



**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)**

# ANNUAL REPORT 2021



# Contents

<b>2</b>	Corporate Information
<b>3</b>	Chairman's Statement
<b>5</b>	Management Discussion and Analysis
<b>12</b>	Corporate Governance Report
<b>24</b>	Environmental, Social and Governance Report
<b>43</b>	Biographical Details of Directors
<b>46</b>	Directors' Report
<b>57</b>	Independent Auditor's Report
<b>62</b>	Consolidated Statement of Profit or Loss and Other Comprehensive Income
<b>63</b>	Consolidated Statement of Financial Position
<b>65</b>	Consolidated Statement of Changes in Equity
<b>67</b>	Consolidated Statement of Cash Flows
<b>69</b>	Notes to the Consolidated Financial Statements
<b>128</b>	Financial Summary



# Corporate Information

## **BOARD OF DIRECTORS:**

### **Non-executive directors**

Mr. Liu Debing  
*(Chairman of the Board)*

Mr. Li Biao

Mr. Hu Huaimin  
*(Vice Chairman of the Board)*

### **Executive directors**

Mr. Cai Baoxiang

Mr. Bai Zhaoxiang

Mr. Pan Mingfeng *(appointed on 1st April, 2021)*

Mr. Sun Yuanming *(resigned on 1st April, 2021)*

### **Independent non-executive directors**

Mr. Cui Shuming

Dr. Liu Yongping

Mr. Cheung Ting Kee

### **AUDIT COMMITTEE:**

Mr. Cheung Ting Kee *(Chairman)*

Mr. Cui Shuming and Dr. Liu Yongping

### **REMUNERATION COMMITTEE:**

Mr. Cui Shuming *(Chairman)*

Mr. Pan Mingfeng 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. Cheng Man Hung *FCCA, FCCA*  
*(appointed on 9th August, 2021)*

Mr. Shum Chi Chung *FCCA*  
*(resigned on 30th July, 2021)*

### **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](http://www.yueda.com.hk)

# Chairman's Statement

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, 2021 (the "Current Year").

## FINANCIAL PERFORMANCE

Total revenue for the Current Year amounted to RMB58,292,000 which represented the revenue of the factoring operations and increased by 22.3% when compared with the year ended 31st December, 2020 (the "Previous Year"). Audited profit and total comprehensive income attributable to the owners of the Company for the Current Year amounted to RMB15,114,000 (the Previous Year: RMB10,499,000) and basic earnings per share for the Current Year amounted to RMB1.29 cents (the Previous Year: RMB0.90 cents).

## BUSINESS DEVELOPMENT

During the Current Year, the Group was principally engaged in factoring related business (the "Factoring Operations"), which offers factoring services, accounts receivable management and collection services and accounts receivable consultancy services.

### Traditional Factoring

As at 31st December, 2021, the gross financing receivables has decreased by 40.9% as compared to 31st December, 2020. The Group took a more conservative approach in granting of factoring loan and the overall revenue dropped by 21.8%.

### Communications Factoring

As at 31st December, 2021, under Communications Factoring business, outstanding principal financing receivables amounted RMB391,998,000 (2020: RMB39,118,000). The Communications Factoring business was commenced in 2020. The Group has commenced communications factoring services with three leading communications operation providers in the People's Republic of China (the "PRC"). The Communications Factoring business 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.

## PROSPECTS

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

## 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, 21st March, 2022

# Management Discussion and Analysis

## FINANCIAL HIGHLIGHTS

The Factoring Operations of Group recorded an operating revenue of RMB58,292,000 for the Current Year which is approximately 22.3% higher than that in the Previous Year. The audited profit and total comprehensive income attributable to owners of the Company increased from RMB10,499,000 for the Previous Year to RMB15,114,000 for the Current Year and basic earnings per share increased from RMB0.9 cents for the Previous Year to RMB1.29 cents for the Current Year.

The increase in profit and total comprehensive income was mainly due to the net effect of (1) a net exchange gain recorded in the Current Year compared to the net exchange loss for the Previous Year, (2) decrease in interest income from pledged bank deposits, (3) increase in impairment losses under expected credit loss model, net of reversal, and (4) increase in income tax expense.

## DIVIDENDS

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

## BUSINESS REVIEW

### Overview

The Group is principally engaged in Factoring Operations. During the Current Year, Factoring Operations realised an operating revenue of RMB58,292,000 with segment profit of RMB33,980,000.

### Factoring Operations

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

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

Business	Gross financing receivables as at		Interest income		Service income		Management fee income	
	31st December,		2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Traditional Factoring	288,293	487,847	29,728	34,931	-	-	7,122	12,184
Communications Factoring	391,998	39,118	-	-	21,442	543	-	-
	680,291	526,965	29,728	34,931	21,442	543	7,122	12,184

Total average rate of return for the Current Year is 9.66% (the Previous Year: 8.93%)

### **Traditional Factoring**

As at 31st December, 2021, under Traditional Factoring business, total principal financing receivables amounted RMB288,293,000 (2020: RMB487,847,000), and recorded interest income and management fee income of RMB29,728,000 (the Previous Year: RMB34,931,000) and RMB7,122,000 (the Previous Year: RMB12,184,000) respectively during the Current Year.

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

The Group adopts an organisation structure that is commonly used by banking institutions and other factoring services providers – general manager office, financing team, risk management department team, business development team, product development team and administration. As at 31st December, 2021, the Factoring Operations of the Group 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 Commercial 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 an executive director of the Company, and the general manager of Yueda Commercial 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 Commercial Factoring, including the Communications Factoring.
- Ms. Gao Ying, being the chief risk officer of Yueda Commercial Factoring, has 6 years of experience in the risk management industry. She is a holder of a Ph.D. in financial engineering at the Graduate School of Management of the Chinese Academy of Sciences. During her studies, she took part in various research topics such as those related to the causes of the US financial crisis and its impact on the Chinese economy, and the corresponding countermeasures. She is responsible for risk management in Yueda Commercial Factoring.

Yueda Commercial Factoring conducts its factoring business in the PRC within the scope of its business license. Yueda Commercial Factoring (as the factor) provides factoring services and accounts receivable management and collection services to its customers (as seller) in return for interest and management fee income payments with comprehensive rates of return ranging from approximately 8.7% to 10.5%, composed of interest rate per annum (approximately 6.0% to 10.0%), and factoring management fee income per annum (approximately 0% to 3.9%).

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

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

### ***Communications Factoring***

As at 31st December, 2021, under Communications Factoring business, outstanding principal financing receivables amounted RMB391,998,000 (2020: RMB39,118,000), and recorded service income RMB21,442,000 during the Current Year (the Previous Year: RMB543,000). The Communications Factoring business was commenced in 2020. The Group has renamed the “Consumers Instalment Factoring” as “Communications Factoring” to better describe the nature of business of this segment.

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



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

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

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

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

### ***Existing factoring financial services:***

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

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

### ***Communications factoring:***

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

***Accounts receivable consultancy services:***

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

***Exploring potential investment opportunities:***

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

***Funding requirements:***

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

**Prospects**

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

**CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 17th May, 2022 to 20th May, 2022, 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, 2022, 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 16th May, 2022.

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 (“Stock Exchange”) (“Listing Rules”) in due course.

## FINANCIAL POSITION

### Liquidity, Financial Resources and Capital Structure

As at 31st December, 2021, the Group's current assets were RMB505,165,000 (2020: RMB709,126,000), of which RMB24,454,000 (2020: RMB21,060,000) were cash and cash equivalents. As at 31st December, 2021, the net asset value of the Group amounted to RMB394,859,000, representing an increase of approximately 4.0% as compared to RMB379,745,000 in 2020. The gearing ratio (total liabilities/total assets) of the Group was approximately 44.2% (2020: 50.7%).

### Borrowing

As at 31st December, 2021, bank borrowing amounted to RMB50,000,000 (2020: RMB356,519,000). As at 31st December, 2021, bank borrowing is denominated in Renminbi, charging at fixed rate of interest and repayable in 2022.

### FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. During the Current 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

Apart from the Group's credit facilities for issuance of letters of credit which were secured by the Group's factoring receivables of RMB50,000,000 (2020: secured by the Group's bank deposits of RMB217,500,000) in aggregate as at 31st December, 2021, the Group did not have any other guarantees and charges nor any other material contingent liabilities (2020: Nil).

### EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2021, the Group had a total of approximately 20 employees (where they were located in Hong Kong and the PRC), engaged in management, administration and business 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, interest rate risk, operational 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 47 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.

# Corporate Governance Report

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”) (version up to 31st December, 2021) as set out in Appendix 14 to the Listing Rules throughout the Current Year, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 20th May, 2021 (the “2020 AGM”) (deviated from Code E.1.2 (which has been re-numbered as Code F.2.2 since 1st January, 2022)) due to other business commitment. Nevertheless, one of the independent non-executive Directors attended and acted as the chairman of the 2020 AGM; (ii) Mr. Li Biao, Mr. Hu Huaimin and Mr. Cui Shuming, being non-executive Directors, were not able to attend the 2020 AGM (deviated from Code A.6.7 (which has been re-numbered as Code C.1.6 since 1st January, 2022)) due to travel restrictions as a result of COVID-19 and their other business commitments. Nevertheless, each of these Directors has passed their opinion to the chairman of the 2020 AGM before its commencement; and (iii) the non-executive Directors are not appointed for a specific term (deviated from Code A.4.1 (which has been removed from the Code since 1st January, 2022)). 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 (which has been re-numbered as Code A.2.1 since 1st January, 2022):

- 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;

## Corporate Governance Report

- 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 Current Year was set out as follows:

	General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	1	5	2	1	2
<b>Attendance</b>					
<b>Chairman and non-executive</b>					
<b>Directors</b>					
Liu Debing	0	2	0	0	2
<b>Non-executive Directors</b>					
Li Biao	0	0	0	0	0
Hu Huaimin	0	5	0	0	0
<b>Executive Directors</b>					
Cai Baoxiang	0	3	0	0	0
Bai Zhaoxiang	1	5	0	0	0
Pan Mingfeng	0	1	1	0	0
Sun Yuanming	0	0	0	0	0
<b>Independent non-executive Directors</b>					
Cui Shuming	0	3	2	1	2
Liu Yongping	1	3	0	1	2
Cheung Ting Kee	1	3	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 Current Year.

The Company also maintains on its website ([www.yueda.com.hk](http://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 Current Year, all Directors are committed to comply with Code A.6.5 (which has been re-numbered as Code C.1.4 since 1st January, 2022) 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 Current Year is as follows:

	<b>Types of continuous professional development activities</b>
Mr. Liu Debing	A, B
Mr. Li Biao	A, B
Mr. Hu Huaimin	A, B
Mr. Cai Baoxiang	A, B
Mr. Bai Zhaoxiang	A, B
Mr. Pan Mingfeng	A, B
Mr. Sun Yuanming	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, Dr. Wong Mun Kin 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 Current 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 Current 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 Current Year, and on a going concern basis in accordance with the statutory requirements and applicable accounting and financial reporting standards.

During the Current 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 Current 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 Current Year, the remuneration paid/payable to the external auditor of the Company were approximately HK\$1,930,000 and HK\$870,000 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

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 Current 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, Dr. Liu Yongping and Mr. Cui Shuming, all of them being independent non-executive Directors, 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 Current 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. Pan Mingfeng (an executive Director). Regular meetings are held by the committee to review and discuss matters relating to the remuneration policy, remuneration levels and the remuneration of executive Directors.

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 Current 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 Current 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 Current 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 resigned as the Company Secretary with effect from 30th July, 2021. Mr. Cheng Man Hung was appointed as the Company Secretary with effect from 9th August, 2021. All Directors have access to the advices and services of the Company Secretary. During the year ended 31st December, 2021, each of the Company Secretaries 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](http://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 Current Year, the Company held the 2020 AGM, 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. The Company reviewed the implementation and effectiveness of the shareholders communication policy and considered it to be effective.

During the Current 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.



# Environmental, Social and Governance Report

## SCOPE AND REPORTING PERIOD

This is the sixth 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 set out by the Stock Exchange.

The Group principally engaged in the factoring services, accounts receivable collection and management services and accounts receivable consultancy services. This ESG Report covers the Group’s overall performance in two subject areas, namely Environmental and Social aspects of the operation in Shenzhen, Mainland China, from 1st January, 2021 to 31st December, 2021 (“Reporting Period”), unless otherwise stated. Other business operations with insignificant contribution to the Group’s revenue and environmental and social impacts were excluded from the reporting scope.

## REPORTING PRINCIPLES

The preparation of the ESG Report has applied the following principles:

*Materiality* — materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section “Stakeholder Engagement and Materiality” in the Report.

*Quantitative* — key performance indicators (“KPI”s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

*Consistency* — consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

## THE GROUP’S VISION ON ENVIRONMENT, SOCIAL AND GOVERNANCE

As a leading state-owned enterprise in the PRC, 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 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.

## SUSTAINABILITY GOVERNANCE

The Board has overall responsibility for the Group's sustainability strategy and reporting. The sustainability plan of the Group is developed based on results of ESG Reports and regular reports from senior management of its subsidiaries, which is reviewed on an annual basis and adjusted as needed to align with the long-term business strategy of the Group.

Furthermore, the Board is committed to setting up an ESG task force team to assess and manage ESG-related issues in the upcoming reporting period. These measures shall ensure the sustainable and responsible growth and operation of the Group.

## THE CHAIRMAN'S STATEMENT

For the past two years, the outbreak of the COVID-19 in the PRC and the rest of the world remain a great challenge to the economy and our operations. The Group has learned the lessons of weathering tough macroeconomic conditions and recognises that sustainability is the key to success. At the same time, stakeholders are increasingly expecting corporations to take sustainability factors into consideration when doing businesses. The Group recognises this and continues to make sustainability as its operational focus. We are committed to improving the sustainability performance of our operations. We understand that sustainability governance is the foundation to a successful operation.

The Board is, therefore, responsible for setting our strategic direction, ensuring that our ESG strategy reflects the Group's values and core businesses. In the future, the Board will review the progress made against ESG-related goals to guide the Group in monitoring its ESG performance.

By integrating sustainability into our business philosophy, we create greater value for our stakeholders and society. Without the contribution of our employees, customers, business partners and communities, it would not have been possible for the Group to have achieved so much. To better understand the demands and expectations of our stakeholders, we invite employees, suppliers, and clients to participate in a survey to maintain effective communication, allowing us to better accommodate their needs.

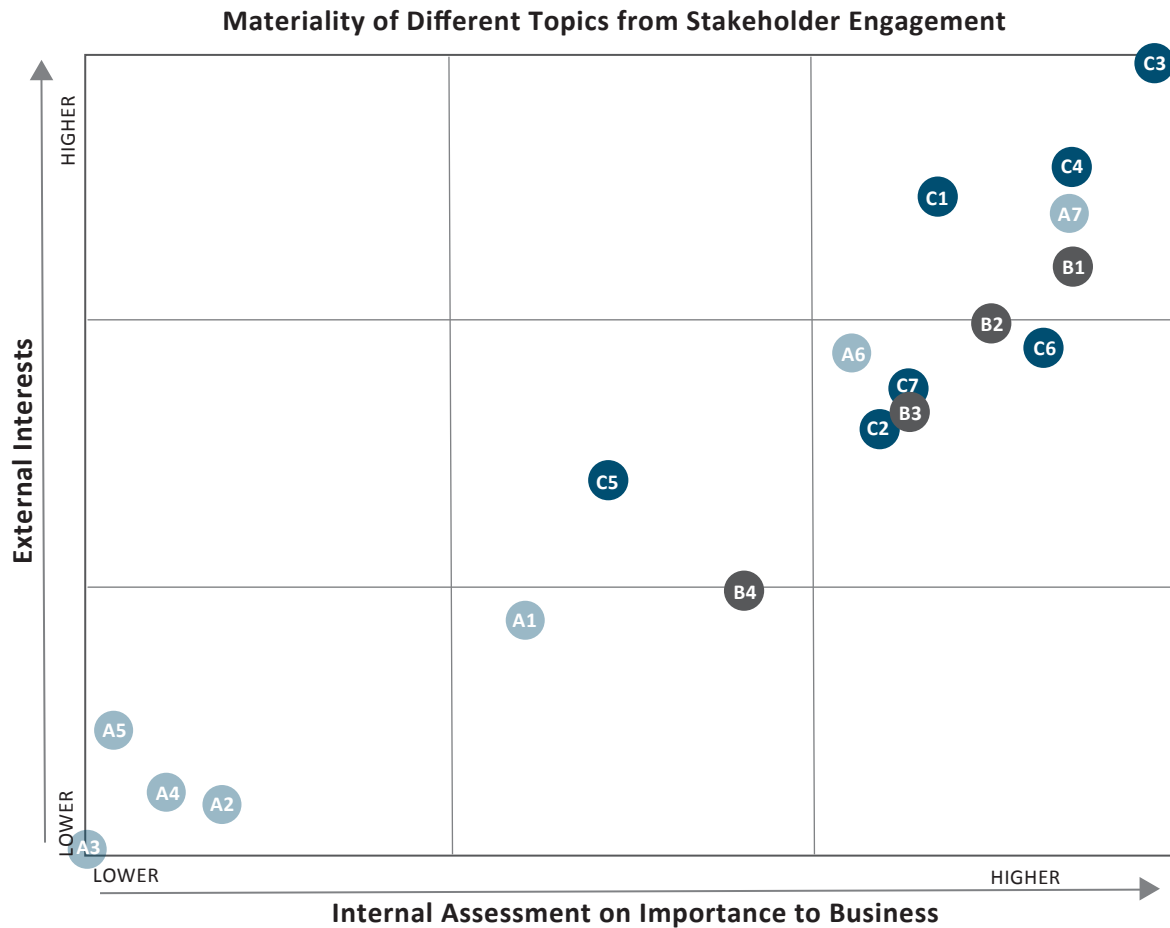
Going forward, to meet future challenges, we will continue to drive our sustainability performance and further integrate sustainability into our core strategy. This report sets out our sustainability practices and approaches throughout the past year. We hope this report will provide our stakeholders an overview of our sustainability performance.

## 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. The Group has also set up a business advisory group which convenes every six months for further in-depth communication.
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.
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:



**Environmental Practices**

- A1 Energy
- A2 Water
- A3 Air Emission
- A4 Waste and Effluent
- A5 Other Raw Materials Consumption
- A6 Environmental Protection Measures
- A7 Climate Change

**Labour Practices**

- B1 Employment
- B2 Occupational Health and Safety
- B3 Development and Training
- B4 Labour Standards

**Operational Practices**

- C1 Supply Chain Management
- C2 Intellectual Property
- C3 Data Protection
- C4 Customer Service
- C5 Product/Service Quality
- C6 Anti-corruption
- C7 Community Investment



According to the assessment, the five most material topics to the Group are therefore,

1. Data Protection
2. Customer Service
3. Climate Change
4. Employment
5. Supplier Chain Management

The Group has strictly complied with the statutory requirements in respect of the identified material aspects. The Group aims to keep close communication with its stakeholders for the identified aspects and continue to improve its ESG performance. The Group also hopes to have better management on ESG-related risks for future business development.

In alignment with the Group's vision on sustainability, the business will continue to operate with high ethical standards and provide sustainable returns to stakeholders. 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 [esmond@yueda.com.hk](mailto:esmond@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, the Group's passenger car was not used for its business operation. As such, no air emission was generated from the combustion of fuel. Typical air emissions include nitrogen oxides ("NOx"), sulphur oxides ("SOx") and respiratory suspended particles ("PM").

<b>Air emissions (non-GHG) from vehicles</b>			
<b>Fuel Source</b>	<b>NOx (in kg)</b>	<b>PM (in kg)</b>	<b>SOx (in kg)</b>
Petrol	0.00	0.00	0.00

*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*

During the Reporting Period, 3,786 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) greenhouse gases ("GHG", mainly carbon dioxide, methane and nitrous oxide) were emitted from the Group's operations. The intensity was 0.013 tCO<sub>2</sub>e per m<sup>2</sup> of total office area.

<b>Scope of GHG</b>	<b>Emission Sources</b>	<b>Emission (in tCO<sub>2</sub>e)</b>	<b>Total Emission (in%)</b>
<b>Scope 1</b> Direct Emissions	Combustion of Fuel	0.000	0.00
<b>Scope 2</b> Energy Indirect Emission	Purchased Electricity	3.755	99.17
<b>Scope 3</b> Other Indirect Emissions	Paper Waste Disposal	0.024	0.83
	Electricity Used for Processing Fresh Water and Sewage by Third Party Handler	0.007	
<b>Total</b>		<b>3.786</b>	<b>100.00</b>

*Note:* Emission factors were made reference to Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

### *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 recognises that its business operations had generated non-hazardous waste, which mainly consisted of general office waste. However, since the amount of non-hazardous waste generated was insignificant, 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 conferences are encouraged to improve collaboration while minimising emission. When business travels are inevitable, economy-class, which has a lower emission, is preferred.

With the above measures, the Group aims to achieve a 10% reduction in overall emissions intensity in 10 years, or by 2031.

### *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-sided used paper. Reminders have been posted at conspicuous locations in toilets to remind employees to avoid the use of tissue paper. Through these measures, the Group pledges to reduce its waste generation by 30% within 10 years, or by 2031.

## **A2. Use of Resources**

### *A2.1. Energy Consumption*

A total of 6,154.00 kWh of energy was consumed by the Group for its operations during the Reporting Period, all of which was from electricity consumption for office operations. The electricity consumption was managed by the property management department of the office building, which has provided the monthly breakdown of electricity consumption of the Group for the Reporting Period. The consumption intensity was 20.35 kWh of electricity per m<sup>2</sup> of total office area.

#### *A2.2. Water Consumption*

The Group had consumed 12.00 m<sup>3</sup> of water during the Reporting Period. Water consumption of the Group was managed by the property management department of the office building, which has provided a monthly breakdown of water consumption of the Group for the Reporting Period. In addition, the Group had no issue in sourcing water that is fit for purpose during the Reporting Period. The consumption intensity was 0.04 m<sup>3</sup> of water per m<sup>2</sup> of total office area.

#### *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.

With the above measures, the Group aims to achieve a 10% reduction in overall energy use intensity in 10 years, or by 2031.

#### *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.

Since there is no major consumption of water resources, the Group had not set any targets for reducing water use.

#### *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.



#### **A4. Climate Change**

Climate change poses a huge threat to all businesses, and the Group is not an exception. The Group recognises that extreme weather events may negatively impact daily operations and has accordingly prepared contingency plans for these situations. However, the Group has yet to identify any opportunities which may arise from climate change, and the Group has yet to initiate any further policies regarding climate change.

### **B. Social**

#### **1. Employment and Labour Practices**

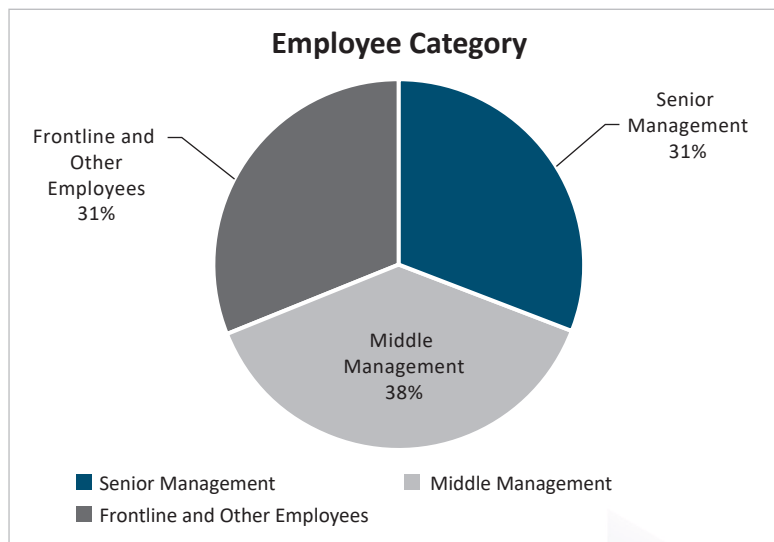
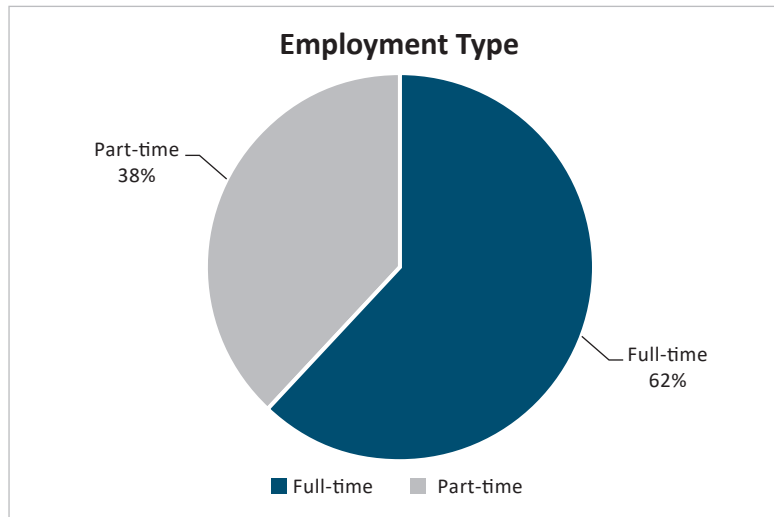
##### *B1. Employment*

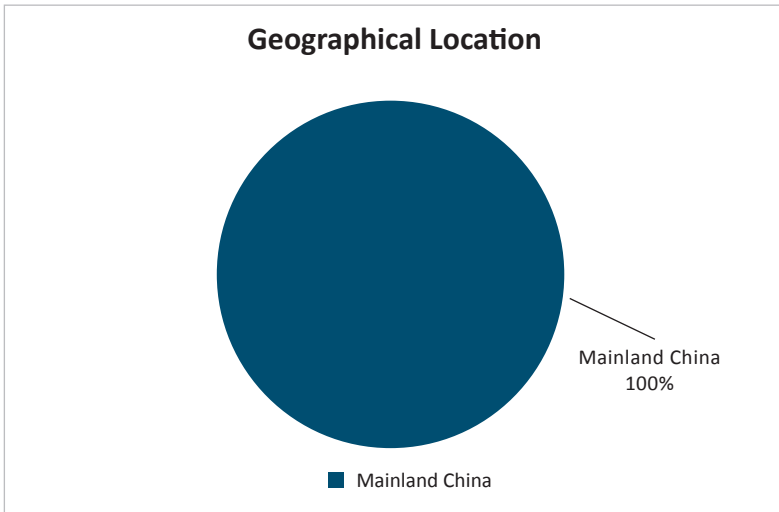
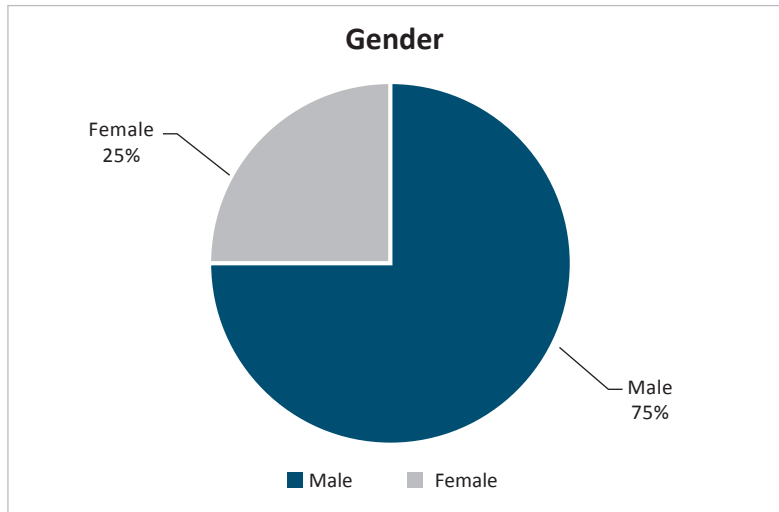
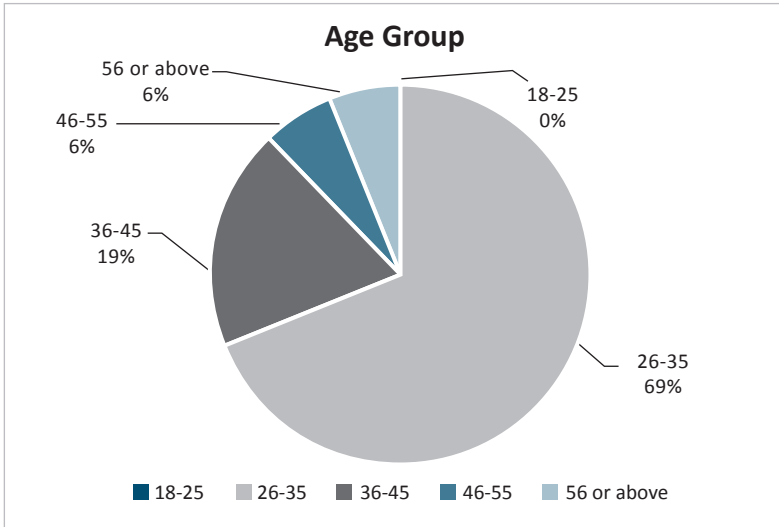
The operations in Mainland China had a total number of 16 employees at the end of the Reporting Period. All employees are from various provinces in PRC.

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 Group has complied strictly with the relevant employment laws and regulations of Mainland China to ensure employees' interests are protected. See below for a list of employment laws and regulations:

- Labour Law
- Labour Contract Law
- Regulations on Paid Annual Leave for Employees
- Law on the Protection of Women's Rights and Interests
- Special Rules on the Labour Protection of Female Employees

The figures below illustrate the workforce distribution by different categories as of 31st December, 2021.





### **Turnover**

During the Reporting Period, no employees left the Group for the operations in Mainland China. The Group has retained 100% of its employees for the operations in Mainland China.

### **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. Newly recruited employees are subjected to a 30-day probation period. 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 since age, gender, ethnic, background, religion, colour, marital status, family status, retirement, disability, pregnancy or any other forms of discrimination are 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 relevant occupational health the laws and regulations of Mainland China that are significant to the Group regarding workplace safety and prevention of occupational hazard. See below for a list of occupational health related laws and regulations:

- Labour Law
- Labour Contract Law
- PRC Law on The Prevention and Control of Occupational Diseases

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.

### COVID-19 Measures

The Group has established a COVID-19 task force team with the Chairman as the team leader, which is responsible for formulating scientifically based work plans, clarifying management procedures and contingency plans, and delegating responsibilities for each department of the COVID-19 task force team.

Furthermore, the Group has also further detailed monitoring, personal protection, ventilation, and disinfection procedures, for which each task was assigned to a specific person in charge. At the same time, the Group has formulated an emergency response plan in case of an outbreak. To reduce the chances of an outbreak, all employees are restricted from heading to areas of medium-to-high-risk, and are also restricted from contacting any returnees from abroad. For employees who are returning from Hong Kong to PRC, the Group strictly follows the “14+7” quarantine policy.

<b>Occupational Health and Safety Data</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Work related fatality	0	0	0
Fatality rate	0.00%	0.00%	0.00%
Work injury cases >3 days	0	0	0
Work injury cases ≤3 days	0	0	0
Lost days due to work injury	0	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, 16 employees received training as arranged by the Group, and the average training hours that each employee received was 24.00 hours. 100% of employees had received training during the Reporting Period, with average training hours per gender and employee category as follows:

#### ***By Gender***

Female	24.00 hrs
Male	24.00 hrs

#### ***By Employee Category***

Senior Management	24.00 hrs
Middle Management	24.00 hrs
Frontline and Other Employees	24.00 hrs

### *B4. Labour Standards*

In pursuance of the Labour Law of the PRC and PRC Law on Protection of Minors, there was no child nor forced labour in the Group's operation during the Reporting Period. 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.

During the Reporting Period, the Group had not engaged with any long-term suppliers.

### *B6. Product Responsibility*

The Group has rigorous risk control measures to reduce risks associated with the factoring business. Before approval of traditional factoring loan, 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. For the communications factoring business, the Group appoints the credit assessment services provider's for the credit assessment of the end customers to minimise the risks.



In terms of regulating product promotion and responsible sales, the Group strictly abides by the relevant laws and regulations of Mainland China. See below for a list of relevant laws and regulations:

- Criminal Law
- Advertising Law
- Cyber Security Law
- Provisions on Protecting the Personal Information of Telecommunications and Internet Users

During the Reporting Period, there was no material non-compliance regarding health and safety, advertising, labelling and privacy matters relating to services provided and methods of redress recorded during the Reporting Period.

### **Intellectual Property Rights**

The Group fully understands the importance of protecting the intellectual property rights of others, as such the Group strictly abides by relevant laws and regulations in all situations that may use other people's intellectual property. During the Reporting Period, there had been no cases that violate intellectual property rights.

### **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.

The Group has complied with all applicable laws regarding confidential information and data protection of the PRC. No substantiated complaints concerning breaches of client privacy, identified leaks, thefts, or losses of customer information was received during the Reporting Period.

*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.

Furthermore, the Group has also established whistleblowing policies to provide clear guidelines on reporting misconduct in the workplace. The internal rules provide various channels for filing complaints and whistleblowing to prevent non-compliant business practices. The Group has 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.

To ensure that directors and its employees familiar with relevant topics, all employees of the Group had attended anti-corruption training during the Reporting Period, with an average training hour of 2.00 hours per employee.

### *B8. Community Investment*

Due to its business nature, the Group did 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.

# Biographical Details of Directors

## EXECUTIVE DIRECTORS

**Mr. Cai Baoxiang**, aged 57, was appointed as an executive director and vice chief executive of the Company in August 2018. He is also the Chairman of Yueda Commercial Factoring, 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 59, 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.

**Mr. Pan Mingfeng**, aged 38, was appointed as an executive director of the Company in April 2021. He is also the General Manager of Yueda Commercial Factoring, an indirect wholly-owned subsidiary of the Company. He is responsible for setting, implementing the business development plan and for improving product design of commercial factoring business and development of new business. Mr. Pan graduated from Nanjing University of Posts and Telecommunications with a major in Economics. He has over 10 years of experience in finance and risk management.

### NON-EXECUTIVE DIRECTORS

**Mr. Liu Debing**, aged 52, 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 55, 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 48, was appointed as an executive Director 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 84, 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, was also an independent non-executive director of China Ecotourism Group Limited, (Stock code: 1371) till 1st July, 2021 and was an independent non-executive director of Burwill Holdings Limited (Stock code: 0024) till 20th October, 2019, the shares of both companies are listed on the Main Board of the Stock Exchange.

**Dr. Liu Yongping**, aged 66, 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 with its shares being listed on the Main Board of the Stock Exchange).

**Mr. Cheung Ting Kee**, aged 52, has been appointed as an independent non-executive director of the Company since July 2015. He has over 27 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 Degree of Business Administration and a Master Degree 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), with shares listed on GEM of the Stock Exchange from December 2014 to July 2019.

# Directors' Report

The Board of Directors presents the annual report and the audited consolidated financial statements of the Company for the year ended 31st December, 2021.

## 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, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62 of this annual report.

## DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31st December, 2021.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past financial years is set out on page 128 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31st December, 2021 are set out in Note 13 to the consolidated financial statements.

## SHARE CAPITAL

Details of the Company's share capital as at 31st December, 2021 are set out in Note 20 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, 2021, which represent the share premium, contributed surplus and accumulated losses, were RMB174,583,000.

## 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 ended 31st December, 2021 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 11 of the Annual Report.

## PRINCIPAL RISK AND UNCERTAINTIES

### 1. 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 pages 6 to 8 of Management Discussion and Analysis.

### 2. Interest rate risk

Interest rate risk refers to the risk of losses in the Group's overall income and economic value resulting from adverse movements in interest rates, maturity structure and other factors. Profit margins of the Group may be narrowed down as a result of the fluctuation in market interest rates. We primarily manages the interest rate risk through balancing the repricing periods of the assets and its corresponding liabilities.

### 3. Operational risk

Operational risk refers to the risk of losses resulting from imperfect or problematic internal process, personnel and system or external events. We control or reduce operational risks by establishing a sound internal control system and management system, cultivating employees to develop good professional ethics, continuously improving the process of Factoring Operation, formulating rigorous and meticulous commercial factoring contracts, and establishing an advanced information management system.

### 4. 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. Our target of liquidity risk management is to maintain moderate liquidity reserves and sufficient funding resources to adequately meet the repayment needs of matured liabilities and the funding needs of business development, and to achieve a higher profit margins level and control the liquidity management costs on conditions that liquidity risks have been well managed.



## 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 emphasising social responsibility.

More information of the Group's environmental performance is set out in the section headed "Environmental, Social and Governance Report" on pages 24 to 42.

## 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. Cai Baoxiang

Mr. Bai Zhaoxiang

Mr. Pan Mingfeng (appointed on 1st April, 2021)

Mr. Sun Yuanming (resigned on 1st April, 2021)

### 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. Hu Huaimin, Mr. Cui Shuming and Mr. Cheung Ting Kee will retire by rotation and being eligible, (except for Mr. Cui Shuming) 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 20 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 43 to 45 of the annual report.

## **EQUITY-LINKED AGREEMENTS**

Save as disclosed under the section headed "Share Options" in page 51 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, 2021, the interests of each Director and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code 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, 2021.

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, 2021.

## SHARE OPTIONS

Pursuant to a resolution passed on 9th June, 2011, a share option scheme (the "Scheme") was adopted. The Scheme was terminated pursuant to a resolution passed on 20th May, 2021, on the same date, a new share option scheme (the "New Scheme") was adopted pursuant to a resolution. The Scheme and the New Scheme are for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme and the New Scheme are valid for 10 years from the date of their adoption. Under the Scheme and the New 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:

- (a) 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;
- (b) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (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 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 Scheme and the New Scheme, the offer of share 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 and the New 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 under the Scheme. 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) under the Scheme. 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 under the Scheme.

The total number of the Company's shares which may be issued upon the exercise of all the options to be granted under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the adoption of the New Scheme initially. The maximum number of the Company's shares to be issued upon the exercise of share options that may be granted under the New Scheme under such initial mandate limit is 116,862,651 shares of the Company. The Company may seek approval of the shareholders of the Company in general meetings to refresh the 10% initial mandate limit. Notwithstanding that the mandate limit may be refreshed, the board of directors of the Company shall not grant options which would result in the maximum aggregate number of the Company's shares which may be issued upon exercise of all the outstanding options granted but yet to be exercised under the New Scheme and any other share option schemes of the Company which entitle the holders to acquire or subscribe for the Company's shares exceeding, in aggregate, 30% of the issued share capital of the Company from time to time.

The subscription price for shares under the Scheme and the New Scheme shall be a price determined by the Directors, but shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations on the date of the offer for grant; (ii) the average closing price of the shares of the Company 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 of the Company.

As at 31st December, 2021, no outstanding share options under the Scheme and the New Scheme.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Scheme and the New 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 and the New Scheme, the Group had not issued or granted any convertible securities, options, warrants or other similar rights during the year. As at 31st December, 2021, 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, 2021.

### **Reverse Factoring agreement (“Reverse Factoring Agreement”) with YDRE and its project companies**

On 22nd September, 2020, 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 Yue Da Group (H.K.) Co., Limited (“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. During the year ended 31st December, 2021, the total interest income and fee income of RMB9,047,000 and RMB2,366,000 under the Reverse Factoring Agreement were recorded and loans with total gross amount of RMB93,293,000 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 30 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, 2021, 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)
Yueda Capital (HK) Limited ("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%
Yueda Capital Company Limited (Note iii)	The Company	Interest of a controlled corporation	600,000,000 (L)	51.34%
Jiangsu Yue Da Group Company Limited (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, 2021.
- (iii) Jiangsu Yue Da Group Company Limited holds 100% interests in YDHK and 61.03% interests in Yueda 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, 2021, 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:

<b>Name of Director</b>	<b>Name of substantial shareholder of the Company</b>	<b>Position in substantial shareholder of the Company</b>
Mr. Liu Debing	Yue Da Capital HK	Director
	Yueda Capital Company Limited	Director
Mr. Li Biao	YDHK	Director

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 43.4% of the Group's total revenue and the largest customer accounted for approximately 13.1% of the Group's total revenue.

The Group is principally engaged in the provision of factoring services, accounts receivable management and collection services and accounts receivable consultancy services, the Group does not have any major suppliers.

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, 2021.

## 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 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, 2021.

## **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, 2021 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  
21st March, 2022

# 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 62 to 127, which comprise the consolidated statement of financial position as at 31st December, 2021, 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, 2021, 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 Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") 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.

**WorldClass**  
智启非凡

## 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 15 to the consolidated financial statements, the carrying amount of factoring receivables is RMB667,812,000 as at 31st December, 2021. This carrying amount represented approximately 94% of the total assets.

As set out in Note 4 to the consolidated financial statements, the Group performs impairment assessment under ECL model on traditional factoring receivables individually or based on provision matrix in estimating ECL on communications factoring receivables. In determining the impairment of factoring receivables, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

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 26 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 and basis of estimated loss rates applied in each category in the provision matrix, 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 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 HKSAAs 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.



## Independent Auditor's Report

As part of an audit in accordance with HKSAAs, 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

21st March, 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5		
Contracts with customers		<b>7,122</b>	12,184
Interest income from traditional factoring business		<b>29,728</b>	34,931
Factoring service income from communications factoring business		<b>21,442</b>	543
		<b>58,292</b>	47,658
Cost relating to services rendered		<b>(17,195)</b>	(6,307)
Other income		<b>1,174</b>	4,836
Other gains and (losses), net	6	<b>8,856</b>	(10,045)
Impairment losses under expected credit loss model, net of reversal	26	<b>(7,117)</b>	(2,880)
Administrative expenses		<b>(11,671)</b>	(10,422)
Finance costs	8	<b>(4,567)</b>	(6,187)
Profit before tax		<b>27,772</b>	16,653
Income tax expense	9	<b>(12,658)</b>	(6,154)
Profit and total comprehensive income for the year	10	<b>15,114</b>	10,499
Profit and total comprehensive income for the year attributable to owners of the Company		<b>15,114</b>	10,499
Earnings per share	11		
– Basic		<b>RMB1.29 cents</b>	RMB0.90 cents
– Diluted		<b>RMB1.29 cents</b>	RMB0.90 cents

# Consolidated Statement of Financial Position

At 31st December, 2021

	NOTES	2021 RMB'000	2020 RMB'000
<b>Non-current Assets</b>			
Property, plant and equipment	13	262	56
Right-of-use assets	14	1,209	55
Deferred tax assets	23	3,238	1,459
Other receivables	15	197,869	60,298
		<b>202,578</b>	61,868
<b>Current Assets</b>			
Other receivables	15	474,294	466,183
Amounts due from related companies	16	6,417	4,383
Pledged bank deposits	17	–	217,500
Cash and cash equivalents	17	24,454	21,060
		<b>505,165</b>	709,126
<b>Current Liabilities</b>			
Other payables	18	13,467	12,637
Contract liabilities	18	3,531	7,926
Bank borrowing	21	50,000	356,519
Amounts due to related companies	16	233,403	5,331
Amounts due to directors	19	631	526
Lease liabilities	22	539	61
Taxation payable		1,119	2,179
		<b>302,690</b>	385,179
<b>Net Current Assets</b>		<b>202,475</b>	323,947
<b>Total Assets Less Current Liabilities</b>		<b>405,053</b>	385,815



## Consolidated Statement of Financial Position

At 31st December, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Capital and Reserves			
Share capital	20	105,965	105,965
Reserves		288,894	273,780
Equity attributable to owners of the Company		394,859	379,745
Non-current Liabilities			
Lease liabilities	22	746	–
Deferred tax liabilities	23	9,448	6,070
		10,194	6,070
		405,053	385,815

The consolidated financial statements on pages 62 to 127 were approved and authorised for issue by the board of directors on 21st March, 2022 and are signed on its behalf by:

\_\_\_\_\_  
**Bai Zhaoxiang**  
 DIRECTOR

\_\_\_\_\_  
**Pan Mingfeng**  
 DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2021

	Attributable to owners of the Company						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Non- distributable reserves RMB'000 <i>(Note i)</i>	Special reserve RMB'000 <i>(Note ii)</i>	Capital contribution RMB'000 <i>(Note iii)</i>	Accumulated losses RMB'000	
At 1st January, 2020	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
Profit and total comprehensive income for the year	-	-	-	-	-	15,114	15,114
Transfer	-	-	3,378	-	-	(3,378)	-
At 31st December, 2021	105,965	967,576	9,405	157,178	23,949	(869,214)	394,859

## 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;

## Consolidated Statement of Changes in Equity

For the year ended 31st December, 2021

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 disposal of subsidiaries to that shareholder.

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2021

	2021 RMB'000	2020 RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	27,772	16,653
Adjustments for:		
Finance costs	4,567	6,187
Depreciation of property, plant and equipment	65	437
Depreciation of right-of-use assets	441	400
Impairment losses under expected credit loss model, net of reversal	7,117	2,880
Interest income from bank deposits	(382)	(948)
Interest income from pledged bank deposits	(785)	(3,885)
Loss on disposal of property, plant and equipment	–	39
Net foreign exchange (gain) loss	(8,856)	10,006
Operating cash flows before movements in working capital	29,939	31,769
(Increase) decrease in factoring receivables	(153,129)	12,373
Decrease (increase) in other receivables	228	(2,756)
Increase (decrease) in other payables	795	(4,576)
(Decrease) increase in contract liabilities	(4,395)	2,945
Increase in amount due from a related company	(2,195)	(49)
Decrease in amounts due to related companies	(907)	(784)
Increase (decrease) in amounts due to directors	105	(90)
<b>CASH (USED IN) FROM OPERATIONS</b>	<b>(129,559)</b>	38,832
Income tax paid	(12,119)	(6,807)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(141,678)</b>	32,025
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(271)	–
Repayment from related companies	–	75,201
Advance to related companies	–	(72,646)
Interest received from bank deposits	382	948
Interest received from pledged bank deposits	785	3,885
Placement of pledged bank deposits	–	(217,500)
Proceeds on redemption of pledged bank deposits	217,500	–
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>218,396</b>	(210,112)

## Consolidated Statement of Cash Flows

For the year ended 31st December, 2021

	2021 RMB'000	2020 RMB'000
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	<b>70,000</b>	50,000
Repayment of bank borrowings	<b>(367,429)</b>	(50,000)
Payment of lease liabilities	<b>(341)</b>	(404)
Repayment to a related company	<b>(384,000)</b>	(191)
Advance from related companies	<b>613,000</b>	–
Interest paid	<b>(4,567)</b>	(6,187)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(73,337)</b>	(6,782)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>3,381</b>	(184,869)
Effect of foreign exchange rate changes	<b>13</b>	(470)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>21,060</b>	206,399
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash</b>	<b>24,454</b>	21,060

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

## 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 Yueda Capital (HK) Limited (“Yue Da Capital HK”), 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 Business (as defined in Note 5).

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 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 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, 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of 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 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 <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st April, 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

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. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) 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*.

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.

#### **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.



### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Basis of consolidation – Continued

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.

#### 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Revenue from contracts with customers – Continued

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

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 asset 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.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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.

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.

### **3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

#### **Taxation – Continued**

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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, corporate 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 from traditional factoring business and factoring service income from communications factoring business 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.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Financial instruments – Continued

##### *Financial assets – Continued*

##### *Classification and subsequent measurement of financial assets – Continued*

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

Amortised cost, interest income and factoring service income

Interest income and factoring service income are 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 and factoring service income are 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 and factoring service income are 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 and factoring service income are 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 and cash and cash equivalents), and other items (lease receivables included in amounts due from related companies and loan commitments) 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.

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 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.

### 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

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;
- 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.

### 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

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.

(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;

### 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 – Continued

- (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.

(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. The Group uses provision matrix in estimating ECL on communications factoring receivables taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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.

### 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 – Continued

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 and factoring service income are calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income and factoring service income are 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.

##### ***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.



### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Financial instruments – Continued

##### *Financial liabilities and equity instruments – Continued*

###### *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.

###### *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, traditional factoring receivables have been assessed individually.

In addition, the Group uses provision matrix in estimating ECL on communications factoring receivables which are not assessed individually. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical repayment records and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

##### Impairment of factoring receivables – Continued

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 15 and 26 respectively.

As at 31st December, 2021, the carrying amounts of factoring receivables was RMB667,812,000 (2020: RMB521,800,000), net of allowance for impairment of RMB12,953,000 (2020: RMB5,836,000).

#### 5. REVENUE AND SEGMENT INFORMATION

##### Revenue

##### (i) Disaggregation of revenue from contracts with customers

	2021 RMB'000	2020 RMB'000
<b>Types of goods or service</b>		
Management fee from accounts receivable management and collection services	7,122	12,184
<b>Timing of revenue recognition</b>		
Overtime	7,122	12,184

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.

	2021 RMB'000	2020 RMB'000
Revenue disclosed in segment information	58,292	47,658
Less: Interest income from traditional factoring business	(29,728)	(34,931)
Factoring service income from communications factoring business	(21,442)	(543)
<b>Revenue from contracts with customers</b>	<b>7,122</b>	<b>12,184</b>

## 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

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 at 31st December, 2021 and 2020 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 and accounts receivable management and collection services ("Factoring Business").

**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.

	2021 RMB'000	2020 RMB'000
SEGMENT REVENUE		
External sales	58,292	47,658
SEGMENT RESULTS		
Segment profit	33,980	38,471
Other income	1,174	4,836
Other gains and losses		
– Loss on disposal of property, plant and equipment	–	(39)
– Net foreign exchange gain (loss)	8,856	(10,006)
Central administration costs	(11,671)	(10,422)
Finance costs	(4,567)	(6,187)
Profit before tax	27,772	16,653

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

**Segment assets and liabilities**

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

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 5. REVENUE AND SEGMENT INFORMATION – CONTINUED

#### Segment information – Continued

##### *Other segment information*

Amounts included in the measurement of segment profit:

#### For the year ended 31st December, 2021

	<b>Factoring Business</b> RMB'000	<b>Unallocated</b> RMB'000	<b>Total</b> RMB'000
Depreciation	<b>279</b>	<b>227</b>	<b>506</b>
Impairment losses under expected credit loss model, net of reversal	<b>7,117</b>	<b>–</b>	<b>7,117</b>

#### For the year ended 31st December, 2020

	Factoring 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

##### *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, 2021, the Group's non-current assets excluding those related to financial instruments and deferred tax assets of RMB1,175,000 (2020: RMB12,000) and RMB296,000 (2020: RMB99,000) are located in the PRC and Hong Kong, respectively.

**5. REVENUE AND SEGMENT INFORMATION – CONTINUED****Segment information – Continued****Information about major customers**

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

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Customer A (Note a)	<b>7,623</b>	14,446
Customer B (Note a)	<b>7,110</b>	6,474
Customer C (Note a)	<b>N/A (Note b)</b>	4,725
Customer D (Note a)	<b>N/A (Note b)</b>	4,533

Notes:

- (a) The above customers are related to Factoring Business.
- (b) The corresponding revenue did not contribute over 10% of the total revenue of the Group.

**6. OTHER GAINS AND (LOSSES), NET**

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Net foreign exchange gain (loss)	<b>8,856</b>	(10,006)
Loss on disposal of property, plant and equipment	<b>–</b>	(39)
	<b>8,856</b>	(10,045)

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

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

The emoluments paid or payable to each of the ten (2020: ten) directors and the chief executive were as follows:

#### 2021

	Executive directors				Non-executive directors			Independent non-executive directors			Chief Executive	Total
	Mr. Cai Baoxiang	Mr. Bai Zhaoxiang	Mr. Pan Mingfeng	Mr. Sun Yuanming	Mr. Liu Debing	Mr. Li Biao	Mr. Hu Huaimin	Mr. Cui Shu Ming	Dr. Liu Yong Ping	Mr. Cheung Ting Kee	Dr. Wong Mun Kin	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	-	-	-	-	-	-	-	214	214	214	-	642
Other emoluments												
Salaries	735	435	345	-	61	-	453	-	-	-	-	2,029
Other benefits	34	138	26	-	9	-	75	-	-	-	27	309
Contributions to retirement benefits schemes	62	62	47	-	17	-	73	-	-	-	11	272
Total emoluments	831	635	418	-	87	-	601	214	214	214	38	3,252

#### 2020

	Executive directors					Non-executive directors				Independent non-executive directors			Total
	Mr. Liu Debing	Mr. Hu Huaimin	Mr. Cai Baoxiang	Mr. Bai Zhaoxiang	Mr. Sun Yuanming	Mr. Liu Debing	Mr. Li Biao	Mr. Hu Huaimin	Mr. Tang Rujun	Mr. Cui Shu Ming	Dr. Liu Yong Ping	Mr. Cheung Ting Kee	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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

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.

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

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.

Mr. Hu Huaimin was the Chief Executive of the Company until 1st June, 2020 and Mr. Sun Yuanming had been appointed as the Chief Executive of the Company on 1st June, 2020 and resigned on 1st April, 2021. Dr. Wong Mun Kin has been appointed as the Chief Executive of the Company on 1st April, 2021. Their emoluments disclosed above include those services rendered by each of them as the Chief Executive. Part of the salaries are not paid directly by the Company but from the Company's holding company.

### Notes:

- (1) The director was appointed as the Chief Financial Officer and Vice Chief Executive of the Company since 10th October, 2018.
- (2) The director was appointed as an executive director of the Company on 1st April, 2021.
- (3) The director was appointed on 1st June, 2020 and resigned on 1st April, 2021.
- (4) The director was re-designated as a non-executive director on 1st June, 2020.
- (5) The director was resigned on 1st June, 2020.

Of the five individuals with the highest emoluments in the Group, three (2020: two) were directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining three (2020: three) individuals including one individual before the appointment as director during the year are follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	1,541	2,100
Contributions to retirement benefits schemes	110	132
	<b>1,651</b>	2,232



## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

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

Their emoluments were within the following bands:

	2021 Number of employees	2020 Number of employees
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	–	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, 2021 (2020: nil).

### 8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank borrowings	4,510	6,174
Interest on lease liabilities	57	13
	<b>4,567</b>	6,187

**9. INCOME TAX EXPENSE**

	2021 RMB'000	2020 RMB'000
Current tax		
– PRC Enterprise Income tax	11,104	7,569
– Overprovision in prior years	(45)	(2,928)
	11,059	4,641
Deferred tax	1,599	1,513
	<b>12,658</b>	6,154

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 per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	27,772	16,653
Tax at the domestic income tax rate of 25% (Note)	6,943	4,163
Tax effect of expenses not deductible for tax purpose	2,770	2,688
Tax effect of income not taxable for tax purpose	(388)	(2)
Overprovision in respect of prior year	(45)	(2,928)
Provision of withholding tax for income derived from the PRC subsidiary	3,378	2,233
Income tax expense	<b>12,658</b>	6,154

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

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	2021 RMB'000	2020 RMB'000
Depreciation of property, plant and equipment	65	437
Depreciation of right-of-use assets	441	400
Auditors' remuneration	1,431	1,756
Employee benefit expenses (including directors' emoluments and depreciation of right-of-use assets in relation to lease for staff quarter)	10,196	8,389
Interest income from bank deposits (included in other income)	(382)	(948)
Interest income from pledged bank deposits (included in other income)	(785)	(3,885)

### 11. 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:

	2021 RMB'000	2020 RMB'000
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	15,114	10,499

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

### 12. 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.

**13. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold improvement</b>	<b>Furniture, fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>				
At 1st January, 2020	643	493	590	1,726
Disposal	–	(86)	–	(86)
At 31st December, 2020	643	407	590	1,640
Additions	264	7	–	271
Disposal	(643)	–	–	(643)
At 31st December, 2021	264	414	590	1,268
<b>DEPRECIATION AND IMPAIRMENT</b>				
At 1st January, 2020	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
Charge for the year	44	21	–	65
Disposal	(643)	–	–	(643)
At 31st December, 2021	44	372	590	1,006
<b>CARRYING VALUES</b>				
At 31st December, 2021	220	42	–	262
At 31st December, 2020	–	56	–	56

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:

Leasehold improvement	Over the shorter of 20 years or remaining terms of the lease
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 14. RIGHT-OF-USE ASSETS

	<b>Leased properties</b> RMB'000
<b>As at 31st December, 2021</b>	
Carrying amount	1,209
<b>As at 31st December, 2020</b>	
Carrying amount	55
<b>For the year ended 31st December, 2021</b>	
Depreciation charge	441
<b>For the year ended 31st December, 2020</b>	
Depreciation charge	400

Notes:

- (i) During the year ended 31st December, 2021, expense relating to short-term leases is RMB549,000 (2020: RMB375,000).
- (ii) During the year ended 31st December, 2021, total cash outflow for leases is RMB943,000 (2020: RMB780,000).
- (iii) During the year ended 31st December, 2021, additions to right-of-use assets is RMB1,601,000 (2020: nil).

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 six months to three years (2020: 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.

#### **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 over the leasing period.

Details of the lease maturity analysis of lease liabilities are set out in Note 22.

**15. OTHER RECEIVABLES**

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Factoring receivables	<b>667,812</b>	521,800
Other receivables and prepayments	<b>4,351</b>	4,681
	<b>672,163</b>	526,481
Analysed as:		
Current portion	<b>474,294</b>	466,183
Non-current portion	<b>197,869</b>	60,298
	<b>672,163</b>	526,481

At as 31st December, 2021, the factoring receivables balance included debts due from related companies of RMB93,038,000 (2020: RMB137,229,000) were guaranteed by a related company of the Company and detailed as below.

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Yancheng Yue Da Tianhui Real Estate Company Limited ("Yancheng Yue Da Tianhui Real Estate") (Note)	<b>32,870</b>	93,771
Dafeng Yuefeng Industrial Company Limited ("Dafeng Yuefeng Industrial") (Note)	<b>26,926</b>	3,637
Yancheng Yueda Zhiye Development Limited ("Yancheng Yueda Zhiye Development") (Note)	<b>33,242</b>	39,821
	<b>93,038</b>	137,229

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

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 15. OTHER RECEIVABLES – CONTINUED

At 31st December, 2021, the range of interest rates and maturity dates attributed to the Group's factoring receivables was 4.7% to 33.0% (2020: 6.0% to 14.0%) per annum and from 10th January, 2022 to 10th January, 2025 (2020: 1st January, 2021 to 29th December, 2023) respectively. The management reviews and assesses for impairment of the traditional factoring receivables on an individual basis or based on provision matrix in estimating ECL on communications factoring receivables and continues to monitor any significant changes.

At as 31st December, 2021, the factoring receivables of RMB667,812,000 (2020: RMB521,800,000) were not past due. The amounts which were due after year ended 31st December, 2021 has been fully settled up to the date of approving the issuance of these consolidated financial statements.

As at 31st December, 2021, the carrying amount of traditional factoring receivables is RMB288,091,000 (2020: RMB483,167,000) and all of the factoring receivables for traditional factoring business are secured by commercial bill acceptance with fair value amounting of RMB385,490,000 (2020: RMB552,655,000). Out of the total amount, RMB94,925,000 (2020: RMB109,817,000) were secured by land and equipment with an aggregate fair value of approximately RMB73,341,000 (2020: RMB87,183,000). In addition, the Group may require the loan to be guaranteed by guarantors, depending on the borrower's credit status and credit risk perceived by the management. As at 31st December, 2021, all of the factoring receivables for traditional factoring business are guaranteed by guarantors (2020: RMB407,002,000). As at 31st December, 2021, the expected loss rates for traditional factoring business are ranged from 0.16% to 0.27% (2020: 0.02% to 4.79%).

For communications factoring business, as at 31st December, 2021, the carrying amount of communications factoring receivables is RMB379,721,000 (2020: RMB38,633,000) and out of the total amount, RMB9,788,000 (2020: nil) was secured by bank deposit from individual customers and RMB276,458,000 (2020: RMB38,633,000) was guaranteed by guarantors.

Impairment allowance of RMB12,953,000 was made for the outstanding balance of the factoring assets at 31st December, 2021 (2020: RMB5,836,000).

At 31st December, 2021, RMB50,000,000 (2020: nil) of factoring receivables were pledged as security for credit facilities granted to the Group for the issuance of letters of credit.

The information about the impairment assessment are disclosed in Note 26.

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

	2021 RMB'000	2020 RMB'000
Hong Kong Dollars ("HK\$")	44	41

**16. AMOUNTS DUE FROM/TO RELATED COMPANIES**

	<b>Due from</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Yue Da Mining Limited ("YDM") (Note 1)	<b>3,971</b>	2,707
Yue Da Capital HK (Note 3)	<b>2,446</b>	1,676
	<b>6,417</b>	4,383

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, 2021 and 2020.

	<b>Due to</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Yueda Capital Company Limited ("Yue Da Capital") (Note 2)	<b>219,043</b>	43
Yue Da Capital HK (Note 3)	<b>13,626</b>	4,533
Yue Da Group (H.K.) Co., Limited ("YDHK") (Note 4)	<b>604</b>	621
Yue Da Enterprise	<b>130</b>	134
	<b>233,403</b>	5,331



## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 16. AMOUNTS DUE FROM/TO RELATED COMPANIES – CONTINUED

The balance of amounts due to related companies are non-trade related, unsecured, interest-free and repayable on demand as at 31st December, 2021 and 2020.

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:

	2021 RMB'000	2020 RMB'000
Amounts due from related companies		
United States Dollars ("US\$")	3,611	2,652
HK\$	2,735	1,701
Amounts due to related companies		
HK\$	733	755

Notes:

- (1) YDM is a fellow subsidiary of the Company.
- (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.

### 17. 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 0.40% (2020: 0.01% to 0.30%) 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 were pledged to bank for the issuance of letters of credit. The pledged bank deposits were released upon settlement of the relevant bank borrowing.

**17. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS – CONTINUED**

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:

	2021 RMB'000	2020 RMB'000
US\$	1	3,459
HK\$	1,409	1,708

**18. OTHER PAYABLES/CONTRACT LIABILITIES**

	2021 RMB'000	2020 RMB'000
<b>Other payables</b>		
Other advance payments from customers	–	3,053
Accrued staff costs	3,942	3,265
Other payables and accrued charges	9,525	6,319
	<b>13,467</b>	12,637

**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.

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the advance payments from contracts with customers balance at the beginning of the year	7,926	4,981

**19. AMOUNTS DUE TO DIRECTORS**

The amounts are unsecured, interest-free and repayable on demand. As at 31st December, 2021, the amounts include RMB307,000 (2020: RMB316,000) which is denominated in HK\$, a currency other than the functional currency of the relevant group entity.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 20. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of HK\$0.10 each:			
Authorised			
At 1st January, 2020, 31st December, 2020 and 31st December, 2021	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2020, 31st December, 2020 and 31st December, 2021	1,168,626,516	116,863	105,965

### 21. BANK BORROWING

	2021 RMB'000	2020 RMB'000
Bank loan	50,000	356,519
Secured	50,000	356,519
The carrying amount of the above borrowing is payable*:		
Within one year	50,000	356,519

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

As at 31st December, 2021, the bank borrowing carried fixed interest rate of 6.30% per annum (2020: Euro Interbank Offered Rate ("EURIBOR") plus 1.2% per annum).

As at 31st December, 2021, the bank borrowing of RMB50,000,000 is guaranteed by Jiangsu Yue Da.

**21. BANK BORROWING – CONTINUED**

As at 31st December, 2021, the bank borrowing of RMB50,000,000 is secured by the Group's factoring receivables with carrying amount of RMB50,000,000. As at 31st December, 2020, the bank borrowing of RMB356,519,000 is secured by the Group's pledged bank deposits of RMB217,500,000.

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:

	2021 RMB'000	2020 RMB'000
Euro ("EUR")	–	356,519

**22. LEASE LIABILITIES**

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	539	61
Within a period of more than one year but not more than two years	536	–
Within a period of more than two years but not more than five years	210	–
	<b>1,285</b>	61
Less: Amount due for settlement within 12 months shown under current liabilities	<b>(539)</b>	(61)
Amount due for settlement after 12 months shown under non-current liabilities	<b>746</b>	–

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

	2021 RMB'000	2020 RMB'000
HK\$	263	61

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 23. 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	Withholding taxes RMB'000	Total RMB'000
At 1st January, 2020	(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
(Credit) charge to profit or loss	(1,779)	3,378	1,599
At 31st December, 2021	(3,238)	9,448	6,210

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

	2021 RMB'000	2020 RMB'000
Deferred tax assets	(3,238)	(1,459)
Deferred tax liabilities	9,448	6,070
	6,210	4,611

In addition, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised was RMB94,478,000 (2020: RMB60,704,000).

### 24. SHARE-BASED PAYMENTS

On 11th June, 2011, a share option scheme was adopted pursuant to a resolution passed on 9th June, 2011 (the "Scheme"). The purpose of the 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 Scheme is valid for 10 years from the date of its adoption.

Under the Scheme, the board of directors of the Company may, at its discretion, invite any eligible participant to take up options to subscribe for the shares in the Company at a price determined as set out below. The eligibility of any of the eligible participants is set out below.

## **24. SHARE-BASED PAYMENTS – CONTINUED**

The maximum number of the shares of the Company which may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the 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 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 shares of the Company 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 Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares of the Company in issue at the date of approval of the Scheme.

The Scheme was terminated pursuant to a resolution passed on 20th May, 2021. At the date of termination of the Scheme, no outstanding share options under the Scheme.

A new share option scheme was adopted pursuant to a resolution passed on 20th May, 2021 (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 share options to subscribe for the shares of the Company at a price determined as set out below. The eligibility of any of the eligible participants is set out below.

The total number of the shares of the Company which may be issued upon the exercise of all the options to be granted under the New Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the adoption of the New Scheme initially. The maximum number of the shares of the Company to be issued upon the exercise of share options that may be granted under the New Scheme under such initial mandate limit is 116,862,651 shares of the Company. The Company may seek approval of the shareholders of the Company in general meetings to refresh the 10% initial mandate limit. Notwithstanding that the mandate limit may be refreshed, the board of directors of the Company shall not grant options which would result in the maximum aggregate number of the shares of the Company which may be issued upon exercise of all the outstanding options granted but yet to be exercised under the New Scheme and any other share option schemes of the Company which entitle the holders to acquire or subscribe for the shares of the Company exceeding, in aggregate, 30% of the issued share capital of the Company from time to time.

### 24. SHARE-BASED PAYMENTS – CONTINUED

The subscription price in respect of any share option under the Scheme and the New Scheme shall, subject to any adjustments made pursuant to the Scheme and 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 shares of the Company as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares of the Company on the offer date of share options, (ii) the average closing price of the shares of the Company 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.

The eligibility of any of the eligible participants to an offer of share options under the Scheme and the New Scheme 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 under the Scheme and the New Scheme included:

- (a) 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;
- (b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (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 Scheme and the New Scheme, the offer of share options may be made to any company wholly owned by one or more persons belonging to any of the above classes of 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).

## 24. SHARE-BASED PAYMENTS – CONTINUED

Options granted under the Scheme and the New Scheme must be taken up not be later than 21 days from the offer date, upon payment of HK\$1 per each grant.

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

As at 31st December, 2021, no outstanding share options under the Scheme and the New Scheme.

## 25. 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.

## 26. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2021 RMB'000	2020 RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost (including cash and cash equivalents)	702,524	768,860
<b>Financial liabilities</b>		
Amortised cost	291,972	367,466

### Financial risk management objectives and policies

The Group's major financial instruments include factoring receivables, other receivables, amounts due from related companies, 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.



## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 26. FINANCIAL INSTRUMENTS – CONTINUED

#### Financial risk management objectives and policies – Continued

##### 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	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
US\$	–	–	3,612	6,111
HK\$	1,304	1,127	4,188	3,450
EUR	–	356,519	–	–

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.

##### 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% (2020: 5%) increase and decrease in RMB against HK\$, US\$ and EUR. 5% (2020: 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% (2020: 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, lease liabilities 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 (2020: a decrease (an increase) in post-tax profit for the year) where HK\$, US\$ and EUR weakening 5% (2020: 5%) against the functional currency of the relevant group entities. For a 5% (2020: 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	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Post-tax profit for the year	151	306	120	116	–	(17,826)

**26. 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 bank borrowing and 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 exposed to fair value interest rate risk in relation to debt securities classified as borrowings and lease liabilities as set out in Notes 21 and 22 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (as set out in Note 17). 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. As there is no variable rate bank borrowing and lease liabilities. The risk of changes in market interest rates in relation to bank borrowing and lease liabilities is limited. No sensitivity analysis is presented accordingly.

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 and factoring service income from financial assets that are measured at amortised cost is as follows:

	2021 RMB'000	2020 RMB'000
Revenue		
Financial assets at amortised cost	51,170	35,474
Other income		
Financial assets at amortised cost	1,167	4,833

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

	2021 RMB'000	2020 RMB'000
Financial costs		
Financial liabilities at amortised cost	4,510	6,174

### 26. 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 rate for the bank borrowing 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 31st December, 2021 of the Group would increase/decrease by RMB143,000 (2020: profit after tax would increase/decrease by RMB4,546,000) as a result of changes in interest rate of the cash and borrowing.

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***

The Group applies the HKFRS 9 to measure ECL for which uses a 12m ECL for all factoring receivables and loan commitment. 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.

In determining the recoverability of the factoring receivables, the Group will consider the change in the credit quality of the factoring receivables, 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.

As at 31st December, 2021, 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.

## 26. FINANCIAL INSTRUMENTS – CONTINUED

### Financial risk management objectives and policies – Continued

#### *Credit risk and impairment assessment – Continued*

##### *Factoring receivables and loan commitment*

The Group had concentration of credit risk, 43% (2020: 91%) of the factoring receivables as at 31st December, 2021 was due from six (2020: nine) customers. Loan commitment was mainly relating to six (2020: nine) customers for an aggregate undrawn amount of RMB91,707,000 (2020: RMB217,153,000) as at 31st December, 2021. No loss allowance for the loan commitment was recognised in the profit or loss because the amount involved is insignificant.

##### *Traditional factoring business*

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.

The Group seeks to maintain strict control over its outstanding factoring receivables on an individual basis to minimise its 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 and past collection history of each corporate borrower.

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 for traditional factoring business with gross amount of RMB288,767,000 and loan commitment of RMB91,707,000 have been assessed individually. The credit losses expectations are based on the Group's past history of collecting payments, historical loss ratio, macroeconomic factors, industry practice, internal credit rating and forward-looking information.

### 26. FINANCIAL INSTRUMENTS – CONTINUED

#### Financial risk management objectives and policies – Continued

##### *Credit risk and impairment assessment – Continued*

Management performs ongoing credit evaluations of individual customers' financial condition. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment. The Group has policies to limit the credit exposure on receivables by taking into account the availability of guarantee from third parties and getting payment guarantee (such as requiring deposits). The settlement patterns of customers are regularly monitored by the Group.

##### *Communications factoring business*

The Group uses provision matrix in estimating ECL on factoring receivables for communications business. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical repayment records and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

##### *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.

##### *Cash and cash equivalents*

The credit risk on liquid funds (i.e. 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, 2021, 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.

**26. FINANCIAL INSTRUMENTS – CONTINUED****Financial risk management objectives and policies – Continued*****Credit risk and impairment assessment – Continued***

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

<b>Internal credit rating</b>	<b>Description</b>	<b>Factoring receivables/ other financial assets</b>
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list	Debtor frequently settle after due dates	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
Loss	There is evidence indicating the asset is 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

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 26. 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	
					2021 RMB'000	2020 RMB'000
<b>Financial assets at amortised cost</b>						
Other receivables	15	N/A	Low risk	12m ECL (not credit-impaired)	<b>3,841</b>	4,117
Factoring receivables	15	N/A	Low risk	12m ECL (not credit-impaired)	<b>670,132</b>	527,636
			Doubtful	Lifetime ECL (not credit-impaired)	<b>10,633</b>	–
Amounts due from related companies	16	N/A	Low risk	12m ECL (not credit-impaired)	<b>6,417</b>	4,383
Cash and cash equivalents	17	Ba1 to Aa2 (2020: Ba1 to Aa2)	Low risk	12m ECL (not credit-impaired)	<b>24,454</b>	21,060
Pledged bank deposits	17	Baa2	Low risk	12m ECL (not credit-impaired)	–	217,500

**26. FINANCIAL INSTRUMENTS – CONTINUED****Financial risk management objectives and policies – Continued*****Credit risk and impairment assessment – Continued****Provision matrix – Communications factoring business*

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its communications factoring business because these customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for communications factoring receivables which are assessed on a collective basis by using provision matrix. Debtors with gross carrying amounts under 12m ECL and lifetime ECL are RMB381,365,000 and RMB10,633,000 respectively as at 31st December, 2021 (2020: RMB39,118,000 and nil).

*Gross carrying amount*

	2021		2020	
	Average loss rate	Communications factorings receivables RMB'000	Average loss rate	Communications factorings receivables RMB'000
Low risk	3.04%	381,365	1.24%	39,118
Doubtful (Note)	4.51%	10,633	–	–
		<b>391,998</b>		39,118

Note: For these debtors, these were past due on interest or principal payments during the year. However, for the outstanding balance as at 31st December, 2021, the total amount was not due.



## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 26. 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:

	Factoring receivables		
	12m ECL (not-credit- impaired) RMB'000	Lifetime ECL RMB'000	Total RMB'000
As at 1st January, 2020	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	5,836	–	5,836
As at 31st December, 2020	5,836	–	5,836
Changes due to financial instruments recognised as at 1st January, 2021:			
– Impairment losses reversed	(5,423)	–	(5,423)
New financial assets originated or purchased	12,061	479	12,540
As at 31st December, 2021	12,474	479	12,953

Up to the date of approving the issuance of these consolidated financial statements, the Group has not experienced any significant default in repayment of factoring receivables, interest income and services income from factoring services. The Company will remain highly alert about the impact of the epidemic on its operation and take any necessary measures to mitigate the impact.

**26. 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 RMB'000	1 – 3 months RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
<b>2021</b>							
<b>Non-derivative financial liabilities and lease liabilities</b>							
Other payables	-	7,938	-	-	-	7,938	7,938
Amounts due to related companies	-	233,403	-	-	-	233,403	233,403
Amounts due to directors	-	631	-	-	-	631	631
Bank borrowing	6.3	-	50,263	-	-	50,263	50,000
Lease liabilities	6.1	-	182	420	779	1,381	1,285
		241,972	50,445	420	779	293,616	293,257
<b>2020</b>							
<b>Non-derivative financial liabilities and lease liabilities</b>							
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

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.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 26. 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.

### 27. 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.

	<b>Lease liabilities</b>	<b>Amounts due to related companies</b>	<b>Bank borrowing</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
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)
As at 1st January, 2021	61	5,331	356,519	361,911
Financing cash flows	(398)	229,000	(301,939)	(73,337)
Foreign exchange translation	(6)	(21)	(9,090)	(9,117)
Interest expenses	57	–	4,510	4,567
Recognition of lease liabilities	1,571	–	–	1,571
Other changes	–	(907)	–	(907)
At 31st December, 2021	1,285	233,403	50,000	284,688

### **28. RETIREMENT BENEFITS SCHEMES**

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2020: 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% (2020: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB876,000 (2020: RMB635,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

### **29. PLEDGE OF ASSETS**

As disclosed in Notes 15 and 17, the Group's credit facilities for issuance of letters of credit were secured by the Group's factoring receivables of RMB50,000,000 (2020: secured by the Group's bank deposits of RMB217,500,000) in aggregate as at 31st December, 2021.

### **30. 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.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 30. RELATED PARTY DISCLOSURES – CONTINUED

(i) – Continued

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

Name of related parties	Nature of transactions/balances	2021 RMB'000	2020 RMB'000
<b>Fellow subsidiary</b>			
Jiangsu Yue Da Green Construction Technology Company Limited	Interest income from traditional factoring business	2,220	–
	Management fee income	567	–
	Receipt in advance relating to management fee income	338	–
Jiangsu Yue Da Commercial Properties Company Limited	Interest income from traditional factoring business	6,025	147
	Management fee income	1,598	17
	Receipt in advance relating to management fee income	2,888	4,034
Yancheng Yue Da Tianhui Real Estate	Factoring receivables	32,870	93,771
Dafeng Yuefeng Industrial	Factoring receivables	26,926	3,637
Yancheng Yueda Zhiye Development	Factoring receivables	33,242	39,821

Details of the outstanding balances with subsidiaries of Jiangsu Yue Da are set out in Notes 15 and 16.

(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.

**30. 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:

	2021 RMB'000	2020 RMB'000
Short-term benefits	3,254	3,242
Post-employment benefits	280	173
	<b>3,534</b>	3,415

**31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY**

Details of the Company's principal subsidiary as at 31st December, 2021 and 2020 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company		Principal activities
			2021 %	2020 %	
Yueda (Shenzhen) Commercial Factoring Co., Ltd. <i>(Note)</i>	PRC	Registered capital – RMB400,000,000	100	100	Provision of factoring services, accounts receivable management and collection services and accounts receivable consultancy services

*Note:* The company is wholly foreign-owned enterprise.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2021

### 32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current assets		
Property, plant and equipment	36	44
Right-of-use assets	260	55
Investments in subsidiaries	1	1
	<b>297</b>	100
Current assets		
Other receivables	125	112
Amounts due from subsidiaries	362,842	362,825
Amounts due from related companies	6,417	4,383
Bank balances and cash	3,201	6,334
	<b>372,585</b>	373,654
Current liabilities		
Other payables and accruals	7,434	7,025
Lease liabilities	209	61
Amount due to a subsidiary	51,156	50,692
Amounts due to related companies	14,360	5,288
Amounts due to directors	307	316
	<b>73,466</b>	63,382
Net current assets	<b>299,119</b>	310,272
Total assets less current liabilities	<b>299,416</b>	310,372
Capital and reserves		
Share capital	105,965	105,965
Reserves	193,396	204,407
Equity attributable to owners of the Company	<b>299,361</b>	310,372
Non-current liabilities		
Lease liabilities	55	–
	<b>299,416</b>	310,372

### 32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – CONTINUED

Movement in the Company's capital and reserves:

	<b>Share capital</b> RMB'000	<b>Share premium</b> RMB'000	<b>Contributed surplus</b> RMB'000	<b>Capital contribution</b> RMB'000 <i>(Note i)</i>	<b>Accumulated losses</b> RMB'000	<b>Total</b> RMB'000
At 1st January, 2020	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
Loss for the year	–	–	–	–	(11,011)	(11,011)
At 31st December, 2021	105,965	967,576	231,749	18,813	(1,024,742)	299,361

*Note:*

- (i) The capital contribution represents deemed contributions from (distributions to) the ultimate parent and a shareholder arising from certain transactions with the Company in prior years.



# FINANCIAL SUMMARY

	Year ended 31st December,				2021 RMB'000
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	
Revenue (including continuing and discontinued operations)	79,477	87,429	64,354	47,658	<b>58,292</b>
(Loss) profit for the year attributable to:					
Owners of the Company	(25,736)	(46,515)	30,177	10,499	<b>15,114</b>
Non-controlling interests	(33,197)	(920)	–	–	<b>–</b>
	(58,933)	(47,435)	30,177	10,499	<b>15,114</b>

	As at 31st December,				2021 RMB'000
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	
Assets and liabilities					
Total assets	1,155,466	1,163,835	754,220	770,994	<b>707,743</b>
Total liabilities	(741,343)	(826,998)	(384,974)	(391,249)	<b>(312,884)</b>
	414,123	336,837	369,246	379,745	<b>394,859</b>
Equity attributable to owners of the Company	385,253	336,837	369,246	379,745	<b>394,859</b>
Non-controlling interests	28,870	–	–	–	<b>–</b>
	414,123	336,837	369,246	379,745	<b>394,859</b>