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group principally engaged in the factoring services, accounts receivable collection and management, and factoring consultancy service. This ESG Report covers the Group's overall performance in two subject areas, namely Environmental and Social aspects of the operation in Shengzhen, Mainland China, from 1st January 2020 to 31st December 2020, unless otherwise stated. Disposal of Baoshan Feilong Nonferrous Metal Company Ltd. has been completed in the last reporting period, and thus it has been excluded from the reporting scope. The lease of head offices in the Desai Technology Building was terminated and the head office is relocated to the Huarong Building, Futian District, Shenzhen in the Reporting Period. Other business operations with insignificant contribution to the Group's revenue and environmental and social impacts were excluded from the reporting scope.

THE GROUP'S VISION ON ENVIRONMENT, SOCIAL AND GOVERNANCE

As a leading state-owned enterprise in China, the Board and the management team of the Group believes that it must fulfil its corporate social responsibility in addition to its economic value. The Group attaches great importance to corporate integrity and customer service while emphasising social responsibility, which earned it several recognitions. The Group will continue to adhere to its traditional spirit of valuing corporate social responsibility.

The board of directors of the Group (the "Board") acknowledges that it has the overall responsibility for the Group's ESG strategy and reporting, and for evaluating and determining the Group's ESG-related risks. The Group has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide during the Reporting Period.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

To identify the significant ESG aspects of the Group's business operation, the Group regularly engages internal and external stakeholders to discuss and to review areas of attention. Feedback and suggestions from stakeholders help the Group to identify potential ESG risks and continuously improve its ESG management. Stakeholder engagement channels are shown as follows.

Stakeholder Groups	Engagement Channels
Employees	Managers and supervisors understand employees' work and development, and receive feedback from employees through meetings.
Clients	The Group understands clients' latest development and operation through meetings and monthly/quarterly visits.
Local communities	The Group pays attention to the local communities, especially the underprivileged. It conducts visits to provide appropriate support or assistance to the underprivileged whenever possible.

Stakeholder Groups	Engagement Channels
Non-governmental organisations	As the vice president of the Shenzhen Factors Association, the Group actively promotes networking and information sharing section among the factoring industry in Shenzhen.

In particular, the Group collected views from its internal and external stakeholders through surveys to identify the material ESG aspects to be focused in this ESG Report. The Materiality Matrix below shows the result of its materiality assessment process:

Materiality of Different Topics from Stakeholder Engagement

The Group has strictly complied with the statutory requirements in respect of the identified material aspects. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group's ESG management.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with the Group via email at frankie@yueda.com.hk.

A. Environmental

The Group's operation involves office operation only, and thus it did not cause a significant adverse impact on the environment and natural resources. The Group is committed to complying with all applicable laws and regulations relating to environmental protection and pollution control, including but not limited to the followings:

- Air Pollution Prevention and Control Law of the PRC;
- Environmental Protection Law of the PRC;
- Law of the PRC on Prevention and Control of Pollution by Environmental Noise;
- Noise Control Ordinance; and
- Air Pollution Control Ordinance.

A1. Emissions

A1.1 Air Emissions

During the reporting period, air emission was generated from the combustion of fuel in the Group's passenger car that was used for its business operation. Air emissions included nitrogen oxides ("NOx"), sulphur oxides ("SOx") and respiratory suspended particles ("PM").

Air emissions (non-GHG) from vehicles

Fuel Source	NOx (in kg)	PM (in kg)	SOx (in kg)
Petrol	0.34	0.04	0.01

Note 1: Emission factors were made by reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

A1.2 Greenhouse Gas ("GHG") Emissions

There were 43.29 tCO_2e emission (mainly carbon dioxide, methane and nitrous oxide) generated during the reporting period, among which 4% was Scope 1 emission generated from the mobile combustion of fossil fuel, and 96% was Scope 2 emission generated from purchased electricity.

A1.3. Hazardous Waste

The Group's business did not involve generation of significant amount of hazardous waste.

A1.4. Non-hazardous Waste

The Group did not measure the amount of non-hazardous waste generated and thus no data was available.

A1.5. Measures to Mitigate Emissions

To promote reduction of carbon footprint, employees are encouraged to take the public transports when commuting to/from work. Online conference is encouraged to improve collaboration while minimising emission. When business travels are inevitable, economy-class, which has a lower emission, is preferred.

A1.6. Waste Reduction and Initiatives

Non-hazardous waste was collected and treated by the property management department of the office building. For the Group's business operations, the major type of non-hazardous waste is domestic waste, such as paper. The Group strives to reduce paper waste by reusing single-side used paper. Reminders have been posted at conspicuous locations in toilets to remind employees to avoid the use of tissue paper.

A2. Use of Resources

A2.1. Energy Consumption

During the Reporting Period, 600L of petrol, which is equivalent to 5,317 kWh, was consumed by the vehicle owned by the Group for daily commuting. The electricity consumption was managed by the property management department of the office building, which did not reveal the amount of electricity the Group used. However, the consumption was estimated by using the electricity fee, indicating that the Group consumed approximately 44,516 kWh electricity. A total of 49,833 kWh electricity was consumed during the Reporting Period.

A2.2. Water Consumption

Water consumption of the Group was managed by the property management department of the office building and respective data was not available, but it is noteworthy that water consumption of the Group was insignificant.

A2.3. Energy Use Efficiency Initiatives

The Group turns off unnecessary air conditioners and lightings during lunch breaks and after work hours. Employees are also encouraged to switch off other idling electrical appliances. The administration department usually controls the temperature of the air conditioners at 26 degree Celsius or above. To reduce energy use, only ventilation fans are switched on during the winter period. The Group would further promote and raise its employees' awareness of energy conservation in the coming years.

A2.4. Water Use Efficiency Initiatives

The Group does not involve significant use of water resources in its business operation. Reminders have been posted at conspicuous locations in the washroom to remind employees to conserve water.

A2.5. Packaging Materials

The Group's business did not involve any use of packaging materials. Hence, no policy has been established and no data is available.

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

The Group understands that electricity was the main energy source of its operation. Therefore, it strives to reduce electricity consumption whenever possible. The Group will strive to further improve our energy conservation, reduce emission and prevent the production of waste. The Group did not receive any complaints from the surrounding community regarding air pollution, odour, noise, or light pollution.

B. Social

1. Employment and Labour Practices

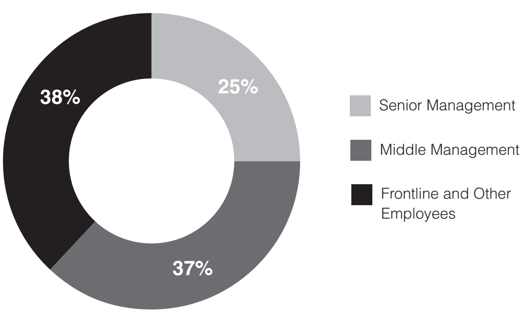
B1. Employment

The operations in Mainland China had a total number of 16 employees at the end of the reporting period. All employees are from various provinces in PRC.

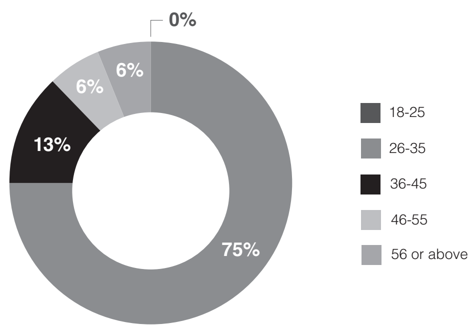
There was no material non-compliance in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact to the Group during the reporting period.

The figures below illustrate the workforce distribution by different categories as of 31st December 2020.

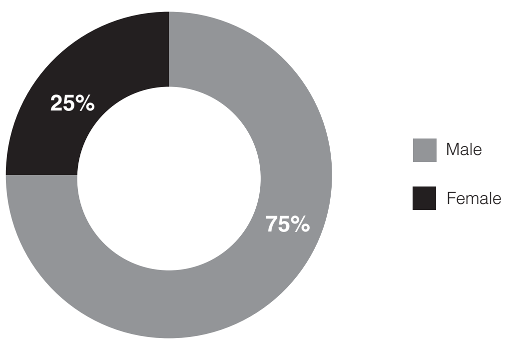
Workforce by Employment Category



Workforce by Age Group



Workforce by Gender



Turnover

During the Reporting Period, no employees left the Group. The Group has retained 100% of its employees.

Competitive Compensation and Benefits Package

Employees are the Group's most valuable assets, so the Group pays great attention to the recruitment and retention of talents. Employees are entitled to basic salary with various allowance as per their job positions, duties, experience and work performance. The Group provides social insurance (including pension fund, Housing Provident Fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) in accordance with the Social Insurance Law of the PRC. Commercial combined insurance was also purchased for employees in the factoring operation. Various types of leave are provided including annual, sick, work-related injury, marriage, maternity and compassionate leave. The Group reviews employees' salary annually. The Group complies with the employment regulation of the PRC and the local government on the working hours, leaves, and other benefits.

Recruitment, Promotion and Dismissal

The Group is committed to creating an open and fair recruitment and promotion mechanism. Internal promotion and salary increment are offered to existing employees, and selection is based on reviewed work capability, attitude, and quality of work of employees through performance appraisals. Employees' performance is reviewed during probation period and year end. The Group also possesses a policy regarding procedures or terms for determining job posts, salary and management levels.

Employees are required to inform the Group about their preference on termination or renewal of the employment contract 30 days before contract expiration. The Group provides economic compensation to employees in situations stated in the Labour Contract Law of the PRC.

Equal Opportunity

The Group is committed to promoting equal opportunities for employees in respect of recruitment, compensation and benefits, training and development, and job advancement. Employee remuneration does not differ because of age, gender, ethnic, background, religion, colour, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law.

Employee Communication

The Group employs an "Award and Penalty System" in which employees with good presentation, responsibility and discipline, and employees that act as role models are recognised and rewarded by cash bonus, paid leave, training or promotion opportunities; while disciplinary action and cash penalty would be taken if an employee has committed an act of serious misconduct or deceitful behaviours.

Engagement activities are regularly organised to enhance employees' sense of belonging. During the reporting period, the Group and the Workers' Congress have arranged sports day and departmental team-building activities to build workplace camaraderie and improve teamwork. An activity room has been set for employees to take rest and communicate with each other.

B2. Employee Health and Safety

Occupational Health and Safety

The Group attaches great importance to occupation health and safety of employees and is committed to ensuring a safe and healthy working environment for employees. It strictly abides by all the laws and regulations that are significant to the Group regarding workplace safety and prevention of occupational hazard.

The importance of safety production is always emphasised in Baoshan Feilong. Its safety performance has been constantly reviewed and improved through:

- Strengthening accountability of safety performance;
- Reviewing safety performance through meetings;
- Ensuring safety compliance through inspections and rectifications;
- Enhancing safety education provided to employees; and
- Promoting safety awareness through posters and slogans.

Employees are constantly reminded of the health and safety knowledge and emergency incident procedures through notice boards, occupational health and safety regulations, and the hazard warning labels that are posted at conspicuous locations. Safety training and personal protective equipment are provided to employees with respect to the national regulations. Fire drills were conducted during the reporting period to prepare employees for an emergency.

Indoor Environmental Quality

The Group believes that providing a healthy and comfortable environment for its employees is important for their wellness. The Group therefore ensures good ventilation and has installed indoor air purifiers at the office to improve the indoor air quality.

Occupational Health and Safety Data	**2020**	**2019**
Work related fatality	0	0
Work injury cases >3 days	0	0
Work injury cases ≤3 days	0	0
Lost days due to work injury	0	0

There was no case of work-related fatality, injury, or material of non-compliance in relation to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group during the reporting period.

B3. Development and Training

The Group provides opportunities for continuous learning in the workplace. A training score scheme is adopted to encourage employees to participate in internal and external training and academic advancement programs. Training sessions regarding professional knowledge, relevant laws and regulations, and news are arranged to equip its employees to enhance their job performance. To ensure the effectiveness of training, the Group identifies employees' training needs through questionnaires before conducting large-scaled training.

During the Reporting Period, each employee had received 1 hour of training.

B4. Labour Standards

In pursuance of the Labour Law of the PRC, there was no child nor forced labour in the Group's operation. Recruitment process strictly abides by the recruitment procedures in the human resources management policy. The Human Resources Department ensures the accuracy of the provided information by checking candidates' identity card, educational certificates and employee registration form. The industry union and the Group's labour mediation committee are also involved in preventing forced labour.

2. Operating Practices

B5. Supply Chain Management

The Group has a systematic procedure for procurement. The user department first reports required items and the associated specifications to the Department of Inventory, the procurement document is then transferred to the Financial Director, the General Manager and the Procurement Department for approval. The procurement only proceeds when all the above parties have given approvals. The Procurement Department sources the required items by tendering, with at least three quotations obtained. If the procured item is found to be faulty, the Department of Inventory will contact the corresponding supplier for an exchange and will strictly scrutinise the exchanged item in accordance with the specifications and quality.

Although the Group has no policy on managing environmental and social risks of the supply chain, when purchasing renovation materials and furniture for the office of the factoring operation, the Group opted for those with good environmental performances. It also takes into account the brand perception, popularity and background of suppliers when choosing suppliers.

B6. Product Responsibility

The Group has rigorous risk control measures to reduce risks associated with the factoring business. Before loan approval, the Group conducts due diligence investigation to assess customer's loan repayment capacity and the associated risks. Due diligence reports will then be reviewed and approved by professional parties before the agreement is being drafted by the legal department. The agreement serves to protect the Group from operational risks and will be signed by professional law firms. The Group also monitors the financial health of the customers closely to further prevent and reduce any potential risk after loan. The Group also targets state-owned enterprises and conglomerate as their major customers, which are relatively stable and more resilient to risks.

The Group did not involve in product recall due to health and safety reasons, advertising and labelling. There was no material non-compliance regarding health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress recorded during the reporting period.

Customer Data Protection and Privacy

The Group understands the importance of protecting the privacy of customers and hence it stipulates all employees to keep business secrets in confidential. All employees acknowledge and warrant not to disclose trade secrets and other confidential data and information by signing the employment contract. Important information and data are managed by a dedicated person, and registration is required for accessing such information and data. Employees violating confidentiality-related regulations can be dismissed.

B7. Anti-corruption

The Group commits to manage all business without undue influence and has regarded honesty, integrity, and fairness as its core values. In order to strengthen internal management, create an honest corporate culture, and foster the awareness of honesty among employees, the Group proactively engages employees of different management levels in integrity promotion activities, which covers the regulation "Six prohibitions and six bans" developed by the Group. Senior employees of the group are required to sign a bribery agreement.

The "Six prohibitions and six bans" Regulation

The "six prohibitions"	– Engaging in activities unrelated to work during working hours; – Offering advantages including service or favour to relatives and friends by exercising right or power at work; – Receiving kickbacks, shares or performance shares of Group-related corporates in the name of employee himself/herself or a person with specific relationship with the employee; – Conducting deceitful, fraudulent or anti-competitive practices in bidding activities; – Causing accidents related to safety production and environmental protection which contribute to loss and damage to the Group due to negligence of duties; and – Engaging in activities that violate the national laws and regulations, the Party rules or ethical standards.
The "six bans"	– Engaging in bribery; – Misappropriating or encroaching on Group-owned properties; – Investing in or receiving shares or performance shares that violates the regulations; – Engaging in corruption, embezzlement, and fraud; – Disclosing trade secrets; and – Involving in negligence of duties.

The Group complied with all applicable laws on prohibiting corruption and bribery of the PRC. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the reporting period.

B8. Community Investment

Due to its business nature, the Group does not have any specific policies in relation to community engagement and donation during the reporting period. However, employees are encouraged to participate in community projects and activities.

EXECUTIVE DIRECTORS

Mr. Sun Yuanming, aged 52, graduated with a master degree in Business Management in Lanzhou University in 2011. Mr. Sun has over 20 years of experience in financial management. Upon graduation, he worked in Jiangsu Yue Da Group Company Limited and its subsidiaries. Mr. Sun is an accountant and senior international financial management expert. Mr. Sun is currently the Vice General Manager of Yueda Capital Company Limited.

Mr. Cai Baoxiang, aged 56, was appointed as an executive director and vice chief executive of the Company. He is also the Chairman of Yueda (Shenzhen) Commercial Factoring Co., Ltd., an indirect wholly-owned subsidiary of the Company. Mr. Cai is an intermediate economist in the PRC and graduated from Jiangsu Open University with major in Financial Management. He has over 30 years' experience in banking and business factoring.

Mr. Bai Zhaoxiang, aged 58, is a college graduate majoring in industrial accounting and a senior accountant in the PRC. Mr. Bai has over 30 years of experience in the accounting industry. He is currently an Executive Director responsible for all accounting and financial matters of the Company. Prior to joining the Company, Mr. Bai worked as a financial controller of a foreign-invested enterprise in the PRC for approximately 13 years. Mr. Bai is a director of each of four subsidiaries of the Group.

NON-EXECUTIVE DIRECTORS

Mr. Liu Debing, aged 51, was appointed as an executive director in March 2019 and re-designated as a non-executive Director and Chairman of the Board in June 2020. Mr. Liu graduated with a bachelor's degree in financial accounting from Nanjing University of Science and Technology in December 1992. Mr. Liu is an intermediate accountant and chartered accountant. Mr. Liu has over 25 years of experience in the financial accounting industry. Upon graduation, Mr. Liu worked in the accounting and finance department of various companies in the PRC from July 2000 to April 2007. Subsequently, Mr. Liu worked as the chief financial officer at Shanghai Yueda Real Estate Co., Ltd. from April 2007 to September 2014, and at Shanghai Yueda New Industrial Group Co., Ltd. from September 2014 to January 2018. Mr. Liu has been serving as the head of finance department of Jiangsu Yueda Group since January 2018, and deputy secretary, general manager and director of Yueda Capital Company Limited since January 2019, which owns 100% of issued share capital of Yueda Capital (HK) Limited and Yueda Capital (HK) Limited owns 51.34% issued share capital of the Company.

Mr. Li Biao, aged 54, graduated with a specialist degree in pricing from Yancheng Business School in July 1985, and in political economics from the Party School of the Provincial Party Committee in January 2004. Mr. Li has over 20 years of management experience. Mr. Li worked as the director of the Yancheng Municipal Communist Youth League Committee Office from November 1997 to November 2003, and as a deputy director and, subsequently, a director in the Investment Promotion Bureau of the Yancheng Economic Development Zone from November 2003 to December 2006. He was appointed as a vice president of the Company from 2006 to 2009, a deputy general manager of Yueda Real Estate Group from June 2011 to August 2013, and the chairman and deputy secretary of the party committee of Yueda Real Estate Co., Ltd. from August 2013 to March 2017. Mr. Li has been serving as the party secretary and chairman of Yueda Real Estate Group Co., Ltd. since March 2017.

Mr. Hu Huaimin, aged 47, was appointed as an executive Director and Chief Executive of the Company in August 2011 and re-designated as a non-executive Director and Vice Chairman of the Board in June 2020. Mr. Hu graduated from the Law School of Nanjing University and is qualified as a Chinese lawyer and an economist. He has over 20 years of experience in the PRC legal practice, corporate legal affairs, investment project operation and management. Mr. Hu is a director of each of four subsidiaries of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cui Shuming, aged 83, has been appointed as an independent non-executive director of the Company since January 2007. He is a senior economist in the PRC and graduated from the People's University of China. He has over 40 years' experience in international finance and corporate planning and management. Mr. Cui was deputy head of the Bank of China, Jiangsu Branch, and managing director of the National Commercial Bank Ltd. (浙江興業銀行) and the general manager of its Hong Kong branch. Mr. Cui was a director and deputy chief executive officer of Ka Wah Bank Limited and is currently, an independent non-executive director of China LotSynergy Holdings Limited (Stock code: 1371) and was an independent non-executive director of Burwill Holdings Limited (Stock code: 0024) and he resigned on 20th October, 2019, the shares of both companies are listed on the Main Board of the Stock Exchange.

Dr. Liu Yongping, aged 65, has been appointed as an independent non-executive director of the Company since June 2010. He is a consultant of a firm of solicitors in Hong Kong. Dr. Liu graduated from Renmin University of China (中國人民大學) in 1983 with a bachelor degree in law, and graduated from the University of London in 1987 with a master degree in law. In 1994, Dr. Liu graduated from the University of Oxford with a doctor of philosophy. Previously, Dr. Liu worked for the People's Government of Beijing. At present, Dr. Liu is a practicing solicitor in Hong Kong. Dr. Liu has profound knowledge in the laws of the PRC, Hong Kong and England. Since 1994, Dr. Liu has embarked in areas on listing application for PRC based companies in Hong Kong and work on merger and acquisition. Dr. Liu is acquainted with matters concerning the Listing Rules. Dr. Liu is an independent non-executive Director of Wanjia Group Holdings Limited (Stock code: 0401), a company listed on the Main Board of the Stock Exchange.

Mr. Cheung Ting Kee, aged 51, has been appointed as an independent non-executive director of the Company since July 2015. He has over 24 years of working experience in the securities industry including equity research, equity sales, fund management and corporate finance. Mr. Cheung is currently the sole director and a responsible officer of a Hong Kong company being a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance ("SFO"). Mr. Cheung obtained a Bachelor of Business Administration degree and a Master in Professional Accounting. He is a fellow member of the Institute of Certified Management Accountants, Australia. Mr. Cheung was an independent non-executive director of Deson Construction International Holdings Limited (Stock code: 8268) and he resigned on 29th July, 2019, a company listed on the GEM of the Stock Exchange.

The Board of Directors presents the annual report and the audited consolidated financial statements of the Company for the year ended 31st December, 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in factoring related business in the PRC. The analysis of segment information of the Group during the Year is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 54 of this annual report.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31st December, 2020.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past financial years is set out on page 130 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group had no addition of property, plant and equipment.

Details of the above and other movements in the property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital as at 31st December, 2020 are set out in Note 23 to the consolidated financial statements.

During the Year, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the shares in the Company.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2020, which represent the share premium, contributed surplus and accumulated losses, were RMB185,594,000.

BUSINESS REVIEW

Business review of the Company and a discussion and analysis of the Group's performance using financial key performance indicators during the Year and the material factors underlying its results and financial position are set out in the Chairman's Statement and Management Discussion and Analysis on pages 3 to 10 of the Annual Report.

PRINCIPAL RISK AND UNCERTAINTIES

1. Effects of changes in exchange rates

The effects of changes in exchange rates on the Group mainly include bank loan which is denominated in Euro. To cope with the above risk, the Company will closely monitor the fluctuation in exchange rates.

2. Credit risk

Credit risk is the primary risk that we face in our Factoring Operations. Credit risk arises from the inability or unwillingness of our customers, or the underlying debtors to make timely payments to us and/or to perform their contractual obligations. Our credit risk management measures were implemented to control credit risk. Details of the risk management measures are set out in page 7 of Management Discussion and Analysis.

3. Liquidity risk

Liquidity risk refers to the risk of us not having sufficient funds to meet our liabilities as they fall due. This may arise from mismatch in amount or duration in respect of the maturity of our financial assets and liabilities. The duration of most of our factoring transactions are less than a year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As an environmentally responsible company, the Group is committed to continuously cling to environmental protection and observe the concept of a sustainable development. Being part of a leading state-owned enterprise in China, the Group attaches great importance to corporate integrity and production safety while emphasizing social responsibility.

More information of the Group's environmental performance is set out in the section headed "Environmental, Social and Governance Report" on pages 23 to 34.

RELATIONSHIP WITH EMPLOYEES AND CUSTOMERS

The Group believes that employees are important assets and provides competitive remuneration packages to attract and retain employees. The management regularly reviews the Group's remuneration to its employees is up to prevailing market standard.

The Group values mutually beneficial long standing relationships with its customers. The Group aims at developing on mutual trust among its customers.

DIRECTORS

The directors of the Company during the Year and up to the date of this report were:

Non-executive Directors:

Mr. Liu Debing *(Chairman of the Board)*
Mr. Li Biao
Mr. Hu Huaimin *(Vice Chairman of the Board)*

Executive Directors:

Mr. Sun Yuanming *(Chief Executive and Vice Chairman of the Board)*
Mr. Cai Baoxiang
Mr. Bai Zhaoxiang

Independent non-executive Directors:

Mr. Cui Shuming
Dr. Liu Yongping
Mr. Cheung Ting Kee

In accordance with article 108(A) of the Company's articles of association, Mr. Liu Debing, Mr. Li Biao and Mr. Bai Zhaoxiang will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, no Directors or their associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' REMUNERATION

The basis of determining the remuneration payable to the Directors is set out in the Corporate Governance Report on page 19 of the annual report. Details of Directors' remuneration are set out in Note 7 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the Directors (including those being proposed for re-election at the forthcoming annual general meeting of the Company) 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.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 35 to 37 of the annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Options" in page 43 of the annual report, no equity-linked agreements were entered into by the Group, or existed during the Year.

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

As at 31st December, 2020, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of the Company/associated corporation	Capacity	Number of ordinary shares *(Note i)*	Approximate percentage of issued share capital of the Company *(Note ii)*
Hu Huaimin	The Company	Beneficial Owner	1,130,666 (L)	0.10%
Li Biao	The Company	Beneficial Owner	690,640 (L)	0.06%

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 31st December, 2020.

Other than as disclosed above and in this annual report, 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 31st December, 2020.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 9th June, 2011 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group and will expire on 9th June 2021. Under the Scheme, the Directors may, at their discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares in the Company:

(i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity in which the Group holds an equity interest ("Invested Entity"), including any executive Director of the Company, any of such subsidiaries or any Invested Entity;

(ii) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group and, for the purposes of the Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by the Company for the subscription of shares in the Company or other securities of the Group to any person who fall within any of the above classes of participants shall not, solely by itself, unless the directors otherwise determine, be construed as a grant of option under the Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time.

The maximum number of shares which may be allocated and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time. Unless with prior approval from the Company's shareholders, the total number of shares in respect of which options might be granted at the same time under the Scheme and any other share option scheme of the Group was not permitted to exceed 10% of the shares of the Company in issue at the date of adoption of the Scheme (i.e. on 9th June, 2011, the 10% limit being 68,665,195 shares of the Company).

Without prior approval from the Company's shareholders, the number of shares in respect of which options may be granted to any participant in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to directors, chief executives or substantial shareholders of the Company or any of their respective associates must be approved by independent non-executive Directors of the Company (excluding any independent non-executive Director who is the grantee of the options). Options granted to substantial shareholders or independent non-executive Directors or any of their respective associates in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The subscription price for shares under the Scheme shall be a price determined by the directors, but shall not be less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations on the date of the offer for grant; (ii) the average closing price of shares as stated in the daily quotations of the Stock Exchange for the five business days immediately preceding the date of the offer for grant; and (iii) the nominal value of the shares.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's Scheme disclosed above, at no time during the Year was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Further, save for the Scheme, the Group had not issued or granted any convertible securities, options, warrants or other similar rights during the year. As at 31st December, 2020, the Group had no redeemable securities.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

The following are the continuing connected transactions that took place during the year ended 31st December, 2020.

Reverse Factoring agreement ("Reverse Factoring Agreement") with YDRE and its project companies

On 22nd September, 2020, Yueda (Shenzhen) Commercial Factoring Co., Limited ("Yueda Commercial Factoring"), an indirect wholly-owned subsidiary of the Company entered into a reverse factoring agreement (the "Reverse Factoring Agreement") with Yueda Real Estate Group Company Limited ("YDRE") and the Project Companies of YDRE. The Reverse Factoring Agreement is a master agreement which sets out the principles upon which detailed terms of the definitive agreements are to be determined. Definitive factoring agreements shall be entered into between Yueda Commercial Factoring and the Project Companies upon the grant of the factoring loans and detailed terms, including the interest rate and factoring management fees (collectively, the "Interest and Fees"), the term of the factoring loan and the repayment schedule of each transaction will be determined in accordance with the principles set out in the Reverse Factoring Agreement. Pursuant to the Reverse Factoring Agreement, Yueda Commercial Factoring offered a reverse revolving credit limit of RMB180,000,000, which is to be shared among the Project Companies and the Annual Interest and Fees shall range from 9.5% to 10.5% of the loan principal. The available period of the factoring facilities is from 1st October, 2020 to 30th September 2023. YDRE guarantees the repayment by Project Companies. As approximately 66.36% of the issued shares of YDRE is owned by YDHK, which is a shareholder of the Company and accordingly YDRE is a connected party. These transactions constituted continuing connected transactions of the Company and are subject to announcement and reporting requirements under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 22nd September, 2020. On the same day, a reverse factoring agreement entered into with YDRE and its Project Companies dated 30th September 2019 (2019 Reverse Factoring Agreement") was terminated. During the year ended 31st December, 2020, the total interest income and fee income of RMB6,758,000 and RMB1,669,000 under the Reverse Factoring Agreement and 2019 Reverse Factoring Agreement were recorded and loans with total gross amount of RMB137,847,000 were granted under the Reverse Factoring Agreement.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed-upon procedures in respect of the continuing connected transactions of the Group. The Company's auditor has reported the factual findings on these procedures to the Board. The Company also engaged a professional internal control consultant to review continuing connected transactions and the relevant internal control procedures. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions were entered into by the Group in the ordinary course of its business; on normal commercial terms, or on terms no less favourable than terms available to or from (as the case may be) independent third parties, and in accordance with the terms of the agreements governing such transactions that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of the above continuing connected transactions and other discloseable connected transactions are set out in Note 36 to the consolidated financial statements.

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 31st December, 2020, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	**Name of the company/ associated corporation**	**Capacity**	**Number of issued ordinary shares held** *(Note i)*	**Percentage of the issued share capital of the Company** *(Note ii)*
Yue Da Capital HK	The Company	Beneficial owner	600,000,000 (L)	51.34%
YDHK	The Company	Beneficial owner	208,979,333 (L)	17.88%
Yue Da Capital Company Limited *(Note iii)*	The Company	Interest of a controlled corporation	600,000,000 (L)	51.34%
Jiangsu Yue Da *(Note iii)*	The Company	Interest of a controlled corporation	808,979,333 (L)	69.22%

Notes:

(i) The letter "L" represents the entity's long positions in the shares.

(ii) The percentage of issued share capital of the Company is calculated by reference to 1,168,626,516 shares in issue as at 31st December, 2020.

(iii) Jiangsu Yue Da holds 100% interests in YDHK and 98% interests in Yue Da Capital Company Limited which holds 100% interest in Yue Da Capital HK and is accordingly deemed to be interested in the shares of the Company beneficially owned by YDHK and Yue Da Capital HK under the SFO.

Other than as disclosed above, the Company has not been notified of any other persons who as at 31st December, 2020, had interests of 5% or more in any shares or underlying shares of the Company.

OTHER DIRECTORS' INTEREST

As at the date of this report, 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	YDHK	Director
Mr. Sun Yuanming	Yueda Capital Company Limited	Vice General Manager

MAJOR CUSTOMERS

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 71.1% of the Group's total revenue and the largest customer accounted for approximately 30.3% of the Group's total revenue.

So far is known to the Board, except for project companies of YDRE, which is a subsidiary of the ultimate controlling shareholder of the Company, details are set out in "Connected Transaction and Continuing Connected Transactions" in the Directors' Report, the Directors, their associates and substantial shareholders of the Company did not have any interest in the suppliers or customers as disclosed above as at 31st December, 2020.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' merit, qualifications and competence.

The Company has adopted a share option scheme (the "Scheme") as an incentive for directors and eligible employees. Details of the Scheme are set out in the section headed "Share Options" in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2020.

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

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

AUDITOR

The financial statements of the Company for the year ended 31st December, 2020 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Liu Debing
CHAIRMAN

Hong Kong
19th March, 2021

Deloitte. 德勤

TO THE SHAREHOLDERS OF YUE DA INTERNATIONAL HOLDINGS LIMITED
悅達國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Yue Da International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 54 to 129, which comprise the consolidated statement of financial position as at 31st December, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Impairment of factoring receivables	
We identified the impairment of factoring receivables as a key audit matter due to its significance to the consolidated financial position, and the use of judgement by the management in evaluating the expected credit losses ("ECL") on factoring receivables. As set out in note 18 to the consolidated financial statements, the carrying amount of factoring receivables is RMB521,800,000 as at 31st December, 2020. This carrying amount represented approximately 68% of the total assets. As set out in note 4 to the consolidated financial statements, factoring receivables are assessed for impairment by the management individually. In determining the impairment of factoring receivables, the Group uses a 12-month ECL for factoring receivables. The management assesses credit losses based on internal credit rating, and on a forward-looking basis with the use of appropriate models and assumptions as set out in notes 4 and 31 to the consolidated financial statements.	Our procedures in relation to the impairment of factoring receivables included: • Obtaining an understanding from the management of the procedures in place for credit risk approval and monitoring of factoring receivables and management's assessment of the ultimate realisation of factoring receivables; • Obtaining an understanding of management's methodology for determining the impairment allowance on factoring receivables and assessing the appropriateness of the methodology used by management; • Evaluating management's assessment of the internal credit rating of the factoring receivables by examining the credit files, which contain the financial condition of the borrowers, past collection history and guarantees, if any, as applicable; • Engaging our internal specialist to review of significant assumptions, including (i) the criteria for significant increase in credit risk made by assessing credit rating migration between origination date and reporting date; (ii) reasonableness of probability default, recovery rate and loss given default; and (iii) the use of economic variables and relative weighting for forward-looking scenarios; • Testing the mathematical accuracy of the impairment allowance calculation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Yiu Chung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19th March, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Continuing operations			
Revenue	5		
Contracts with customers		**12,184**	14,726
Interests		**35,474**	35,963
		47,658	50,689
Cost relating to services rendered		**(6,307)**	(10,989)
Other income		**4,836**	3,796
Other gains and (losses), net	6	**(10,045)**	446
Impairment losses under expected credit loss model, net of reversal	31	**(2,880)**	(64)
Administrative expenses		**(10,422)**	(15,699)
Finance costs	8	**(6,187)**	(8,216)
Profit before tax		**16,653**	19,963
Income tax expense	9	**(6,154)**	(12,142)
Profit and total comprehensive income for the year from continuing operations	11	**10,499**	7,821
Discontinued operation			
Profit and total comprehensive income for the year from discontinued operation	10	**–**	22,356
Profit and total comprehensive income for the year		**10,499**	30,177
Profit and total comprehensive income for the year attributable to owners of the Company			
– from continuing operations		**10,499**	7,821
– from discontinued operation		**–**	22,356
Profit and total comprehensive income for the year attributable to owners of the Company		**10,499**	30,177
Earnings per share	12		
From continuing and discontinued operations			
– Basic		**RMB0.90 cents**	RMB2.58 cents
– Diluted		**RMB0.90 cents**	RMB2.58 cents
From continuing operations			
– Basic		**RMB0.90 cents**	RMB0.67 cents
– Diluted		**RMB0.90 cents**	RMB0.67 cents

Consolidated Statement of Financial Position

At 31st December, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current Assets			
Property, plant and equipment	14	**56**	532
Right-of-use assets	15	**55**	459
Deferred tax assets	27	**1,459**	739
Other receivables	18	**60,298**	–
		61,868	1,730
Current Assets			
Other receivables	18	**466,183**	538,978
Amounts due from related companies	19	**4,383**	7,113
Pledged bank deposits	20	**217,500**	–
Cash and cash equivalents	20	**21,060**	206,399
		709,126	752,490
Current Liabilities			
Other payables	21	**12,637**	17,153
Contract liabilities	21	**7,926**	4,981
Bank borrowing	25	**356,519**	–
Amounts due to related companies	19	**5,331**	6,362
Amounts due to directors	22	**526**	616
Lease liabilities	26	**61**	408
Taxation payable		**2,179**	4,345
		385,179	33,865
Net Current Assets		**323,947**	718,625
Total Assets Less Current Liabilities		**385,815**	720,355

Consolidated Statement of Financial Position

At 31st December, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Capital and Reserves			
Share capital	23	**105,965**	105,965
Reserves		**273,780**	263,281
Equity attributable to owners of the Company		**379,745**	369,246
Non-current Liabilities			
Bank borrowing	25	**–**	347,211
Lease liabilities	26	**–**	61
Deferred tax liabilities	27	**6,070**	3,837
		6,070	351,109
		385,815	720,355

The consolidated financial statements on pages 61 to 129 were approved and authorised for issue by the board of directors on 19th March 2021 and are signed on its behalf by:

Cai Baoxiang
DIRECTOR

Bai Zhaoxiang
DIRECTOR

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Non-distributable reserves** RMB'000 *(Note i)*	**Special reserve** RMB'000 *(Note ii)*	**Capital contribution** RMB'000 *(Note iii)*	**Share options reserve** RMB'000	**Other reserve** RMB'000 *(Note iv)*	**Accumulated losses** RMB'000	**Total** RMB'000
At 1st January, 2019	105,965	967,576	22,216	157,178	21,717	769	(40,263)	(898,321)	336,837
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	30,177	30,177
Expiry of share options	–	–	–	–	–	(769)	–	769	–
Transfer	–	–	2,277	–	–	–	–	(2,277)	–
Transfer/capital contribution upon disposals of subsidiaries	–	–	(20,699)	–	2,232	–	40,263	(19,564)	2,232
At 31st December, 2019	105,965	967,576	3,794	157,178	23,949	–	–	(889,216)	369,246
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	10,499	10,499
Transfer	–	–	2,233	–	–	–	–	(2,233)	–
At 31st December, 2020	105,965	967,576	6,027	157,178	23,949	–	–	(880,950)	379,745

Notes:

(i) The non-distributable reserves represent statutory reserves appropriated from the profit after tax of the Company's subsidiaries established in the People's Republic of China (the "PRC") under the PRC laws and regulations and capital deficit arising from capital injections by the Group into the Company's subsidiaries in the PRC in the form of foreign currencies.

(ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2001 and the surplus arising on the capitalisation of an amount payable to a fellow subsidiary as part of the group reorganisation.

(iii) The capital contribution represents deemed contribution from (distribution to) the ultimate parent and a shareholder arising from:

(a) compensation in relation to the termination of the acquisition of Balin Zuo Qi Hong Ling Lead and Zinc Mine ("Hong Ling") paid on behalf of the Group without any consideration by Yue Da Enterprise (Group) HK Co. Ltd. ("Yue Da Enterprise"), which is a fellow subsidiary of the Company and a related party as it is a subsidiary of Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), the ultimate parent of the Company. In 2008, a settlement deed was entered with the vendor of Hong Ling and the Group agreed to pay compensation of RMB7,827,000 for termination of the acquisition. The entire amount was subsequently paid by Yue Da Enterprise for the Group without any consideration, and was recognised as a deemed capital contribution from the ultimate parent;

Notes: – Continued

(iii) – Continued

(b) non-current interest-free loan granted and extension of its repayment date by Yue Da Enterprise, and their early repayment. In prior periods, the difference between the nominal value and the fair value on inception date and the difference between the carrying value and the fair value on extension date of the non-current interest-free loan were recognised as deemed contribution by the ultimate parent, and the difference between the carrying value and nominal value on the date of early repayment of the non-current interest-free loan was recognised as deemed distribution to the ultimate parent;

(c) promissory notes issued and extension of their repayment dates by an affiliate of Mr. Yang Long. Mr. Yang Long had significant influence over the mining subsidiaries of the Company and therefore he and his affiliates were related parties. This relationship ceased from 1st October, 2010 onwards. In prior periods, the difference of the nominal value and the fair value on inception date and the differences between the carrying value and the fair value on extension dates of the promissory notes were recognised as a deemed contribution by a shareholder, and the difference between the carrying value and nominal value on the date of early repayment of the promissory notes was recognised as deemed distribution to a shareholder. During the year ended 31st December, 2011, the Group early repaid a portion of the promissory notes with a nominal value of RMB16,674,000. A difference of RMB1,644,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of early repayment has been recognised as a deemed distribution to a shareholder; and

(d) During the year ended 31st December, 2019, a deemed capital contribution from a shareholder of the Company due to YDM Disposed (as defined and detailed in note 28(a)).

(iv) The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interests acquired in 2007 and the respective differences between amount of non-controlling interests acquired and the fair value of consideration paid during the years ended 31st December, 2011 and 2014. The amounts have been transferred to accumulated losses upon the disposals of relevant subsidiaries during the year ended 31st December, 2019.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax		
– continuing operations	**16,653**	19,963
– discontinued operation	**–**	21,005
Adjustments for:		
Amortisation of mining rights	**–**	1,382
Finance costs	**6,187**	9,131
Depreciation of property, plant and equipment	**437**	4,036
Depreciation of right-of-use assets	**400**	1,679
Gain on the disposals of subsidiaries	**–**	(34,734)
Impairment losses under expected credit loss model, net of reversal	**2,880**	64
Interest income from bank deposits	**(948)**	(1,968)
Interest income from pledged bank deposits	**(3,885)**	–
Income from structured deposits	**–**	(245)
Gain on derecognition of right-of-use assets and lease liabilities	**–**	(6)
Loss on disposal of property, plant and equipment	**39**	–
Net foreign exchange loss (gain)	**10,006**	(353)
Operating cash flows before movements in working capital	**31,769**	19,954
Decrease in long-term deposits	**–**	8,115
Increase in inventories	**–**	(6,610)
Decrease in factoring receivables	**12,373**	92,991
(Increase) decrease in other receivables	**(2,756)**	5,950
Decrease in other payables	**(4,576)**	(3,996)
Increase (decrease) in contract liabilities	**2,945**	(5,622)
Increase in amount due from a related company	**(49)**	(1,693)
(Decrease) increase in amount due to related companies	**(784)**	3,335
(Decrease) increase in amounts due to directors	**(90)**	287
CASH FROM OPERATIONS	**38,832**	112,711
Income tax paid	**(6,807)**	(11,142)
NET CASH FROM OPERATING ACTIVITIES	**32,025**	101,569

For the year ended 31st December, 2020

	NOTE	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		–	(11,460)
Payments for rental deposits		–	(46)
Addition of restricted bank deposits		–	(8,191)
Disposals of subsidiaries	28	–	(4,060)
Repayment from related companies		75,201	26,267
Advance to related companies		(72,646)	(68,856)
Interest received from bank deposits		948	1,968
Interest received from pledged bank deposits		3,885	–
Addition of structured deposits		–	(573,100)
Placement of pledged bank deposits		(217,500)	–
Proceeds on redemption on structured deposits		–	573,345
NET CASH USED IN INVESTING ACTIVITIES		(210,112)	(64,133)
FINANCING ACTIVITIES			
New bank borrowing raised		50,000	–
Repayment of bank borrowing		(50,000)	–
Repayment of corporate bonds		–	(144,594)
Payment of lease liabilities		(404)	(1,410)
Repayment to related companies		(191)	(20,802)
Advance from related companies		–	182,499
Interest paid		(6,187)	(8,376)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(6,782)	7,317
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(184,869)	44,753
Effect of foreign exchange rate changes		(470)	(917)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		206,399	162,563
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash		21,060	206,399

1. GENERAL INFORMATION

The Company is incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company, the Company's parent is Yue Da Capital (H.K.) Limited, a company incorporated in Hong Kong with limited liability, and the Company's ultimate parent is Jiangsu Yue Da, a state-owned enterprise established with limited liability in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company. The principal activity of its subsidiaries is Factoring Related Business (as defined in Note 5) in term of continuing operations.

During the year ended 31st December, 2019, the Group's Mining Operations (as defined in Note 5) was discontinued upon disposal of Yuelong Limited and its subsidiary as detailed in Note 10.

As all of the Group's operations are in the PRC, the consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2020 for the preparation of the consolidated financial statements:

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

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1st January, 2023
2 Effective for annual periods beginning on or after 1st January, 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st June, 2020
5 Effective for annual periods beginning on or after 1st January, 2021

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") Kong Limited and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue from contracts with customers – Continued

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into on or after the date of initial application or modified or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases – Continued

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of certain properties and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases – Continued

The Group as a lessee – Continued

Right-of-use assets – Continued

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases – Continued

The Group as a lessee – Continued

Lease liabilities – Continued

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefit

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Employee benefit – Continued

Short-term employee benefits – Continued

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

At the end of each reporting period, the Group revises its estimate of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation – Continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purpose, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the Group's cash-generating units ("CGUs") to which the asset belongs.

In testing a CGU for impairment, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment losses on property, plant and equipment and right-of-use assets – Continued

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Classification and subsequent measurement of financial assets – Continued

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including factoring receivables, other receivables, amounts due from related companies, pledged bank deposits and cash and cash equivalents), and other items (lease receivables included in amounts due from related companies and loan commitment) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – Continued

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for lease receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – Continued

(i) Significant increase in credit risk – Continued

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – Continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 – Continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for undrawn loan commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

The Group's financial liabilities (including other payables, bank borrowing and amounts due to related companies/directors) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – Continued

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of factoring receivables

The Group applies the HKFRS 9 to measure ECL which was a 12m ECL for factoring receivables of which the credit risk has not increased significantly since initial recognition. The management maintains the credit file for respective borrower which contain the financial condition of the borrowers, past collection history and guarantee, if any, for the assessment of the internal credit rating of the factoring receivables. To measure the ECL, factoring receivables have been assessed individually.

The credit losses expectations are based on the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, industry practice, internal credit rating and forward-looking information. A considerable amount of judgement is required in estimating the ultimate realisation of financial assets.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's financial assets are disclosed in notes 18 and 31 respectively.

As at 31st December, 2020, the carrying amounts of factoring receivables was RMB521,800,000 (2019: RMB537,053,000), net of allowance for impairment of RMB5,863,000 (2019: RMB2,956,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

Continuing operations

	2020 RMB'000	2019 RMB'000
Types of goods or service		
Management fee from accounts receivable management and collection services	12,184	14,726
Timing of revenue recognition		
Overtime	12,184	14,726

All the revenue from contracts with customers are derived from the PRC.

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

	2020 RMB'000	2019 RMB'000
Revenue disclosed in segment information	47,658	50,689
Less: Interest income	(35,474)	(35,963)
Revenue from contracts with customers	12,184	14,726

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Revenue – Continued

(ii) Performance obligations for contracts with customers

The Group recognises revenue from the following major sources:

Management fee from accounts receivable management and collection services, and factoring consultancy services

Such services are transferred over time and revenue is recognised as the customers simultaneously receive and consume the benefits from the Group's performance of the relevant services. The customers are required to pay in advance of the consideration which is due upon the signing of the relevant agreement. When payment for services is received from the customers in advance, a contract liability as included in "contract liabilities" is recognised and released on a straight line basis over the service period.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts in respect of management fee from accounts receivable management and collection services, and factory consultancy services at 31st December, 2020 and 2019 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

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

An operating segment regarding the exploration, mining and processing of mainly zinc, lead, copper, iron and gold ("Mining Operations") was discontinued during the year ended 31st December, 2019, along with the Group's disposal of Yuelong Limited and its subsidiary. The segment information reported does not include any amounts for the discontinued operation, which are described in more details in note 10.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Segment result

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

Continuing operations

	2020 RMB'000	2019 RMB'000
SEGMENT REVENUE		
External sales	47,658	50,689
SEGMENT RESULTS		
Segment profit	38,471	39,331
Other income	4,836	3,796
Other gains and losses		
– Loss on disposal of property, plant and equipment	(39)	–
– Gain arising from subsidiaries disposed	–	87
– Gain on derecognition of right-of-use assets and lease liabilities	–	6
– Impairment losses under expected credit loss model, net of reversal (Note 31)	–	305
– Net foreign exchange (loss) gain	(10,006)	353
Central administration costs	(10,422)	(15,699)
Finance costs	(6,187)	(8,216)
Profit before tax	16,653	19,963

The accounting policies of the reportable and operating segment are the same as the Group's accounting policies described in Note 3.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Segment assets and liabilities

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

Other segment information

Amounts included in the measurement of segment profit:

Continuing operations

For the year ended 31st December, 2020

	Factoring Related Business RMB'000	**Unallocated** RMB'000	**Total** RMB'000
Depreciation	**513**	**324**	**837**
Impairment losses under expected credit loss model, net of reversal	**2,880**	**–**	**2,880**

For the year ended 31st December, 2019

	Factoring Related Business RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation	1,515	185	1,700
Impairment losses under expected credit loss model, net of reversal	369	(305)	64

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information – Continued

Geographical information

All of external revenues of the Group in both years are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. As at 31st December, 2020, the Group's non-current assets excluding those related to financial instruments and deferred tax assets of RMB12,000 (2019: RMB564,000) and RMB99,000 (2019: RMB427,000) are located in the PRC and Hong Kong, respectively.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

Continuing operations

	2020 **RMB'000**	2019 RMB'000
Customer A *(Note a)*	**14,446**	13,429
Customer B *(Note a)*	**6,474**	N/A *(Note b)*
Customer C *(Note a)*	**4,725**	N/A *(Note b)*
Customer D *(Note a)*	**4,533**	6,241
Customer E *(Note a)*	**N/A *(Note b)***	18,095
Customer F *(Note a)*	**N/A *(Note b)***	6,414

Notes:

(a) The above customers are related to Factoring Related Business.

(b) The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER GAINS AND (LOSSES), NET

	2020 **RMB'000**	2019 RMB'000
Continuing operations		
Gain on the disposals of subsidiaries *(Note 28(a))*	**–**	87
Gain on derecognition of right-of-use assets and lease liabilities	**–**	6
Net foreign exchange (loss) gain	**(10,006)**	353
Loss on disposal of property, plant and equipment	**(39)**	–
	(10,045)	446

7. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the ten (2019: thirteen) directors and the chief executive were as follows:

2020

	Executive directors					Non-executive directors				Independent non-executive directors			
	Mr. Liu Debing RMB'000 *(Note 4)*	**Mr. Hu Huaimin** RMB'000 *(Note 6)*	**Mr. Cai Baoxiang** RMB'000	**Mr. Bai Zhaoxiang** RMB'000 *(Note 1)*	**Mr. Sun Yuanming** RMB'000 *(Note 5)*	**Mr. Tang Rujun** RMB'000 *(Note 7)*	**Mr. Li Biao** RMB'000 *(Note 3)*	**Mr. Hu Huaimin** RMB'000 *(Note 6)*	**Mr. Liu Debing** RMB'000 *(Note 4)*	**Mr. Cui Shu Ming** RMB'000	**Dr. Liu Yong Ping** RMB'000	**Mr. Cheung Ting Kee** RMB'000	**Total** RMB'000
Fees	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**219**	**219**	**219**	**657**
Other emoluments													
Salaries	**–**	**319**	**339**	**296**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**954**
Other benefits	**–**	**135**	**–**	**148**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**283**
Accommodation provided by the Group	**–**	**244**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**244**
Contributions to retirement benefits schemes	**–**	**22**	**47**	**19**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**88**
Total emoluments	**–**	**720**	**386**	**463**	**–**	**–**	**–**	**–**	**–**	**219**	**219**	**219**	**2,226**

2019

	Executive directors						Non-executive directors				Independent non-executive directors			
	Mr. Liu Debing RMB'000 *(Note 4)*	Mr. Hu Huaimin RMB'000 *(Note 6)*	Mr. Cai Baoxiang RMB'000	Mr. Bai Zhaoxiang RMB'000 *(Note 1)*	Mr. Wen Songmao RMB'000 *(Note 2)*	Mr. Mao Naihe RMB'000 *(Note 2)*	Mr. Wang Lian Chun RMB'000 *(Note 2)*	Mr. Tang Rujun RMB'000 *(Note 7)*	Mr. Li Biao RMB'000 *(Note 3)*	Mr. Qi Guangya RMB'000 *(Note 2)*	Mr. Cui Shu Ming RMB'000	Dr. Liu Yong Ping RMB'000	Mr. Cheung Ting Kee RMB'000	Total RMB'000
Fees	–	–	–	–	–	–	–	–	–	–	217	217	217	651
Other emoluments														
Salaries	–	327	368	222	–	75	–	–	–	–	–	–	–	992
Other benefits	–	138	3	102	–	31	–	–	–	–	–	–	–	274
Accommodation provided by the Group	–	181	–	60	–	47	–	–	–	–	–	–	–	288
Contributions to retirement benefits schemes	–	67	71	42	–	19	–	–	–	–	–	–	–	199
Total emoluments	–	713	442	426	–	172	–	–	–	–	217	217	217	2,404

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

In addition to the directors' remuneration disclosed above, certain non-executive directors are not paid directly by the Company but receive remuneration from the Company's holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

7. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION – CONTINUED

Mr. Hu Huaimin was the Chief Executive of the Company until 1 st June 2020 and Mr. Sun Yuanming has been appointed as the Chief Executive of the Company on 1st June, 2020. Their emoluments disclosed above include those services rendered by each of them as the Chief Executive.

Notes:

(1) The director resigned on 10th October, 2018, and was re-appointed as an executive director on 21st March, 2019. The director was appointed as the Chief Financial Officer and Vice Chief Executive of the Company since 10th October, 2018.

(2) The directors resigned on 21st March, 2019.

(3) The director was appointed on 21st March, 2019.

(4) The director was appointed on 21st March, 2019 and re-designated as a non-executive director on 1st June, 2020.

(5) The director was appointed on 1st June, 2020.

(6) The director was re-designated as a non-executive director on 1st June, 2020.

(7) The director was appointed on 21st March, 2019 and resigned on 1st June, 2020.

Of the five individuals with the highest emoluments in the Group, two (2019: three) were directors and chief executive of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining three (2019: two) individuals are follows:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	**2,100**	1,650
Contributions to retirement benefits schemes	**132**	114
	2,232	1,764

7. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION – CONTINUED

Their emoluments were within the following bands:

	2020 Number of employees	2019 Number of employees
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	1	1

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors, chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the directors of the Company waived any emoluments in the year ended 31st December, 2020 (2019: Nil).

8. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Continuing operations		
Interest on bank borrowing	6,174	4,870
Interest on corporate bonds	–	3,269
Interest on lease liabilities	13	77
	6,187	8,216

9. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Continuing operations		
Current tax		
– PRC Enterprise Income tax	7,569	9,389
– Overprovision in prior years	(2,928)	(232)
	4,641	9,157
Deferred tax	1,513	2,985
	6,154	12,142

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

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

The income tax charge for the year can be reconciled to the profit before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	16,653	19,963
Tax at the domestic income tax rate of 25% *(Note)*	4,163	4,991
Tax effect of expenses not deductible for tax purpose	2,688	4,755
Tax effect of income not taxable for tax purpose	(2)	(449)
Overprovision in prior year	(2,928)	(232)
Provision of withholding tax for income derived from the PRC subsidiary	2,233	3,077
Income tax expense	6,154	12,142

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

10. DISCONTINUED OPERATION

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

The loss for the year from the discontinued operation is set out below.

	2019 RMB'000
Loss of Mining Operations for the period	(12,291)
Gain on disposal of subsidiaries	34,647
	22,356

The results of Mining Operations for the period from 1st January, 2019 to date of disposal, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the period from 1st January, 2019 to date of disposal RMB'000
Revenue – contracts with customers	13,665
Cost relating to inventories sold	(13,080)
	585
Other income	526
Administrative expenses	(13,838)
Finance costs	(915)
Loss before tax	(13,642)
Income tax credit	1,351
Loss for the period	(12,291)

10. DISCONTINUED OPERATION – CONTINUED

Loss for the period from discontinued operation has been arrived at after charging (crediting) the following items:

	For the period from 1st January, 2019 to date of disposal RMB'000
Amortisation of mining rights (including in cost relating to inventories sold)	1,382
Depreciation of property, plant and equipment	3,765
Depreciation of right-of-use assets	250
Employee benefit expenses (excluding directors' emoluments)	11,978
Interest income from bank deposits (included in other income)	(115)
Income tax credit	
Current tax – PRC Enterprise income tax	(35)
Deferred tax	(1,316)

Cash flows used in Mining Operations:

	For the period from 1st January, 2019 to date of disposal RMB'000
Net cash flows used in operating activities	(6,140)
Net cash flows used in investing activities	(20,443)
Net cash flows from financing activities	10,985
Net cash flows	(15,598)

The carrying amounts of the assets and liabilities of Yuelong at the date of disposal are disclosed in note 28(b).

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment	**437**	271
Depreciation of right-of-use assets	**400**	1,429
Auditors' remuneration	**1,756**	1,803
Employee benefit expenses (including directors' emoluments and depreciation of right-of-use assets in relation to lease for staff quarter)	**8,389**	12,840
Interest income from bank deposits (included in other income)	**(948)**	(1,853)
Interest income from pledged bank deposits (included in other income)	**(3,885)**	–
Income from structured deposits (included in other income)	**–**	(245)
Rental income – fixed operating lease payments (included in other income)	**–**	(1,693)

12. EARNINGS PER SHARE

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

From continuing and discontinued operations

	2020 RMB'000	2019 RMB'000
Profit for the year attributable to owners of the Company	**10,499**	30,177
Less: profit for the year from discontinued operation attributable to owners of the Company	**–**	22,356
Profit for the year from continuing operations attributable to owners of the Company for the purpose of basic and diluted earnings per share	**10,499**	7,821

12. EARNINGS PER SHARE – CONTINUED

From continuing and discontinued operations – Continued

Number of shares	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,168,626,516**	1,168,626,516

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is RMB1.91 cents per share as at 31st December 2019, based on the profit for the year from the discontinued operation attributable to owners of the Company of RMB22,356,000 and the denominators detailed above for both basic and diluted earnings per share.

The computation of the diluted earnings per share for the year ended 31st December, 2019 does not assume the exercise of the share options because the exercise price of those options was higher than the average market price for shares.

13. DIVIDEND

No dividend was paid or proposed by the directors of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Mining shafts	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1st January, 2019	17,331	15,847	44,280	23,690	4,697	2,404	8,743	116,992
Additions	166	–	–	1,168	73	–	10,053	11,460
Transfer	–	–	394	121	797	–	(1,312)	–
Eliminated on disposals of subsidiaries *(note 28(b))*	(17,497)	(15,204)	(44,674)	(24,979)	(5,074)	(1,814)	(17,484)	(126,726)
At 31st December, 2019	–	643	–	–	493	590	–	1,726
Disposal	–	–	–	–	(86)	–	–	(86)
At 31st December, 2020	–	643	–	–	407	590	–	1,640
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2019	9,270	13,435	20,262	23,346	4,368	1,760	79	72,520
Charge for the year	1,043	278	1,449	1,062	190	14	–	4,036
Eliminated on disposals of subsidiaries *(note 28(b))*	(10,313)	(13,392)	(21,711)	(24,408)	(4,199)	(1,260)	(79)	(75,362)
At 31st December, 2019	–	321	–	–	359	514	–	1,194
Charge for the year	–	322	–	–	39	76	–	437
Disposal	–	–	–	–	(47)	–	–	(47)
At 31st December, 2020	–	643	–	–	351	590	–	1,584
CARRYING VALUES								
At 31st December, 2020	–	–	–	–	56	–	–	56
At 31st December, 2019	–	322	–	–	134	76	–	532

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, as follows:

Buildings	Over the shorter of 20 years or remaining terms of the lease
Leasehold improvement	Over the shorter of 20 years or remaining terms of the lease
Mining shafts	5 years
Plant and machinery	5 – 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Lease properties RMB'000	Total RMB'000
COST			
At 1st January, 2019	5,787	2,249	8,036
Additions	–	449	449
Derecognition upon early termination of leases	–	(1,068)	(1,068)
Eliminated on disposals of subsidiaries *(note 28(b))*	(5,787)	–	(5,787)
Exchange adjustment	–	16	16
At 31st December, 2019	–	1,646	1,646
Exchange adjustment	–	(28)	(28)
At 31st December, 2020	–	1,618	1,618
DEPRECIATION AND IMPAIRMENT			
At 1st January, 2019	–	–	–
Charge for the year	250	1,429	1,679
Eliminated on derecognition upon early termination of leases	–	(247)	(247)
Eliminated on disposals of subsidiaries *(note 28(b))*	(250)	–	(250)
Exchange adjustment	–	5	5
At 31st December, 2019	–	1,187	1,187
Charge for the year	–	400	400
Exchange adjustment	–	(24)	(24)
At 31st December, 2020	–	1,563	1,563
CARRYING VALUES			
At 31st December, 2020	–	55	55
At 31st December, 2019	–	459	459

Notes:

(i) Expense relating to short-term leases is RMB375,000 during the year ended 31st December, 2020 (2019: RMB3,769,000).

(ii) Total cash outflow for leases is RMB780,000 during the year ended 31st December, 2020 (2019: RMB5,690,000).

15. RIGHT-OF-USE ASSETS – CONTINUED

For both years, the Group leases various offices, staff quarters and office equipment for its operations. Lease contracts are entered into for fixed term of ten months to two years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31st December, 2019, all leasehold lands have been disposed of upon the completion of Yuelong Disposal.

Lease committed

As at 31st December 2020, the Group entered into a new lease for office that is not yet commenced, with the period of one year with extension options, the total future undiscounted cash flows under which amounted to RMB444,000 (2019: RMB444,000) over the leasing period.

Details of the lease maturity analysis of lease liabilities are set out in note 26.

16. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2019	574,444
Eliminated on disposals of subsidiaries	(574,444)
At 31st December, 2019 and 2020	–
AMORTISATION AND IMPAIRMENT	
At 1st January, 2019	366,235
Charge for the year	1,382
Eliminated on disposals of subsidiaries	(367,617)
At 31st December, 2019 and 2020	–
CARRYING VALUES	
At 31st December, 2019 and 2020	–

16. MINING RIGHTS – CONTINUED

The mining rights represent the rights to conduct mining activities in various locations in the PRC.

The mining rights are amortised by using the units of production method based on the actual production quantity for the year over the proven and probable mineral reserves under the assumption that the Group can renew the mining rights indefinitely till all proven reserves have been mined.

17. LONG-TERM DEPOSITS

Long-term deposits represented environmental rehabilitation deposits paid to the local government in the PRC, carrying interest at prevailing market rate of 0.35% per annum. The amounts would be refunded at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines met the government's requirements.

During the year ended 31st December, 2019, pursuant to the change of the relevant requirements, the environmental rehabilitation deposits paid of RMB8,115,000 were refunded by the local government and the aggregated amount of the refunded deposits together with the interest received from the deposits of RMB8,191,000 was placed into restricted bank account for the environmental rehabilitation purpose accordingly. Such restricted deposits were disposed of through the Yuelong Disposal during the year ended 31st December, 2019 (note 28(b)).

18. OTHER RECEIVABLES

	2020 **RMB'000**	2019 RMB'000
Factoring receivables	**521,800**	537,053
Other receivables and prepayments	**4,681**	1,925
	526,481	538,978
Analysed as:		
Current portion	**466,183**	538,978
Non-current portion	**60,298**	–
	526,481	538,978

18. OTHER RECEIVABLES – CONTINUED

At as 31st December, 2020, the factoring receivables balance included debts due from related companies of RMB137,229,000 (2019: RMB54,597,000) were guaranteed by a related company of the Company and detailed as below.

	2020 **RMB'000**	2019 RMB'000
Jiangsu Yue Da Commercial Properties Company Limited ("Jiangsu Yue Da Commercial Properties") *(Note)*	**–**	16,599
Yancheng Yue Da Tianhui Real Estate Company Limited ("Yancheng Yue Da Tianhui Real Estate") *(Note)*	**93,771**	35,145
Dafeng Yuefeng Industrial Company Limited ("Dafeng Yuefeng Industrial") *(Note)*	**3,637**	–
Yancheng Yueda Zhiye Development Limited ("Yancheng Yudea Zhiye Development") *(Note)*	**39,821**	–
Yancheng Yue Da Dongfang Real Estate Company Limited ("Yancheng Yue Da Dongfang Real Estate") *(Note)*	**–**	2,853
	137,229	54,597

Note: Jiangsu Yue Da Commercial Properties, Yancheng Yue Da Tianhui Real Estate, Dafeng Yuefeng Industrial, Yancheng Yuda Zhiye Development and Yancheng Yue Da Dongfang Real Estate are fellow subsidiaries of the Company.

At 31 December 2020, the range of interest rates and maturity dates attributed to the Group's factoring receivables was 6.0% to 14.0% (2019: 5.5% to 8.0%) per annum and from 1st January 2021 to 29th December 2023 (2019: 29th January 2020 to 30th December 2020) respectively. Certain commercial acceptance bills are received from customers with fair value amounting of RMB552,655,000 (2019: RMB617,624,000) as pledged bills to the factoring receivables. The management reviews and assesses for impairment of the factoring receivables on an individual basis and continues to monitor any significant changes.

At as 31st December, 2020, the factoring receivables of RMB521,800,000 (2019: RMB537,053,000) were not past due. The amounts which were due after year ended 31st December, 2020 has been fully settled up to the date of approving the issuance of these consolidated financial statements.

Impairment allowance of RMB5,863,000 was made for the outstanding balance of the factoring assets at 31st December, 2020 (2019: RMB2,956,000).

The information about the impairment assessment are disclosed in note 31.

19. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	2020	2019
	RMB'000	RMB'000
YDM *(Note 1)*	**2,707**	2,920
Yue Da Capital Co., Limited ("Yue Da Capital") *(Note 2)*	**–**	2,500
Yue Da Capital (H.K.) Limited ("Yue Da Capital HK") *(Note 3)*	**1,676**	1,693
	4,383	7,113

As at 31st December, 2020, the amount due from Yue Da Capital HK included the rental receivables of RMB791,000 (2019: RMB1,693,000) for the leasing of office premises by Yue Da Capital HK.

The remaining balances of amounts due from related companies are non-trade related, unsecured, interest-free and repayable on demand for as at 31st December, 2020 and 2019.

	Due to	
	2020	2019
	RMB'000	RMB'000
Yue Da Capital *(Note 2)*	**43**	–
Yue Da Capital HK *(Note 3)*	**4,533**	5,078
YDHK *(Note 4)*	**621**	661
Baoshen Feilong *(Note 5)*	**–**	481
Yue Da Enterprise *(Note 6)*	**134**	142
	5,331	6,362

As at 31st December, 2020, the amounts due to YDHK and Yue Da Enterprise included the short-term lease payables of RMB621,000 and RMB134,000, respectively (2019: RMB661,000 and RMB142,000) for the leasing of office premises and staff quarter by the Group.

The remaining balance of amounts due to related companies are non-trade related, unsecured, interest-free and repayable on demand as at 31st December, 2020 and 2019.

19. AMOUNTS DUE FROM/TO RELATED COMPANIES – CONTINUED

The Group's amounts due from/to related companies that are denominated in currencies other than the functional currency of the relevant group entity are set out below:

	2020 **RMB'000**	2019 RMB'000
Amounts due from related companies		
United States Dollars ("US$")	**2,652**	2,889
Hong Kong Dollars ("HK$")	**1,701**	1,693
Amounts due to related companies		
HK$	**755**	1,348

Notes:

(1) YDM becomes a fellow subsidiary of the Company upon the completion of YDM Disposal (as defined in Note 28(a)) during the year ended 31st December, 2019 as set out in Note 28(a).

(2) Yue Da Capital is an intermediate holding company of the Company.

(3) Yue Da Capital HK is the immediate holding company of the Company.

(4) YDHK is a shareholder of the Company.

(5) Baoshan Feilong becomes a fellow subsidiary of the Company upon the completion of Yuelong Disposal during the year ended 31st December, 2019 as set out in Note 10 and Note 28(b).

(6) Yue Da Enterprise is a fellow subsidiary of the Company.

20. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

Cash and cash equivalent include in hand, deposits held at call with banks with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.01% to 0.30% (2019: 0.01% to 0.35%) per annum.

Pledged bank deposits represented deposits pledged to bank to secure the banking facilities granted to the Group. At 31st December, 2020, deposits amounting RMB217,500,000 (2019: Nil) were pledged to bank for the issuance of letters of credit. The pledged bank deposits will be released upon settlement of the relevant bank borrowings.

Details of impairment assessment of bank balances and pledged bank deposits are set out in note 31.

20. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS – CONTINUED

As at 31st December, 2019, the Group's cash and cash equivalents of RMB187,363,000 are deposited with a fellow subsidiary of the Company, Jiangsu Yue Da Group Finance, a finance company of enterprise group regulated by China Banking Regulatory Commission (2020: Nil).

The Group's bank balances and cash that are denominated in a currency other than the functional currency of the relevant group entity are set out below:

	2020 RMB'000	2019 RMB'000
US$	3,459	14,607
HK$	1,708	1,599

21. OTHER PAYABLES/CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Other payables		
Other advance payments from customers	3,053	5,314
Accrued staff costs	3,265	3,349
Other payables and accrued charges	6,319	8,490
	12,637	17,153

Contract liabilities

The following table shows how much of the revenue recognised in the current year relates to carried-forward advance payments from contracts with customers.

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the advance payments from contracts with customers balance at the beginning of the year	4,981	13,416

22. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand. As at 31st December, 2020, the amounts include RMB316,000 (2019: RMB336,000) which is denominated in HK$, a currency other than the functional currency of the relevant group entity.

23. SHARE CAPITAL

	Number of shares	Amount	Shown in the consolidated financial statements
		HK$'000	RMB'000
Ordinary shares of HK$0.10 each:			
Authorised			
At 1st January, 2019, 31st December, 2019 and 31st December, 2020	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2019, 31st December, 2019 and 31st December, 2020	1,168,626,516	116,863	105,965

24. CORPORATE BONDS

On 11th March, 2015, the Company entered into a subscription agreement with an independent third party (the "Subscriber") pursuant to which the Subscriber has agreed to subscribe for and the Company has agreed to issue 6% coupon unlisted corporate bonds in the aggregate maximum principal amount of up to HK$300,000,000, bearing interest rate at 6% per annum and with a maturity date of forty-eight months from the date of issue.

During the year ended 31st December, 2019, the corporate bonds of the Group were matured and the principal amount of HK$169,000,000 (approximately RMB144,594,000) were fully repaid by the Group.

25. BANK BORROWING

	2020 RMB'000	2019 RMB'000
Bank loans	356,519	347,211
Secured	356,519	–
Unsecured	–	347,211
The carrying amounts of the above borrowing are payable*:		
Within one year	356,519	–
With a period of more than one year but not exceeding two years	–	347,211
	356,519	347,211
Less: Amounts due within one year shown under current liabilities	(356,519)	–
Amounts shown under non-current liabilities	–	347,211

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

The bank borrowing carried interest of Euro Interbank Offered Rate ("EURIBOR") plus 1.2% per annum (2019: EURIBOR plus 1.2%).

As at 31st December, 2019, the bank loan of RMB347,211,000 (2020: Nil) is guaranteed by Yue Da Capital, a related company of the Group. During the year ended 31st December, 2020, the bank borrowing of RMB356,519,000 is secured by the Group's pledged bank deposits.

The Group's bank borrowing that is denominated in a currency other than the functional currency of the relevant group entities is set out below:

	2020 RMB'000	2019 RMB'000
Euro ("EUR")	356,519	347,211

26. LEASE LIABILITIES

	2020 **RMB'000**	2019 RMB'000
Lease liabilities payable:		
Within one year	**61**	408
Within a period of more than one year but not more than two years	**–**	61
	61	469
Less: Amount due for settlement with 12 months shown under current liabilities	**(61)**	(408)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	61

Lease obligations are denominated in Hong Kong dollars.

27. DEFERRED TAX ASSETS (LIABILITIES)

The followings are the major deferred tax (assets) liabilities recognised and movements thereof during the current and prior years:

	Impairment losses on factoring receivables RMB'000	**Temporary differences on non-current assets** RMB'000 *(note)*	**Withholding taxes** RMB'000	**Total** RMB'000
At 1st January, 2019	(647)	43,240	5,317	47,910
(Credit) charge to profit or loss	(92)	(146)	1,907	1,669
Disposals of subsidiaries	–	(43,094)	(3,387)	(46,481)
At 31st December, 2019	(739)	–	3,837	3,098
(Credit) charge to profit or loss	(720)	–	2,233	1,513
At 31st December, 2020	(1,459)	–	6,070	4,611

27. DEFERRED TAX ASSETS (LIABILITIES) – CONTINUED

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2020 **RMB'000**	2019 RMB'000
Deferred tax assets	**(1,459)**	(739)
Deferred tax liabilities	**6,070**	3,837
	4,611	3,098

Note: It represented the deferred tax on temporary differences associated with property, plant and equipment/mining rights.

In addition, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised was RMB60,704,000 (2019: RMB38,370,000).

28. DISPOSALS OF SUBSIDIARIES

(a) On 20th March, 2019, the Company, entered into a sale and purchase agreement with YDHK pursuant to which the Company has agreed to sell and YDHK has conditionally agreed to acquire the 100% equity interest in YDM and its subsidiaries ("YDM Disposal"). The total consideration for the disposal is US$5,600,000 (equivalent to approximately RMB37,706,000) which should be settled by way of net-off against the outstanding indebtedness owing by the Group to YDHK. The disposal was completed during the year ended 31st December, 2019.

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

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

During the period between 1st January, 2019 and the date of disposal, YDM and its subsidiaries contributed no material profit or loss to the Group's results. YDM and its subsidiaries did not have material effect on the Group's cash flow during the year ended 31st December, 2019.

28. DISPOSALS OF SUBSIDIARIES – CONTINUED

(b) As referred to note 10, the Group completed the Yuelong Disposal during the year ended 31st December, 2019.

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

	RMB'000
Net assets disposed of:	
Property, plant and equipment *(note)*	56,823
Right-of-use assets	5,537
Mining rights *(note)*	229,054
Inventories	24,652
Other receivables	168
Tax recoverable	370
Restricted bank deposits	8,191
Cash and cash equivalents	3,813
Amount due from a group entity	481
Amount due from a related company	47
Trade and other payables	(17,670)
Contract liabilities	(3,324)
Provisions	(1,911)
Deferred tax liabilities	(46,481)
Amounts due to related companies	(35,911)
	223,839
Gain on disposal *(note)*	6,961
Total consideration	230,800
Satisfied by:	
Net-off against amount due to a related company	230,800
Net cash outflow arising on disposal:	
Bank balances and cash disposal of	(3,813)

Note: The management has conducted an impairment assessment before the completion of the disposal and determined that the impairment losses previously recognised for property, plant and equipment/mining rights of RMB27,686,000 in total should be reversed by reference to the consideration of the disposal. Accordingly, the total gains arising from disposal of subsidiaries are RMB34,647,000.

The impact of Yuelong and its subsidiary on the Group's results and cash flows during the period between 1st January, 2019 and the date of disposal is disclosed in note 10.

29. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution passed on 12th November, 2001 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group, and expired on 28th November, 2012. Under the Scheme, the directors of the Company may grant options to any director or employee of the Company and its subsidiaries or other eligible participants, to subscribe for shares in the Company.

An option may be accepted by a participant upon payment of HK$1 per option and within such time as may be specified in the offer for grant of the option, which shall not be later than 21 days of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors of the Company at the time of such grant to each grantee, which period commence on the date of acceptance of the offer for the grant of option but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The Scheme was terminated pursuant to a resolution passed on 9th June, 2011. Outstanding options under the Scheme shall continue to be valid and exercisable in accordance with the Scheme after its termination.

On 11th June, 2011, a new share option scheme was adopted pursuant to a resolution passed on 9th June, 2011 (the "New Scheme"). The purpose of the New Scheme is to enable the Group to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. The New Scheme is valid for 10 years from the date of its adoption.

Under the New Scheme, the board of directors of the Company may, at its discretion, invite any eligible participant to take up options to subscribe for shares in the Company.

The eligibility of any of the eligible participants to an offer of share options shall be determined by the directors of the Company from time to time on the basis of the opinion of the directors of the Company as to his contribution to the development and growth of the Group. The eligible participants included:

(a) any eligible employee;

(b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest ("Invested Entity");

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

29. SHARE-BASED PAYMENTS – CONTINUED

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the New Scheme, the offer of share options may be made to any company wholly owned by one or more eligible participants.

The making of an offer of share options to any director of the Company, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who or whose associate is the proposed grantee of an option).

The maximum number of the Company's shares which may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option schemes adopted by the Company shall not exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the New Scheme or any other share option scheme adopted by the Company if the grant of such option will result in the limit referred to in this paragraph being exceeded.

The total number of the Company's shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option scheme of the Company) to be granted under the New Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Company's shares in issue at the date of approval of the New Scheme.

Options granted must be taken up not be later than 21 days from the offer date, upon payment of HK$1 per each grant. Any option under the New Scheme which has vested, in respect of which all conditions attaching to it have satisfied and which has not lapsed may be exercised at any time during the validity period of the options as specified in the offer for the grant of the options.

29. SHARE-BASED PAYMENTS – CONTINUED

The exercise price in respect of any share option shall, subject to any adjustments made pursuant to the New Scheme for the event of any alteration in the capital structure of the Company, be at the discretion of the directors of the Company, provided that it shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Company's shares on the offer date of share options, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date of share options, and (iii) the nominal value of the Company's share.

As at 31st December, 2020 and 2019, no outstanding share options under the Scheme.

The following table discloses details of the Company's share options held by directors and other eligible persons during the both years:

	Date of grant	Exercise price per share	Exercisable period	Outstanding at 1st January, 2019	Expired during the year ended 31st December, 2019	Outstanding at 31st December, 2019 and 31st December, 2020
		HK$				
Directors of the Company	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	434,393	(434,393)	–
				434,393	(434,393)	–
Other eligible persons	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	1,663,113	(1,663,113)	–
				1,663,113	(1,663,113)	–
Total				2,097,506	(2,097,506)	–
Exercisable				2,097,506		–
Weighted average exercise price (HK$)				0.85		N/A

The Group recognised the total expenses of Nil (2019: Nil) for the year ended 31st December, 2020 in relation to the share options granted by the Company.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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

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

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 **RMB'000**	2019 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**768,859**	749,257
Financial liabilities		
Amortised cost	**367,466**	359,717

31. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies

The Group's major financial instruments include factoring receivables, other receivables, amounts due from related companies, pledged bank deposits, cash and cash equivalents, other payables, amounts due to related companies/directors and bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities which are denominated in a currency other than the functional currency of the relevant group entities at the end of the reporting period date are as follows:

	Liabilities		Assets	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**–**	–	**6,111**	17,496
HK$	**1,127**	1,978	**3,450**	3,338
EUR	**356,519**	347,211	**–**	–

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

31. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Market risk – Continued

Currency risk – Continued

Sensitivity analysis

The Group is mainly exposed to HK$, US$ and EUR exchange risk.

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against HK$, US$ and EUR. 5% (2019: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2019: 5%) change in foreign currency rate. The sensitivity analysis includes other receivables, amounts due from related companies, amounts due to related companies, amounts due to directors, cash and cash equivalents and bank borrowing that are denominated in HK$, US$ and EUR. A positive (negative) number below indicates a decrease (an increase) in post-tax profit for the year (2019: a decrease (an increase) in post-tax profit for the year) where HK$, US$ and EUR weakening 5% (2019: 5%) against the functional currency of the relevant group entities. For a 5% (2019: 5%) strengthen of HK$, US$ and EUR against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

	US$ Impact		HK$ Impact		EUR$ Impact	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Post-tax profit for the year	**306**	875	**116**	68	**(17,826)**	(17,361)

31. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Market risk – Continued

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities. Currently, the Group does not have a hedging policy. However, management monitors interest rate exposure and will consider hedging significant fixed interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowing (as set out in notes 20 and 25 respectively). It is the Group's policy to keep its bank balances at floating rate of interests so as to minimise the fair value interest rate risk. The management considers that the cash flow interest rate risk arising from deposits as included in cash and cash equivalents is insignificant having regard to the stable trend in interest rates and thus no material fluctuation is anticipated in the near future. Accordingly, no sensitivity analysis is presented.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of EURIBOR arising from the Group's bank borrowing and The People's Bank of China Base Lending Rate arising from the Group's bank balances.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2020 RMB'000	2019 RMB'000
Other income		
Financial assets at amortised cost	4,833	1,968

Total interest expense from financial liabilities that are measured at amortised cost is as follows:

	2020 RMB'000	2019 RMB'000
Financial costs		
Financial liabilities at amortised cost	6,174	8,139

31. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Market risk – Continued

Sensitivity analysis for interest rate risk

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, profit after tax for the year ended 31 December 2020 of the Group would increase/decrease by RMB4,546,000 (2019: loss after tax would increase/decrease by RMB4,427,000) as a result of changes in interest rate of the borrowings.

In management's opinion, the above sensitivity analysis is for illustrative purpose only and is unrepresentative of the inherent interest rate risk facing by the Group as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

As at 31st December, 2020, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Factoring receivables and loan commitment

The Group has concentration of credit risk on factoring receivables and loan commitment. Factoring receivables were mainly due from nine (2019: seven) customers. Loan commitment was mainly relating to nine (2019: six) customers for an aggregate undrawn amount of RMB217,153,000 (2019: RMB75,000,000) as at 31st December, 2020.

31. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Factoring receivables and loan commitment – Continued

The Group has closely monitored the recoverability of the receivables from these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

In order to minimise the credit risk in relation to factoring receivables and loan commitment, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts.

Before granting these loans, the Group conducted internal credit assessment process to assess the potential borrower's credit quality. The Group seeks to maintain strict control over its outstanding factoring receivables on an individual basis to minimise credit risk. The management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. The policy includes evaluation of collectability and aging analysis of the factoring receivables based on management's judgement on creditworthiness, collateral, past collection history of each corporate borrower.

A majority of loan receivables are secured with collaterals. In addition, the Group may require the loan be covered by a guarantee, depending on the borrower's credit status and credit risk perceived by the management.

The Group applies the HKFRS 9 to measure ECL for which uses a 12m ECL for factoring receivables and loan commitment. The management maintains the credit file for respective borrower which contain the financial condition of the borrowers, past collection history and guarantee, if any, for the assessment of the internal credit rating of the factoring receivables and loan commitment. To measure the ECL, factoring receivables and loan commitment have been assessed individually. The credit losses expectations are based on the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, industry practice, internal credit rating and forward-looking information.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the date of initial recognition.

31. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Factoring receivables and loan commitment – Continued

In determining the recoverability of the factoring receivables and loan commitment, the Group will consider the change in the credit quality of the factoring receivables, other receivables and loan commitment, if any, from the date the loans were initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as past due information or default in payments.

In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

No loss allowance for the loan commitment was recognised in the profit or loss because the amount involved is insignificant.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The amount involved is insignificant.

Amounts due from related companies

The Group has taken into account the economic outlook of the industries in which the related companies operate, and concluded that there has been no significant increase in credit risk since initial recognition. The expected credit losses on amounts due from related companies are considered to be insignificant.

31. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Pledged bank deposits and cash and cash equivalents

The credit risk on liquid funds (i.e. pledged bank deposits and bank balances) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies, which is considered as of high credit quality by the management, and the probability of default of the counterparty banks is insignificant, accordingly, no allowance for credit losses is provided as the amount of ECL is immaterial.

As at 31st December, 2020, the Group performed impairment assessment on bank balances by reference to the average loss rates for respective credit rating grades published by international credit-rating agencies and concluded that the exposure credit loss is insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Lease receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

31. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					2020 RMB'000	2019 RMB'000
Financial assets at amortised cost						
Other receivables	18	N/A	Low risk	12m ECL (not credit-impaired)	**4,117**	385
Factoring receivables	18	N/A	Low risk	12m ECL (not credit-impaired)	**527,663**	540,009
Amounts due from related companies	19	N/A	Low risk	12m ECL (not credit-impaired)	**2,707**	5,420
Cash and cash equivalents	20	Ba1 to Aa2 (2019: Ba1 to Aa3)	Low risk	12m ECL (not credit-impaired)	**21,060**	206,399
Pledged bank deposits	20	Baa2	Low risk	12m ECL (not credit-impaired)	**217,500**	–
Other item						
Amounts due from a related company (lease receivables)	19	N/A	Low risk	Lifetime ECL (not credit-impaired)	**791**	1,693

31. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

The movements in the allowance for impairment in respect of other receivables and factoring receivables as included in "other receivables" during the reporting period were as follows:

	Other receivables			Factoring receivables	
	12m ECL (not-credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000	**12m ECL (not-credit-impaired)** RMB'000	**Total** RMB'000
As at 1st January, 2019	305	2,723	3,028	2,587	5,615
Changes due to financial instruments recognised as at 1st January, 2020:					
– Impairment losses reversed	(305)	–	(305)	(2,587)	(2,892)
– Eliminated on disposals of subsidiaries	–	(2,723)	(2,723)	–	(2,723)
New financial assets originated or purchased	–	–	–	2,956	2,956
As at 31st December, 2019	–	–	–	2,956	2,956
Changes due to financial instruments recognised as at 1st January, 2020:					
– Impairment losses reversed	–	–	–	(2,956)	(2,956)
New financial assets originated or purchased	–	–	–	5,863	5,863
As at 31st December, 2020	–	–	–	5,863	5,863

The increase in loss allowance mainly reflected the impact of COVID-19 pandemic on probability of default for the factoring receivables during the current period. The outbreak of the COVID-19 pandemic has adversely impacted global economic activity during the current year 31st December 2020. Up to the date of approving the issuance of these consolidated financial statements, the Group has not experienced any default in repayment of factoring receivables, interest income and management fee from accounts receivable management and collection services from its customers. The Company will remain highly alert about the impact of the epidemic on its operation and take any necessary measures to mitigate the impact. Other than this, there are no significant changes to estimation techniques and assumptions made during the period.

31. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities and lease liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2020							
Non-derivative financial liabilities and lease liabilities							
Trade and other payables	–	5,090	–	–	–	5,090	5,090
Amounts due to related companies	–	5,331	–	–	–	5,331	5,331
Amounts due to directors	–	526	–	–	–	526	526
Bank borrowing	1.2	–	1,070	357,454	–	358,524	356,519
Lease liabilities	6.1	–	62	–	–	62	61
		10,947	1,132	357,454	–	369,533	367,527
2019							
Non-derivative financial liabilities and lease liabilities							
Trade and other payables	–	5,528	–	–	–	5,528	5,528
Amounts due to related companies	–	6,362	–	–	–	6,362	6,362
Amounts due to directors	–	616	–	–	–	616	616
Bank borrowing	1.2	–	1,042	3,125	348,947	353,114	347,211
Lease liabilities	6.1	–	237	184	61	482	469
		12,506	1,279	3,309	349,008	366,102	360,186

The amounts included above for variable interest rate instruments is subject to change if interest rates differ to those determined at the end of the reporting period.

31. FINANCIAL INSTRUMENTS – CONTINUED

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	**Amounts due to related companies** RMB'000	**Corporate bonds** RMB'000	**Bank borrowing** RMB'000	**Total** RMB'000
At 1st January, 2019	2,249	188,269	147,304	348,624	686,446
Financing cash flows	(1,487)	160,782	(147,108)	(4,870)	7,317
Offset with amount due from a related company *(Note i)*	–	(45,686)	–	–	(45,686)
Disposals of subsidiaries *(Note ii)*	–	(301,404)	–	–	(301,404)
Recognition of lease liabilities	445	–	–	–	445
Derecognition of lease liabilities	(827)	–	–	–	(827)
Foreign exchange translation	12	2,683	(3,465)	(1,413)	(2,183)
Interest expenses	77	915	3,269	4,870	9,131
Other changes	–	803	–	–	803
As at 1st January 2020	469	6,362	–	347,211	354,042
Financing cash flows	(417)	(191)	–	(6,174)	(6,782)
Foreign exchange translation	(4)	(56)	–	9,308	9,248
Interest expenses	13	–	–	6,174	6,187
Other changes	–	(784)	–	–	(784)
At 31st December, 2020	61	5,331	–	356,519	361,911

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES – CONTINUED

Notes:

(i) During the year ended 31st December, 2019, pursuant to the agreement entered into between the Group, the immediate holding company and an intermediate holding company, the amount due to the immediate holding company of RMB45,686,000 by the Group has been offset against with the amount due from an intermediate holding company of the Company.

(ii) During the year ended 31st December, 2019, amounts due to related companies of totalling RMB303,936,000 of the Group were settled upon the completion of YDM Disposal and Yuelong Disposal as detailed in notes 28(a) and 28(b), among which RMB301,404,000 were non-trade related balances.

33. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2019: 20%) of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staffs.

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes either 5% to 10% (2019: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB635,000 (2019: RMB1,502,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2019, the consideration of YDM Disposal of RMB37,706,000 was settled through the amount due to a related company.

During the year ended 31st December, 2019, the consideration of Yuelong Disposal of RMB230,800,000 was settled through the amount due to a related company.

During the year ended 31st December, 2019, pursuant to the agreement entered into between the Group, the immediate holding company and an intermediate holding company, the amount due to the immediate holding company of RMB45,686,000 by the Group has been offset against with the amount due from an intermediate holding company of the Company.

During the year ended 31st December, 2019, the Group entered into a new lease agreement for the use of leased properties for two years. On the lease commencement, the Group recognised right-of-use asset RMB449,000 and lease liability of RMB445,000.

35. PLEDGE OF ASSETS

As disclosed in Note 20, the Group's credit facilities for issuance of letters of credit were secured by the Group's bank deposits of RMB217,500,000 (2019: Nil) in aggregate.

36. RELATED PARTY DISCLOSURES

(i) Other than as disclosed elsewhere in the consolidated financial statements, the Group has following transactions and balances with government-related entities:

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

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

Name of related parties	Nature of transactions/balance	2020 RMB'000	2019 RMB'000
Immediate holding company			
Yue Da Capital HK	Rental income *(Note i)*	–	1,693
Shareholder			
YDHK	Expenses relating to short-term leases for office premises *(Note ii)*	–	2,770
Fellow subsidiary			
Yue Da Enterprise	Expenses relating to short-term leases for staff quarter *(Note ii)*	–	565
Jiangsu Yue Da Group Finance	Interest expenses on amount due to a related company	–	915
Jiangsu Yue Da Commercial Properties Company Limited	Interest income from factoring business	147	–
	Management fee income	17	–
	Receipt in advance relating to management fee income	4,034	–

Notes:

(i) The rental income were generated from sublease of short-term leases for office premises and staff quarter by the Group. All relevant lease contracts were completed as at 31st December, 2019.

(ii) The rentals were changed in accordance with the relevant tenancy agreements.

36. RELATED PARTY DISCLOSURES – CONTINUED

(i) Other than as disclosed elsewhere in the consolidated financial statements, the Group has following transactions and balances with government-related entities: (continued)

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

Details of the outstanding balances with subsidiaries of Jiangsu Yue Da are set out in Notes 18 and 19.

Details of the guarantee provided by Yue Da Capital during the year ended 31st December 2019 are set out in Note 25.

Details of YDM Disposal with YDHK during the year ended 31st December, 2019 are set out in Note 28(a).

Details of Yuelong Disposal with YDHK during the year ended 31st December, 2019 are set out in Note 28(b).

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

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

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

36. RELATED PARTY DISCLOSURES – CONTINUED

(ii) Compensation of key management personnel

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

	2020 **RMB'000**	2019 RMB'000
Short-term benefits	**3,242**	3,050
Post-employment benefits	**173**	295
	3,415	3,345

37. PARTICULARS OF PRINCIPAL SUBSIDIARY OF THE COMPANY

Details of the Company's principal subsidiary as at 31st December, 2020 and 2019 are as follows:

Name of subsidiary	**Country of establishment and operations**	**Registered capital**	**Attributable equity interest held indirectly by the Company**		**Principal activities**
			2020 **%**	2019 %	
Yueda (Shenzhen) Commercial Factoring Co., Ltd. *(Note)*	PRC	Registered capital – RMB400,000,000	**100**	100	Provision of factoring services, accounts receivable management and collection and factoring consultancy service

Note: The companies are wholly foreign-owned enterprises.

The above table list the subsidiary of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Property, plant and equipment	44	60
Right-of-use assets	55	291
Investments in subsidiaries	1	1
	100	352
Current assets		
Other receivables	112	123
Amounts due from subsidiaries	362,825	362,790
Amounts due from related companies	4,383	4,613
Bank balances and cash	6,334	18,282
	373,654	385,808
Current liabilities		
Other payables and accruals	7,025	8,215
Lease liabilities	61	234
Amount due to a subsidiary	50,692	49,942
Amounts due to related parties	5,288	6,362
Amounts due to directors	316	336
	63,382	65,089
Net current assets	310,272	320,719
Total assets less current liabilities	310,372	321,071
Capital and reserves		
Share capital	105,965	105,965
Reserves	204,407	215,045
Equity attributable to owners of the Company	310,372	321,010
Non-current liabilities		
Lease liabilities	–	61
	310,372	321,071

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – CONTINUED

Movement in the Company's capital and reserves:

	Share capital RMB'000	**Share premium** RMB'000	**Contributed surplus** RMB'000	**Capital contribution** RMB'000 *(Note i)*	**Share options reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1st January, 2019	105,965	967,576	231,749	16,581	769	(1,010,399)	312,241
Profit for the year	–	–	–	–	–	6,537	6,537
Expiry of share options	–	–	–	–	(769)	769	–
Capital contribution upon disposal of subsidiaries	–	–	–	2,232	–	–	2,232
At 31st December, 2019	105,965	967,576	231,749	18,813	–	(1,003,093)	321,010
Loss for the year	–	–	–	–	–	(10,638)	(10,638)
At 31st December, 2020	105,965	967,576	231,749	18,813	–	(1,013,731)	310,372

Note:

(i) The capital contribution represents deemed contributions from (distributions to) the ultimate parent and a shareholder arising from:

(a) certain transactions with the Company in prior years; and

(b) a deemed capital contribution from a shareholder of the Company due to YDM Disposal during 31 December 2019.

FINANCIAL SUMMARY

	Year ended 31st December,				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Revenue (including continuing and discontinued operations)	84,370	79,477	87,429	64,354	**47,658**
(Loss) profit for the year attributable to:					
Owners of the Company	(41,424)	(25,736)	(46,515)	30,177	**10,499**
Non-controlling interests	(424)	(33,197)	(920)	–	**–**
	(41,848)	(58,933)	(47,435)	30,177	**10,499**

	As at 31st December,				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Assets and liabilities					
Total assets	823,526	1,155,466	1,163,835	754,220	**770,994**
Total liabilities	(350,470)	(741,343)	(826,998)	(384,974)	**(391,249)**
	473,056	414,123	336,837	369,246	**379,745**
Equity attributable to owners of the Company	410,989	385,253	336,837	369,246	**379,745**
Non-controlling interests	62,067	28,870	–	–	**–**
	473,056	414,123	336,837	369,246	**379,745**