YUE DA INTERNATIONAL HOLDINGS LIMITED
悅達國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 629)

2022 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS:

Non-executive directors

Mr. Liu Debing
(Chairman of the Board)
Mr. Li Biao
Mr. Hu Huaimin
(Vice Chairman of the Board)
Mr. Yu Guangshan *(appointed on 23rd May, 2022)*

Executive directors

Mr. Bai Zhaoxiang
Mr. Pan Mingfeng
Mr. Cai Baoxiang *(resigned on 23rd May, 2022)*

Independent non-executive directors

Dr. Liu Yongping
Mr. Cheung Ting Kee
Ms. Qian Ying *(appointed on 18th August, 2022)*
Mr. Cui Shuming *(retired on 20th May, 2022)*

AUDIT COMMITTEE:

Mr. Cheung Ting Kee *(Chairman)*
Dr. Liu Yongping and Ms. Qian Ying

REMUNERATION COMMITTEE:

Ms. Qian Ying *(Chairman)*
Mr. Pan Mingfeng and Dr. Liu Yongping

NOMINATION COMMITTEE:

Mr. Liu Debing *(Chairman)*
Dr. Liu Yongping and Ms. Qian Ying

AUTHORISED REPRESENTATIVES:

Mr. Hu Huaimin
Mr. Bai Zhaoxiang

COMPANY SECRETARY:

Mr. Cheng Man Hung *FCPA, FCCA*

AUDITOR:

Deloitte Touche Tohmatsu,
Registered Public Interest Entity Auditors

LEGAL ADVISERS AS TO HONG KONG LAW:

Jun He Law Offices

REGISTERED OFFICE:

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

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

STOCK CODE:

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

PRINCIPAL BANKERS:

China Construction Bank
Bank of Communication

WEBSITE:

www.yueda.com.hk

On behalf of the board ("Board") of directors ("Directors") of Yue Da International Holdings Limited (the "Company"), I am pleased to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2022 (the "Current Year").

FINANCIAL PERFORMANCE

Total revenue for the Current Year amounted to RMB102,618,000 which represented the revenue of the factoring operations and increased by 76% when compared with the year ended 31st December, 2021 (the "Previous Year"). Audited profit and total comprehensive income attributable to the owners of the Company for the Current Year amounted to RMB30,543,000 (the Previous Year: RMB15,114,000) and basic earnings per share for the Current Year amounted to RMB2.61 cents (the Previous Year: RMB1.29 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, 2022, the gross financing receivables has increased by 32.1% as compared to 31st December, 2021. The overall revenue dropped by 27.0%.

Communications Factoring

As at 31st December, 2022, under Communications Factoring business, outstanding principal financing receivables amounted to RMB403,658,000 (2021: RMB391,998,000). 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 2023, the Group will focus on the factoring business in the future. After the pandemic crisis, the recovery of the world economy is likely to be slow which will remain a great challenge to the economy and our operations in 2023. 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 on high alert about the impact of the possible slow recovery in rest of the world 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, 31st March, 2023

FINANCIAL HIGHLIGHTS

The Factoring Operations of Group recorded an operating revenue of RMB102,618,000 for the Current Year which is approximately 76.0% higher than that in the Previous Year. The audited profit and total comprehensive income attributable to owners of the Company increased from RMB15,114,000 for the Previous Year to RMB30,543,000 for the Current Year and basic earnings per share increased from RMB1.29 cents for the Previous Year to RMB2.61 cents for the Current Year.

The increase in profit and total comprehensive income was mainly due to the effect of increase in income from Communications Factoring business.

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 RMB102,618,000.

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 31st December,		Interest income		Service income		Management fee income	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Traditional Factoring	**380,801**	288,293	**21,880**	29,728	**–**	–	**5,003**	7,122
Communications Factoring	**403,658**	391,998	**–**	–	**75,735**	21,442	**–**	–
	784,459	680,291	**21,880**	29,728	**75,735**	21,442	**5,003**	7,122

Total average rate of return for the Current Year is 14.01% (the Previous Year: 9.66%).

Traditional Factoring

As at 31st December, 2022, under Traditional Factoring business, total principal financing receivables amounted to approximately RMB380,801,000 (2021: RMB288,293,000), and recorded interest income and management fee income of approximately RMB21,880,000 (the Previous Year: RMB29,728,000) and RMB5,003,000 (the Previous Year: RMB7,122,000) 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 financially more resilient than other entities.

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, 2022, the Factoring Operations has approximately 16 employees and is led by an experienced management team, including:

- Mr. Pan Mingfeng, being an executive director of the Company, and the general manager of Yueda Commercial Factoring, has more than 11 years' experience in marketing, risk control and management, and has previously worked for several renowned enterprises in the financial sector in the PRC. He is responsible for leading the promotion of several innovative factoring projects of Yueda Commercial Factoring, including the Communications Factoring.

- Ms. Gao Ying being the chief risk officer of Yueda Commercial Factoring, has 7 years of experience in the risk management industry. She is a holder of a Ph.D. in financial engineering at the Graduate School of Management of the Chinese Academy of Sciences. During her studies, she has taken part in various research topics such as those related to the causes of the US financial crisis and its impact on the Chinese economy, and the corresponding countermeasures. She is responsible for risk management in Yueda 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 accounts receivable management and collection services to its customers (as seller) in return for contractual interest and management fee income payments with comprehensive rates of return ranging from approximately 8.3% to 10.0%, composed of interest rate per annum (approximately 6.9% to 10.0%), and factoring management fee income per annum (approximately 1.0% to 2.0%).

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

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

Communications Factoring

As at 31st December, 2022, under Communications Factoring business, outstanding principal financing receivables amounted to approximately RMB403,658,000 (2021: RMB391,998,000), and recorded service of fee income of approximately RMB75,735,000 during the Current Year (the Previous Year: RMB21,442,000).

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

The Group has cooperated with and conducted the Communications Factoring business through the payment clearing and settlement platform ("Payment Platform") of some third-party payment institutions licensed in the PRC to offer 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 to reduce the occurrence of overdue Accounts Receivables and collect the overdue Accounts Receivables.

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) existing factoring financial services, (ii) communications factoring, and (iii) exploring potential investment opportunities.

Existing factoring financial services:

The Group believes that, being a stated-owned enterprise, having state-owned enterprises as its major customers will provide certain 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, 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.

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, and no definitive agreement has been entered into in relation thereto.

Funding requirements:

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

Prospects

Looking forward to 2023, the Group will focus on the factoring business in the future. After the pandemic crisis, the recovery of the world economy is likely to be slow which will remain a great challenge to the economy and our operations in 2023. 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 on high alert about the impact of the possible slow recovery in rest of the world 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 16th May, 2023 to 19th May, 2023, 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 19th May, 2023, 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 15th May, 2023.

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 and Financial Resources

As at 31st December, 2022, the Group's current assets were RMB667,107,000 (2021: RMB505,165,000), of which RMB26,267,000 (2021: RMB24,454,000) were cash and cash equivalents. As at 31st December, 2022, the net asset value of the Group amounted to RMB425,402,000, representing an increase of approximately 7.7% as compared to RMB394,859,000 in 2021. The gearing ratio (total liabilities/total assets) of the Group was approximately 53.0% (2021: 44.2%).

As at 31st December, 2022, the share capital of the Company was RMB105,965,000 (2021: RMB105,965,000). The Group's reserves were RMB319,437,000 (2021: RMB288,894,000). As at 31st December, 2022, the Group had total current liabilities of RMB396,354,000 (2021: RMB302,690,000), mainly comprising other payables and liabilities, amounts due to related parties, bank and other borrowings and obligations arising from asset-backed financing arrangements. The total non-current liabilities of the Group amounted to RMB83,366,000 (2021: RMB10,194,000), which mainly represented obligations arising from asset-backed financing arrangements, lease liabilities and deferred tax liabilities.

Capital structure of the Group

The capital structure of the Group consists of net debts, which include amounts due to related parties, bank and other borrowings, obligations arising from asset-backed financing arrangements, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

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

Borrowings

During the Current Year, the Group entered into several asset-backed financing arrangements (the "Financing Arrangements"), the Financing Arrangements involved establishment of special purpose asset-backed vehicles through issuing agents or special purpose trust administered by trustees. The principal activities of the Group are provision of factoring related business. The proceeds from the entrance into the Financing Arrangements are principally used as general working capital of factoring related business of the Group. The Board believes that the entrance into the Financing Arrangements can widen the fund-raising channels of the Group to access low-cost capital, which in turn is used to improve the financing structure of the Group and promote its operating activities and investments activities. The Directors are of the view that the terms of the entrance into the Financing Arrangements are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

As at 31st December, 2022, bank and other borrowings and obligations arising from asset-backed financing arrangements amounted to RMB90,000,000 (2021: RMB50,000,000) and RMB280,529,000 (2021: nil) respectively. As at 31st December, 2022, bank and other borrowings and obligations arising from asset-backed financing arrangements are denominated in Renminbi.

Details of the bank and other borrowings and Financing Arrangements are set out in Notes 21 and 22 to the consolidated financial statements respectively.

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

The Group's credit facilities were secured by the Group's factoring receivables of RMB100,000,000 (2021: RMB50,000,000) in aggregate as at 31st December, 2022 and the Group has the contractual obligations to transfer the cashflows relating to the Group's communications factoring receivables of RMB291,373,000 as at 31st December, 2022 (2021: nil) under asset-backed financing arrangements.

Apart from above, the Group did not have any other guarantees and charges nor any other material contingent liabilities as at 31st December, 2022 (2021: nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2022, the Group had a total of approximately 23 employees (who 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 49 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") as set out in Part 2 of 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, 2022 (the "2021 AGM") (deviated from Code F.2.2) due to other business commitment. Nevertheless, one of the independent non-executive Directors attended and acted as the chairman of the 2021 AGM; and (ii) Mr. Li Biao, being a non-executive Director, was not able to attend the 2021 AGM (deviated from Code C.1.6) due to his other business commitments. Nevertheless, each of these Directors has passed their opinion to the chairman of the 2021 AGM before its commencement. All non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Articles of Association.

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 with 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 A.2.1:

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

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

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

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

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

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

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

	General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	1	2	2	1	1
Attendance					
Chairman and non-executive Directors					
Liu Debing	0	2	0	0	1
Non-executive Directors					
Li Biao	0	0	0	0	0
Hu Huaimin	1	2	0	0	0
Yu Guangshan	0	1	0	0	0
Executive Directors					
Bai Zhaoxiang	1	2	0	0	0
Pan Mingfeng	0	2	0	1	0
Cai Baoxiang	0	0	0	0	0
Independent non-executive Directors					
Liu Yongping	1	2	2	1	1
Cheung Ting Kee	1	2	2	0	0
Qian Ying	0	0	0	0	0
Cui Shuming	1	1	1	1	1

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) 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 despite the fact that Dr. Liu Yongping has served as an independent non-executive director of the Company for more than nine years.

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 C.1.4 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:

	Types of continuous professional development activities
Mr. Liu Debing	A, B
Mr. Li Biao	A, B
Mr. Hu Huaimin	A, B
Mr. Yu Guangshan	A, B
Mr. Bai Zhaoxiang	A, B
Mr. Pan Mingfeng	A, B
Mr. Cai Baoxiang	A, B
Dr. Liu Yongping	A, B
Mr. Cheung Ting Kee	A, B
Ms. Qian Ying	A, B
Mr. Cui Shuming	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, Mr. Hu Huaimin and Mr. Yu Guangshan has been appointed as a non-executive Director whereas each of Dr. Liu Yongping, Mr. Cheung Ting Kee and Ms. Qian Ying 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$1,730,000 and HK$70,000 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

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 Ms. Qian Ying, 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, members of which are currently Ms. Qian Ying (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, members of which are currently Mr. Liu Debing (Chairman of the Nomination Committee, Chairman of the Board and a non-executive Director), Dr. Liu Yongping (an independent non-executive Director) and Ms. Qian Ying (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, experience and diversity of perspectives) 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.

The Company values gender diversity. As at the date of this report, the Board has 11% of female Directors (1 female out of 9 Directors). The Board is committed to improving greater gender diversity and wishes to achieve at least 30% of female Directors by the end of 2025.

During the Current Year, the Nomination Committee and the Board considered that the composition of the Board was balanced and diversified.

The policy will be reviewed periodically to ensure it remains relevant to the Company's needs and reflects both regulatory requirements and good corporate governance practices.

During the Current Year, one meeting was 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. 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, 2022, the Company Secretary has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

Investors' Relations and Communication with Shareholders

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

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

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

Shareholders may also receive the latest information released by the Company electronically. The annual general meeting of the Company is a communication channel between the shareholders and the Board members, including independent non-executive Directors and the senior management. The chairman of the Board and chairman 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 2021 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.

SCOPE AND REPORTING PERIOD

This is the seventh 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. Climate-related disclosures are aligned with the Task Force on Climate-Related Financial Disclosures ("TCFD") framework.

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, 2022 to 31st December, 2022 ("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 Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules of the Stock Exchange (the "Guide"). The contents covered herein are in compliance with the provision of "Comply or Explain" as well as four reporting principles of materiality, quantitativeness, balance and consistency required in the Guide.

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.

Quantitativeness — 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.

Balance — The Report presents the Group's performance during the Reporting Period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

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 has set up an ESG task force team to assess and manage ESG-related issues during the Reporting Period, consisting of representatives from different departments whose duties include carrying out various ESG management measures and monitoring important ESG aspects. If any significant ESG-related issues have been identified, the ESG task force team shall report to the Board for further discussion. These measures shall ensure the sustainable and responsible growth and operation of the Group.

THE CHAIRMAN'S STATEMENT

Over the past three 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.

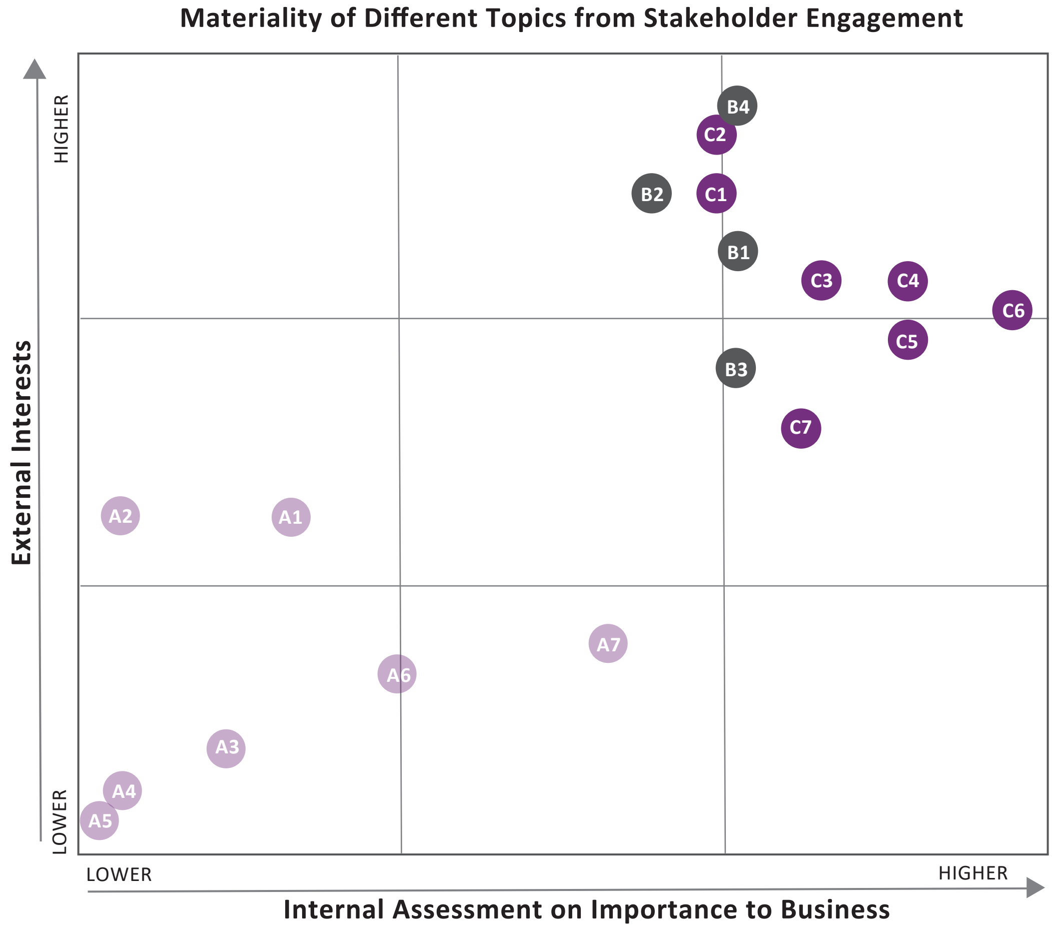
Going forward, to meet future challenges, we will continue to drive our sustainability performance and further integrate sustainability into our core strategy. This report sets out our sustainability practices and approaches throughout the past year. We hope this report will provide our stakeholders 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	Labour Practices	Operational Practices
A1 Energy	B1 Employment	C1 Supply Chain Management
A2 Water	B2 Occupational Health and Safety	C2 Intellectual Property
A3 Air Emission	B3 Development and Training	C3 Data Protection
A4 Waste and Effluent	B4 Labour Standards	C4 Customer Service
A5 Other Raw Materials Consumption		C5 Product/Service Quality
A6 Environmental Protection Measures		C6 Anti-corruption
A7 Climate Change		C7 Community Investment

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

1. Labour Standards

2. Intellectual Property

3. Supply Chain Management

4. Anti-corruption

5. Customer Service

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.

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").

Air emissions (non-GHG) from vehicles

Fuel Source	NOx (in kg)	PM (in kg)	SOx (in kg)
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, 4.223 tonnes of carbon dioxide equivalent (tCO_2e) greenhouse gases ("GHG", mainly carbon dioxide, methane and nitrous oxide) were emitted from the Group's operations, representing a 12% increase from last year. The intensity was 0.013 tCO_2e per m^2 of total office area during the Reporting Period.

Scope of GHG	Emission Sources	2022 Emission (in tCO_2e)	2021 Emission (in tCO_2e)
Scope 1 Direct Emissions	Combustion of Fuel	0.000	0.000
Scope 2 Energy Indirect Emission	Purchased Electricity[2]	4.191	3.755
Scope 3 Other Indirect Emissions	Paper Waste Disposal	0.024	0.024
	Electricity Used for Processing Fresh Water and Sewage by Third Party Handler[3]	0.008	0.007
Total		**4.223**	**3.786**

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

Note 2: According to The Ministry of Ecology and Environment of People's Republic of China (2022): Emission factor of 0.5810 tCO_2e/MWh was used for purchased electricity from the National Grid of the PRC in 2022; Emission factor of 0.6101 tCO_2e/MWh was used for purchased electricity from the National Grid of the PRC in 2021.

Note 3: According to Water Supplies Department Annual Report 2020/21 and 2019/20, and Drainage Services Department Sustainability Report 2020–21 and 2019–20: Emission factor of 0.428 $kgCO_2e/m^3$ was used for processed fresh water in 2022, whereas emissions factor of 0.21 $kgCO_2e/m^3$ was used for processed sewage in 2022; Emission factor of 0.417 $kgCO_2e/m^3$ was used for processed fresh water in 2021, whereas emissions factor of 0.20 $kgCO_2e/m^3$ was used for processed sewage in 2021.

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.

The Group had set the target of achieving a 10% reduction in emissions intensity by 2031, using 2021 as the baseline year. The Group's emission intensity in 2021 was 0.013 tCO_2e per m^2 of total office area, which means the Group had recorded a 12% increase in emissions intensity from the baseline year for this Reporting Period. Based on these results, the Group may consider re-evaluating its 10-year target for emissions intensity reduction, if these increased emissions figures are sustained for the next Reporting Period.

A1.6. Waste Reduction and Initiatives

As the Group had not collected any data on its non-hazardous waste generation, the Group did not set any targets for reducing non-hazardous waste generation. Nevertheless, the Group has implemented various measures to decrease the amount of non-hazardous waste generated from its business operations.

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.

A2. Use of Resources

A2.1. Energy Consumption

A total of 7,214.00 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. This represents a 17% increase from last year. 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 23.85 kWh of electricity per m^2 of total office area.

A2.2. Water Consumption

The Group had consumed 12.00 m^3 of water during the Reporting Period, representing no change from last year. 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^3 of water per m^2 of total office area, representing no change from last year.

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.

The Group had set the target of achieving a 10% reduction in energy use intensity by 2031, using 2021 as the baseline year. The Group's energy use intensity in 2021 was 20.35 kWh per m^2 of total office area, which means the Group has recorded a 17% increase in energy use intensity from the baseline year for this Reporting Period. Based on these results, the Group may consider re-evaluating its 10-year target for energy use intensity reduction, if these increased energy consumption figures are sustained for the next Reporting Period.

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 impacts to all businesses, and the Group is not an exception.

This year, the Group has taken its first step to disclosing its climate-related information aligning with the four core elements, namely, Governance, Strategy, Risk Management, and Metrics and Targets of TCFD recommendations on climate-related financial disclosure.

A4.1 Governance

Due to the nature of business as an office-based company, climate change has not posed significant threat to the Group's business operation. As such, the Group has not formulated any official policies regarding climate change. Strategies on climate change are considered to be ESG-related issues, and thus its management is delegated to the ESG task force team.

For further details of the Group's ESG governance, please refer to the section "Sustainability Governance".

A4.2 Strategy

However, the Group has identified relevant climate-related risks and assessed their potential financial impacts. The climate risks identified, their time horizon, trend, and the potential financial impacts affecting the Group are shown below.

	Climate Risks	**Time horizon**	**Trend**	**Potential financial impact**
Physical Risks	Acute	Short term	Increase	Extreme weather events with increased severity during cyclones, hurricanes, storm surges and floods can cause supply chain interruption by bringing damage to local infrastructure, potential damage to offices and disruption to human resources.
	Chronic	Long term	Increase	Longer-term shifts in climate patterns can increase capital costs, operating costs, costs of human resources and increased insurance premium.
Transition Risks	Technology	Long term	Increase	During the transitional period, the Group expects increased procurement expenditures to introduce new and alternative technologies, and the additional cost of adopting/deploying new practices and processes.
	Policy and Legal	Short to medium term	Increase	Implementation of tightened environmental laws, stringent requirements on climate disclosures and carbon pricing system increases operating costs.
	Market	Short term	Increase	During the transitional period, the Group might face a decrease in revenue due to higher environmental requirements of clients, if no strategy has been set accordingly.
	Reputation	Short to medium term	Increase	Stakeholders' concerns on climate-related issues of the Group might dampen the investment sentiment of investors, impacting the stock price and market capitalisation of the Group, and hence increasing the liquidity risk.

However, the Group has yet to identify any opportunities arising from climate change.

A4.3 Risk Management

An ESG risk assessment was conducted based on assessing the possibility and impact of each identified risk into three levels: high, medium and low. Risks are then prioritised and classified into the risk levels, high, medium and low based on the possibility and impact ratings. The overall risk level was determined depending on the overall possibility and impact of the risks.

Risk levels	**Definition of the overall risk levels**
High	Risks at this level may have serious consequences. It is highly likely that there will be some impacts to the Group and hindrance for the Group to achieve strategic goals.
Medium	Risks at this level may have serious consequences, but they are less likely to occur. Conversely, the consequences could be minor in nature, but the probability of occurrence is higher
Low	Risks at this level have limited harm and consequences for the Group to achieve its strategic goals, and the probability of occurrence is low.

The Group has identified its risk profile based on the climate-related risks suggested by the TCFD recommendations on climate-related financial disclosure. All climate-related risks are assessed to be in high risk levels according to the risk assessment.

	Climate risks	**Overall risk level**	**Management Approach**
Physical	Acute Chronic	Medium	— Prepared relevant contingency strategies for extreme weather events, such as work-from-home arrangements for non-essential employees
Transition	Policy and Legal	High	— Engaged with professionals to provide advice on climate-related issues — Continuously monitor the latest climate-related regulations and trend
	Technology	Medium	— Engaged with professionals to provide advice on climate-related issues
	Market	High	— Diversify supply chain and customer base
	Reputation	High	— Continuously monitor the latest climate-related regulations and trend

A4.4 Metric and Targets

To measure the level and impact of the Group's climate-related risks, the Group monitors metrics and indicators to ensure an effective and quantitative assessment. The Group monitors and reviews its Scope 1, Scope 2, Scope 3 GHG emissions (in $tCO_2eq.$), total GHG emissions (in $tCO_2eq.$) and GHG emission intensity (in $tCO_2eq./m^2$) regularly. The GHG emission data and information about target setting are shown in the section "A1. Emissions" of this Report.

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, 2022, as well as comparisons with last year.

Total Workforce as of 31st December	2022 Number	2022 Percentage	2021 Number	2021 Percentage
By Gender				
Male	11	68.75%	12	75.00%
Female	5	31.25%	4	25.00%
By Employment Type				
Full-Time	16	100.00%	10	62.50%
Part-Time	0	0.00%	6	37.50%
By Employee Category				
Senior Management	7	43.75%	5	31.25%
Middle Management	4	25.00%	6	37.50%
Frontline and Other Employees	5	31.25%	5	31.25%
By Age Group				
18-25	0	0.00%	0	0.00%
26-35	10	62.50%	11	68.75%
36-45	4	25.00%	3	18.75%
46-55	1	6.25%	1	6.25%
56 or above	1	6.25%	1	6.25%
By Geographical Location				
Mainland China	16	100.00%	16	100.00%
Total	16	100.00%	16	100.00%

Turnover

During the Reporting Period, apart from re-designation of roles within a substantial shareholder of the Company and its subsidiaries of some employees, 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 form 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.

Occupational Health and Safety Data	2022	2021	2020
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 36.00 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	36.00 hrs
Male	36.00 hrs
By Employee Category	
Senior Management	36.00 hrs
Middle Management	36.00 hrs
Frontline and Other Employees	36.00 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. If any case of non-compliance is discovered, the Group will immediately terminate employment and further investigate to avoid recurrence.

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 are familiar with relevant anti-corruption 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.

EXECUTIVE DIRECTORS

Mr. Bai Zhaoxiang, aged 60, 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 39, 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 53, 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 which in turn owns 51.34% issued share capital of the Company.

Mr. Li Biao, aged 56, 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 49, 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.

Mr. Yu Guangshan, aged 56, was appointed as a non-executive Director of the Company in May 2022. Mr. Yu graduated with a bachelor's degree in accounting from Dalian University of Technology. Mr. Yu is a senior accountant as credentialed by the Department of Human Resources and Social Security of Jiangsu Province（江蘇省人力資源和社會保障廳）. Mr. Yu has over 20 years of experience in the financial accounting industry. Mr. Yu worked in the finance department of a company in the PRC from August 1988 to May 2000. Subsequently, Mr. Yu joined Jiangsu Yueda Group in May 2000. Mr. Yu served as the head of finance department of Jiangsu Yueda Investment Company Limited from July 2010 to November 2015, and has been a director and deputy general manager of Yueda Capital Company Limited since December 2015. Mr. Yu has also been as a committee member of Yueda Capital Company Limited since November 2020. Yueda Capital Company Limited owns 100% of issued share capital of Yueda Capital (HK) Limited which in turn owns 51.34% issued share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Liu Yongping, aged 67, 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 has been working 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 53, 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 has been an executive director of Planetree International Development Limited (stock code: 0613), with shares listed on Main Board of the Stock Exchange, since June 2022.

Ms. Qian Ying, aged 53, has been appointed as an independent non-executive director of the Company in August 2022. She is a professor, a doctor of management and part-time master tutor of Changzhou University. She has been a professor and the vice president of the business school at Yancheng Teachers University since August 2018 and October 2019 respectively. She is a leader in middle-aged and young science and technology of "333 Project"（333工程）in Jiangsu Province, a leader in the academic researches by middle-aged and young scholars in the "Excellence Project"（青藍工程）in Jiangsu Province, an excellent backbone youth teacher in the "Excellence Project"（青藍工程）, and an innovative entrepreneurial leader in Yancheng City. She has published more than 30 essays in Chinese Social Sciences Citation Index and core journals, published 2 master works, compiled 5 textbooks, participated in 2 national social science funds, and presided over 16 scientific research projects such as provincial social science funds. Ms. Qian has extensive practical experience in securities, finance, cost management, etc. She has provided relevant financial and management consulting services to several companies including Lianyungang Dongsheng Transformer Company Limited and Suzhou Mactuni Environmental Technology Company Limited, and has provided financial trainings in Jiangsu Province, with more than 1,000 participations.

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, 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in factoring related business in the PRC. The analysis of revenue and 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, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 64 of this annual report.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31st December, 2022.

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, 2022 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital as at 31st December, 2022 are set out in Note 25 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, 2022, which represent the share premium, contributed surplus and accumulated losses, were RMB179,451,000.

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, 2022 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 manage 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 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 44.

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)*
Mr. Yu Guangshan (appointed on 23rd May, 2022)

Executive directors
Mr. Bai Zhaoxiang
Mr. Pan Mingfeng
Mr. Cai Baoxiang (resigned on 23rd May, 2022)

Independent non-executive directors
Dr. Liu Yongping
Mr. Cheung Ting Kee
Ms. Qian Ying (appointed on 18th August, 2022)
Mr. Cui Shuming (retired on 20th May, 2022)

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

In accordance with article 112 of the Company's articles of association, Mr. Yu Guangshan and Ms. Qian Ying whose appointment as director of the Company took effect from 23rd May, 2022 and 18th August, 2022 respectively shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at such meeting.

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 45 to 47 of the annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Options" in page 53 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, 2022, 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, 2022.

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, 2022.

SHARE OPTIONS

Pursuant to a resolution passed on 20th May, 2021, a share option scheme (the "Scheme") was adopted. The Scheme is for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme is valid for 10 years from the date of its adoption. Under the Scheme, the Directors may, at their discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares in the Company:

(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, 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.

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 total number of the Company's shares which may be issued upon the exercise of all the options to be granted under the 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 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 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 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 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, 2022, no outstanding share options under the Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Scheme disclosed above, at no time during the year was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Further, save for the Scheme, the Group had not issued or granted any convertible securities, options, warrants or other similar rights during the year. As at 31st December, 2022, 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 or his/her connected entities 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, 2022.

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, 2022, the total interest income and fee income of RMB8,574,000 and RMB2,861,000 under the Reverse Factoring Agreement were recorded and loans with total gross amount of RMB170,801,000 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. Pursuant to Rule 14A.55 of the Listing Rules, 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 31 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, 2022, 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, 2022.

(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, 2022, had interests of 5% or more in any shares or underlying shares of the Company.

OTHER DIRECTORS' INTEREST

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

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 21.2% of the Group's total revenue and the largest customer accounted for approximately 5.5% 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, 2022.

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, 2022.

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, 2022 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
31st March, 2023

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 64 to 127, which comprise the consolidated statement of financial position as at 31st December, 2022, 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, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of factoring receivables	
We identified the impairment assessment of factoring receivables as a key audit matter due to its significance to the consolidated financial statements as a whole, and the use of judgement exercised by the management of the Group in estimating the expected credit losses ("ECL") on factoring receivables. The carrying amount of factoring receivables was approximately RMB763,635,000, net of impairment allowance of RMB15,941,000, as at 31st December, 2022 and which represented approximately 84.4% of the total assets. As disclosed in Note 16 to the consolidated financial statements, as at 31 December 2022, the carrying amount of traditional factoring receivables and communications factoring receivables was RMB374,913,000 and RMB388,722,000, respectively. As disclosed in Note 4 to the consolidated financial statements, in performing the impairment assessment of factoring receivables, the ECL of the factoring receivables were assessed by the management after taking into account of the historical loss experience, collaterals and guarantees that are integral to the contractual terms, financial condition of borrowers for the probability of default and loss given default, as well as forward-looking information.	Our procedures in relation to the impairment assessment of factoring receivables included: • Obtaining an understanding of the management's methodology for determining allowance for impairment on factoring receivables; • Evaluating the reasonableness of the management's assessment of the internal credit rating and basis of estimated loss rates applied to the individual assessment on traditional factoring receivables or to the collective assessment on communications factoring receivables, on a sample basis; • Engaging our internal valuation specialist to evaluate the appropriateness of the significant assumptions used in the ECL model, including probability of default, loss given default and forward-looking information on a sample basis; and • Assessing the appropriateness of source data, on a sample basis, used in the ECL model.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Leung Po Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31st March, 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	5		
Income from traditional factoring business		**26,883**	36,850
Income from communications factoring business		**75,735**	21,442
		102,618	58,292
Other income		**319**	1,174
Other gains and losses, net	6	**9,939**	8,856
Gain from fair value changes of financial assets at fair value through profit or loss		**6,984**	–
Impairment losses under expected credit loss model, net of reversal	33	**(2,988)**	(7,117)
Guarantee and service fees for communications factoring business		**(30,311)**	(9,623)
Staff costs		**(9,279)**	(9,755)
Depreciation expenses		**(710)**	(506)
Other expenses		**(7,197)**	(8,982)
Finance costs	8	**(18,735)**	(4,567)
Profit before tax		**50,640**	27,772
Income tax expense	9	**(20,097)**	(12,658)
Profit and total comprehensive income for the year	10	**30,543**	15,114
Profit and total comprehensive income for the year attributable to owners of the Company		**30,543**	15,114
Earnings per share	11		
– Basic		**RMB2.61 cents**	RMB1.29 cents

Consolidated Statement of Financial Position

At 31st December, 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current Assets			
Property, plant and equipment	13	**160**	262
Right-of-use assets	14	**613**	1,209
Deferred tax assets	24	**3,985**	3,238
Financial assets at fair value through profit or loss	15	**89,752**	–
Factoring receivables and other assets	16	**143,505**	197,869
		238,015	202,578
Current Assets			
Factoring receivables and other assets	16	**632,907**	474,294
Amounts due from related parties	17	**7,933**	6,417
Cash and cash equivalents	18	**26,267**	24,454
		667,107	505,165
Current Liabilities			
Other payables and liabilities	19	**14,639**	13,467
Amounts due to related parties	17	**72,055**	233,403
Amounts due to directors	20	**609**	631
Taxation payable		**4,845**	1,119
Bank and other borrowings	21	**90,000**	50,000
Obligations arising from asset-backed financing arrangements	22	**213,665**	–
Lease liabilities	23	**541**	539
Contract liabilities		**–**	3,531
		396,354	302,690
Net Current Assets		**270,753**	202,475
Total Assets Less Current Liabilities		**508,768**	405,053

At 31st December, 2022

	NOTES	2022 RMB'000	2021 RMB'000
Capital and Reserves			
Share capital	25	**105,965**	105,965
Reserves		**319,437**	288,894
Equity attributable to owners of the Company		**425,402**	394,859
Non-current Liabilities			
Obligations arising from asset-backed financing arrangements	22	**66,864**	–
Lease liabilities	23	**210**	746
Deferred tax liabilities	24	**16,292**	9,448
		83,366	10,194
		508,768	405,053

The consolidated financial statements on pages 64 to 127 were approved and authorised for issue by the board of directors on 31st March, 2023 and are signed on its behalf by:

Yu Guangshan
DIRECTOR

Pan Mingfeng
DIRECTOR

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Non-distributable reserves**	**Special reserve**	**Capital contribution**	**Accumulated losses**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note i)	*(Note ii)*	*(Note iii)*		
At 1st January, 2021	105,965	967,576	6,027	157,178	23,949	(880,950)	379,745
Profit and total comprehensive income for the 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
Profit and total comprehensive income for the year	–	–	–	–	–	30,543	30,543
Transfer	–	–	4,492	–	–	(4,492)	–
At 31st December, 2022	105,965	967,576	13,897	157,178	23,949	(843,163)	425,402

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.

(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 the ultimate parent and a shareholder arising from certain transactions with the Company in prior years.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**50,640**	27,772
Adjustments for:		
Finance costs	**18,735**	4,567
Depreciation of property, plant and equipment	**99**	65
Depreciation of right-of-use assets	**611**	441
Gain on remeasurement of financial guarantee contracts	**(9,854)**	–
Gain from fair value changes of financial assets at fair value through profit or loss	**(6,984)**	–
Impairment losses under expected credit loss model, net of reversal	**2,988**	7,117
Loss on disposal of property, plant and equipment	**3**	–
Interest income from bank deposits	**(308)**	(382)
Interest income from pledged bank deposits	**–**	(785)
Net foreign exchange gain	**(88)**	(8,856)
Operating cash flows before movements in working capital	**55,842**	29,939
Increase in factoring receivables	**(98,811)**	(153,129)
Decrease in other assets	**1,428**	228
Increase in other payables	**691**	795
Decrease in contract liabilities	**(3,531)**	(4,395)
CASH USED IN OPERATIONS	**(44,381)**	(126,562)
Income tax paid	**(10,274)**	(12,119)
NET CASH USED IN OPERATING ACTIVITIES	**(54,655)**	(138,681)
INVESTING ACTIVITIES		
Subscription of financial assets at fair value through profit or loss	**(70,882)**	–
Advance to related parties	**(1,156)**	(2,195)
Interest received from bank deposits	**308**	382
Interest received from pledged bank deposits	**–**	785
Withdrawal of pledged bank deposits	**–**	217,500
Purchase of property, plant and equipment	**–**	(271)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(71,730)**	216,201

	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES		
Obligations arising from asset-backed financing arrangements raised	**523,571**	–
Advance from related parties	**142,679**	613,000
New bank and other borrowings raised	**90,000**	70,000
Advance from directors	**544**	1,019
Repayment to a related party	**(303,847)**	(384,907)
Repayment of obligations arising from asset-backed financing arrangements	**(254,928)**	–
Repayment of bank borrowings	**(50,000)**	(367,429)
Interest paid on obligations arising from asset-backed financing arrangements	**(15,948)**	–
Interest paid on bank and other borrowings and lease liabilities	**(2,787)**	(4,567)
Repayment to directors	**(566)**	(914)
Repayment of lease liabilities	**(549)**	(341)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**128,169**	(74,139)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,784**	3,381
Effect of foreign exchange rate changes	**29**	13
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**24,454**	21,060
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash	**26,267**	24,454

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"). 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 Group Company Limited ("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")

2.1 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 Group's annual period beginning on 1st January, 2022 for the preparation of the consolidated financial statements:

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

The application of the amendments to HKFRSs in the current year has 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

2.2 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1st January, 2023
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1st January, 2024

Except for the amendments to HKFRSs below, 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.

(a) Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

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

2.2 New and amendments to HKFRSs in issue but not yet effective – Continued

(a) *Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") – Continued*

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1st January, 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1st January, 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

The application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

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

2.2 New and amendments to HKFRSs in issue but not yet effective – Continued

(b) Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

(c) Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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

2.2 New and amendments to HKFRSs in issue but not yet effective – Continued

(d) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities

The amendments are effective for the Group's annual reporting period beginning on 1st January, 2023. As at 31st December, 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB613,000 and RMB751,000 respectively. The applicable for the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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.

During the current year, the directors of the Company changed the presentation method for the consolidated statement of profit or loss and other comprehensive income. Expenses are analysed by nature as this presentation better represents the financial performance of the Group. Comparative figures have been re-presented accordingly.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.1 Basis of preparation of consolidated financial statements – 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies

Basis of consolidation

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

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

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

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Basis of consolidation – Continued

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.

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 modified or after the date of initial application of HKFRS 16 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.

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.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Leases – Continued

The Group as a lessee – Continued

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

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Leases – Continued

The Group as a lessee – Continued

Lease liabilities – Continued

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 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.

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 and annual leave after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Taxation – Continued

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease 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.

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 less their residual values 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Impairment 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 unit ("CGU") to which the asset belongs.

In testing a CGU for impairment, corporates assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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 CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position and consolidated statement of cash flows include cash, which comprises of cash on hand and demand deposits and cash equivalents, which comprises of short-term deposits (generally with original maturity of three months or less).

Reimbursement assets

Financial guarantee contracts held by the Group that are not integral to the related communications factoring receivables are separately accounted for, which are measured at the higher of:

- the premium paid over the period of the related guarantees; and
- any reimbursement right.

Reimbursement assets are recognised if it is virtually certain that reimbursement will be received when there is a default of the related communications factoring receivables and the amount can be measured reliably.

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 (other than financial assets at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Financial instruments – Continued

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

Interest income which are derived from the Group's ordinary course of business (i.e. Factoring Business as defined in Note 5) 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.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Financial instruments – Continued

Financial assets – Continued

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is presented as "gain from fair value changes of financial assets at fair value through profit or loss" in the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including factoring receivables, other assets, amounts due from related parties and cash and cash equivalents), 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 in which case, 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(i) Significant increase in credit risk – Continued

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; or

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(iii) Credit-impaired financial assets – Continued

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

(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.

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. The estimate of expected cash shortfalls reflect the cash flows expected from collateral and other credit enhancements such as guarantees that are integral to the contractual terms and are not recognised separately by the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Financial instruments – Continued

Financial assets – Continued

Impairment of financial assets – Continued

(v) Measurement and recognition of ECL – Continued

Lifetime ECL for communications factoring receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.2 Significant accounting policies – Continued

Financial instruments – Continued

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

The Group's financial liabilities (including other payables, bank and other borrowings and amounts due to related parties/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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of factoring receivables

The Group performs impairment assessment under ECL model on traditional factoring receivables individually. In addition, for communications factoring receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings. A considerable amount of judgement is required in estimating the ultimate realisation of financial assets.

In performing the impairment assessment of factoring receivables, the ECL of the factoring receivables were assessed by the management after taking into account of the historical loss experience, collaterals and guarantees that are integral to the contractual terms, financial condition of borrowers for the probability of default and loss given default, as well as forward-looking information. 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 16 and 33 respectively. As at 31st December, 2022, the carrying amounts of factoring receivables was RMB763,635,000 (2021: RMB667,812,000), net of allowance for impairment of RMB15,941,000 (2021: RMB12,953,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents interest income received and receivable from provision of traditional and communications factoring services. An analysis of the Group's revenue is as follows:

	2022 RMB'000	2021 RMB'000
Income from traditional factoring business *(Note)*	26,883	36,850
Income from communications factoring business	75,735	21,442
	102,618	58,292

Note: Included in income from traditional factoring business is an amount of RMB5,003,000 (2021: RMB7,122,000) representing fees that are considered to form an integral part of the effective interest rate of the traditional factoring receivables and is treated as an adjustment to the effective interest rate. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, negotiating the terms of the instrument, preparing and processing documents and closing the transaction.

Segment information

Information reported to the chief operating decision maker (the "CODM") of the Group, being the executive directors of the Company, for the purpose of resource allocation and assessment focuses on revenue analysis by traditional and communications factoring business ("Factoring Business"). No other discrete financial information is provided other than the Group's result and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

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, 2022, the Group's non-current assets excluding those related to financial instruments and deferred tax assets of RMB690,000 (2021: RMB1,175,000) and RMB83,000 (2021: RMB296,000) 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:

	2022 **RMB'000**	2021 RMB'000
Customer A *(Note i)*	**N/A *(Note ii)***	7,623
Customer B *(Note i)*	**N/A *(Note ii)***	7,110

Notes:

(i) The above customers are related to traditional factoring business.

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

(iii) There was no customer of the Group whose transactions have contributed over 10% of the Group's revenue for the year ended 31st December, 2022.

6. OTHER GAINS AND LOSSES, NET

	2022 **RMB'000**	2021 RMB'000
Net foreign exchange gain	**88**	8,856
Gain on remeasurement of financial guarantee contracts	**9,854**	–
Loss on disposal of property, plant and equipment	**(3)**	–
	9,939	8,856

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

The emoluments paid or payable to each of the eleven (2021: ten) directors and the chief executive were as follows:

2022

	Executive directors			Non-executive directors				Independent non-executive directors				Chief Executive	
	Mr. Bai Zhaoxiang RMB'000 *(Note i)*	Mr. Pan Mingfeng RMB'000 *(Note ii)*	Mr. Cai Baoxiang RMB'000 *(Note iv)*	Mr. Liu Debing RMB'000	Mr. Li Biao RMB'000	Mr. Hu Huaimin RMB'000	Mr. Yu Guangshan RMB'000 *(Note v)*	Mr. Cui Shu Ming RMB'000 *(Note vii)*	Dr. Liu Yong Ping RMB'000	Mr. Cheung Ting Kee RMB'000	Ms. Qian Ying RMB'000 *(Note vi)*	Dr. Wong Mun Kin RMB'000 *(Note viii)*	Total RMB'000
Fees	–	–	–	–	–	–	–	82	214	214	–	–	510
Other emoluments													
Salaries	422	716	62	487	–	447	280	–	–	–	–	–	2,414
Other benefits	87	40	6	48	–	92	26	–	–	–	–	47	346
Contributions to retirement benefits schemes	67	68	11	105	–	72	41	–	–	–	–	30	394
Total emoluments	576	824	79	640	–	611	347	82	214	214	–	77	3,664

2021

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

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 non-executive directors' and 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 and the chief executive 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.

Notes:

(i) The director was appointed as the Chief Financial Officer and Vice Chief Executive of the Company since 10th October, 2018.

(ii) The director was appointed as an executive director of the Company on 1st April, 2021.

(iii) The director was appointed as the Chief Executive of the Company on 1st June, 2020 and resigned on 1st April, 2021.

(iv) The director resigned on 23rd May, 2022.

(v) The director was appointed as a non-executive director of the Company on 23rd May, 2022.

(vi) The director was appointed as an independent non-executive director of the Company on 18th August, 2022.

(vii) The director retired on 20th May, 2022.

(viii) The chief executive was appointed on 1st April, 2021. His emoluments disclosed above include those services rendered by him as the chief executive of the Company.

Out of the five individuals with the highest emoluments in the Group, two (2021: three) were directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining three individuals (2021: three individuals including one individual before the appointment as director during the year ended 31st December, 2021) are follows:

	2022 RMB'000	2021 RMB'000 *(Note)*
Salaries and other benefits	**2,065**	1,541
Contributions to retirement benefits schemes	**150**	110
	2,215	1,651

Note: The amount include the portion of remuneration before the individual's appointment as director.

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

Their emoluments were within the following band:

	2022 Number of employees	2021 Number of employees
Nil to HK$1,000,000	**3**	3

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 during both years.

8. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank and other borrowings	**2,723**	4,510
Interest on obligations arising from asset-backed financing arrangements	**15,948**	–
Interest on lease liabilities	**64**	57
	18,735	4,567

9. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax		
– PRC Enterprise Income tax ("EIT")	**12,558**	11,104
– PRC withholding tax paid in respect of distribution of earnings of the PRC subsidiary	**750**	–
– Under (over) provision in prior years – PRC EIT	**692**	(45)
	14,000	11,059
Deferred tax *(Note 24)*	**6,097**	1,599
	20,097	12,658

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 EIT (the "EIT Law") and the Implementation Regulation of the EIT Law, the applicable income tax rate for the PRC subsidiary of the Group is 25% for both years.

The income tax expense 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:

	2022 RMB'000	2021 RMB'000
Profit before tax	**50,640**	27,772
Tax at the domestic income tax rate of 25% *(Note)*	**12,660**	6,943
Tax effect of expenses not deductible for tax purpose	**2,381**	2,770
Tax effect of income not taxable for tax purpose	**(128)**	(388)
Under (over) provision in respect of prior year	**692**	(45)
Provision of withholding tax for income derived from the PRC subsidiary	**4,492**	3,378
Income tax expense	**20,097**	12,658

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

10. PROFIT FOR THE YEAR

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

	2022 RMB'000	2021 RMB'000
Auditors' remuneration (included in other expenses)	**1,671**	1,431
Legal and professional fee (included in other expenses)	**2,239**	2,972
Depreciation of property, plant and equipment	**99**	65
Depreciation of right-of-use assets	**611**	441
Employee benefit expenses (including directors' emoluments)	**9,279**	9,755
Interest income from bank deposits (included in other income)	**(308)**	(382)
Interest income from pledged bank deposits (included in other income)	**–**	(785)

11. EARNINGS PER SHARE

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

	2022 RMB'000	2021 RMB'000
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**30,543**	15,114

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

No diluted earnings per share for both years were presented as there were no potential ordinary shares in issue during both years.

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

	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000 *(Note)*	Total RMB'000
COST				
At 1st January, 2021	643	407	590	1,640
Additions	264	7	–	271
Disposals	(643)	–	–	(643)
At 31st December, 2021	264	414	590	1,268
Disposals	–	(31)	–	(31)
At 31st December, 2022	264	383	590	1,237
DEPRECIATION				
At 1st January, 2021	643	351	590	1,584
Charge for the year	44	21	–	65
Eliminated on disposals	(643)	–	–	(643)
At 31st December, 2021	44	372	590	1,006
Charge for the year	88	11	–	99
Eliminated on disposals	–	(28)	–	(28)
At 31st December, 2022	132	355	590	1,077
CARRYING VALUES				
At 31st December, 2022	132	28	–	160
At 31st December, 2021	220	42	–	262

Note: Motor vehicles are fully depreciated but still in use.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives 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

14. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 31st December, 2022	
Carrying amount	613
As at 31st December, 2021	
Carrying amount	1,209
For the year ended 31st December, 2022	
Depreciation charge	611
For the year ended 31st December, 2021	
Depreciation charge	441

Notes:

(i) During the year ended 31st December, 2022, expense relating to short-term leases is RMB148,000 (2021: RMB549,000).

(ii) During the year ended 31st December, 2022, total cash outflow for leases is RMB761,000 (2021: RMB943,000).

(iii) During the year ended 31st December, 2021, additions to right-of-use assets is RMB1,601,000 (2022: nil).

The Group regularly entered into short-term leases for staff quarter (2021: office premises and staff quarter). The expense relating to short-term leases has decreased during the year ended 31st December, 2022 mainly due to the expiry of certain tenancy agreements without further renewal subsequent to the lease for office premises for fixed term of three years entered by the Group in June 2021.

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 (2021: six months to three years). 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.

Details of the lease maturity analysis of lease liabilities are set out in Note 23.

15. FINANCIAL ASSETS AT FVTPL

Financial assets measured at FVTPL arising from:

	2022 **HK$'000**	2021 HK$'000
Subordinated tranches	**89,752**	–

Details of these subordinated tranches investments are disclosed in Notes 22 and 33.

16. FACTORING RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Factoring receivables		
Traditional factoring business *(Note i)*	**374,913**	288,091
Communications factoring business *(Note ii)*	**388,722**	379,721
	763,635	667,812
Reimbursement assets *(Note iii)*	**9,854**	–
Other receivables and prepayments	**2,923**	4,351
	776,412	672,163
Analysed as:		
Current portion	**632,907**	474,294
Non-current portion	**143,505**	197,869
	776,412	672,163

Notes:

(i) For traditional factoring business, as at 31st December, 2022, the carrying amount of traditional factoring receivables of RMB374,913,000 (2021: RMB288,091,000) were not past due. The range of interest rates and maturity dates attributed to the Group's traditional factoring receivables was 8.7% to 10.3% (2021: 7.1% to 10.0%) per annum and from 22nd February, 2023 to 29th December, 2023 (2021: 7th February, 2022 to 29th December, 2023), respectively. The management reviews and assesses for impairment of the traditional factoring receivables on an individual basis and continues to monitor any significant changes. All of the traditional factoring receivables are secured by receivables from borrowers amounting to RMB507,435,000 (2021: RMB385,490,000). As at 31st December, 2022 and 2021, all of the traditional factoring receivables are guaranteed by guarantors. The financial guarantee is integral to the contractual terms of the factoring arrangements. To measure the ECL, traditional factoring receivables have been assessed individually. As at 31st December, 2021, RMB94,925,000 (2022: nil) were secured by land and equipment with an aggregate at fair value of approximately RMB73,341,000 (2022: nil).

(ii) For communications factoring business, the Group cooperates with leading communications service providers in the PRC to provide financing service to large number of debtors with small size of loan amounts per each debtor. As the factoring receivables are individually insignificant and the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed in estimating ECL. As at 31st December, 2022, the carrying amount of communications factoring receivables of RMB388,722,000 (2021: RMB379,721,000) were not past due and out of the total amount, RMB19,501,000 (2021: RMB9,788,000) are fully secured by bank deposits from individual customers and RMB262,194,000 (2021: RMB276,458,000) is guaranteed by guarantors. The range of interest rates and maturity dates attributed to the Group's communications factoring receivables was 16.1% to 27.2% (2021: 8.8% to 25.1%) per annum and from 10th January, 2023 to 20th December, 2025 (2021: 10th January, 2022 to 10th January, 2025), respectively. The management reviews and assesses for impairment of the communications factoring receivables based on collective assessment and continues to monitor any significant changes. Financial guarantee contracts held by the Group are not integral to the communications factoring receivables and are separately accounted for by the Group.

As at 31st December, 2022, RMB291,373,000 of the Group's communications factoring receivables relate to the asset-back financing arrangements as disclosed in Note 22.

(iii) Reimbursement assets represent the amount that expected to be reimbursed by guarantors of the communications factoring receivables upon a default of settlement. The amount is recognised when, and only when it is virtually certain that reimbursement will be received when there is a default and the amount can be measured reliably.

17. AMOUNTS DUE FROM/TO RELATED PARTIES

Name of related party	Relationship	Nature	Due from 2022 RMB'000	Due from 2021 RMB'000
Yue Da Mining Limited ("YDM")	Fellow subsidiary	Non-trade related	**4,331**	3,971
Yue Da Capital HK	Immediate holding company	Non-trade related	**3,602**	2,446
			7,933	6,417

Note: The amounts due from related parties are unsecured, interest-free and repayable on demand for as at 31st December, 2022 and 2021.

Name of related party	Relationship	Nature	Due to 2022 RMB'000	Due to 2021 RMB'000
Yueda Capital Company Limited ("Yue Da Capital")	Intermediate holding company	Non-trade related	**–**	219,043
Yue Da Capital HK	Immediate holding company	Non-trade related	**71,313**	13,626
Yue Da Group (H.K.) Co., Limited ("YDHK")	Fellow subsidiary	Non-trade related	**742**	604
Yue Da Enterprise Group (HK) Co., Ltd.	Fellow subsidiary	Non-trade related	**–**	130
			72,055	233,403

Note: The amounts due to related parties are unsecured, interest-free and repayable on demand as at 31st December, 2022 and 2021.

17. AMOUNTS DUE FROM/TO RELATED PARTIES – CONTINUED

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

	2022 RMB'000	2021 RMB'000
Amounts due from related parties		
United States Dollars ("US$")	3,944	3,611
Hong Kong Dollars ("HK$")	3,918	2,735
Amounts due to related parties		
HK$	742	734

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalent include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates which range from 0.01% to 0.40% (2021: 0.01% to 0.40%) per annum.

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

	2022 RMB'000	2021 RMB'000
US$	1	1
HK$	1,525	1,409

Details of impairment assessments of bank balances are set out in Note 33.

19. OTHER PAYABLES AND LIABILITIES

	2022 **RMB'000**	2021 RMB'000
Accrued staff costs	**3,717**	3,942
Other payables and accrued charges	**10,922**	9,525
	14,639	13,467

20. AMOUNTS DUE TO DIRECTORS

Amounts mainly represent the directors' emolument payable. The amounts are unsecured, interest-free and repayable on demand. As at 31st December, 2022, the amounts include RMB223,000 (2021: RMB307,000) which is denominated in HK$, a currency other than the functional currency of the relevant group entity.

21. BANK AND OTHER BORROWINGS

	2022 **RMB'000**	2021 RMB'000
Repayable within one year:		
Secured bank loan *(Note i)*	**50,000**	50,000
Other loan *(Note ii)*	**40,000**	–
	90,000	50,000

Notes:

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

As at 31st December, 2022, the bank loan carried fixed interest rate of 6.3% per annum (2021: 6.3%). The maturity date attributed to the bank loan was 22nd August, 2023.

As at 31st December, 2022 and 2021, the bank loan amounting RMB50,000,000 is secured by the Group's factoring receivables with carrying amount of RMB50,000,000 and guaranteed by Jiangsu Yue Da.

(ii) As at 31st December, 2022, the Group has obtained other loan of RMB40,000,000 (2021: nil) from an independent third party and carried a fixed interest rate at 4.2% (2021: nil) per annum. The maturity date attributed to the other loan was 28th February, 2023. The loan is secured by the Group's factoring receivables with carrying amount of RMB50,000,000 (2021: N/A).

22. OBLIGATIONS ARISING FROM ASSET-BACKED FINANCING ARRANGEMENTS

	2022 **RMB'000**	2021 RMB'000
The carrying amounts of the above obligations are repayable:		
Within one year	**213,665**	–
More than one year but less than two years	**66,864**	–

During the year, the Group entered into several asset-backed financing arrangements (the "Financing Arrangements"), the Financing Arrangements involved establishment of special purpose asset-backed vehicles through issuing agents ("the SPVs") or special purpose trust administered by trustees ("the SPTs"). Under the schemes, contractual rights of factoring receivables (the "Transferred Assets") are transferred to the SPVs/SPTs by the Group and a fellow subsidiary of the Company, except for one SPT scheme in which the Group is the sole transferor. The SPVs/SPTs then issued asset-back securities to investors, the priority tranches were subscribed by independent investors whilst the subordinated tranches were subscribed by the Group and the fellow subsidiary proportional to the value of the Transferred Assets transferred by both parties. For the SPT scheme in which the Group is the sole transferor, the entire subordinated tranche was subscribed by the Group.

According to offering documents of the SPVs or trust agreements of the SPTs between the SPVs/SPTs and investors (holders of priority and subordinated tranches), the decisions of the relevant activities are controlled by the holders of the priority tranches until such tranches are fully settled. As at 31st December, 2022, the priority tranches of the SPVs/SPTs are still not fully settled. Accordingly, the Group as holders of subordinated tranches could not exercise control over the SPVs and SPTs thus the SPVs/SPTs are not consolidated.

Furthermore, pursuant to the agreements between the SPVs/SPTs and the transferors (the Group or the Group and the fellow subsidiary), the Group are required to repurchase the factoring receivables transferred to SPVs/SPTs when they are identified as non-performing and the Group has also retained risks and rewards through subscription of the subordinated tranches. The Group assessed and concluded that the Group has retained substantially all risks and rewards of the Transferred Assets and accordingly continues to recognise the factoring receivables and recognise obligations arising from these Financing Arrangements. As at 31st December, 2022, the carrying amount of communications factoring receivables under these Financing Arrangements amounted to RMB291,373,000.

22. OBLIGATIONS ARISING FROM ASSET-BACKED FINANCING ARRANGEMENTS – CONTINUED

At initial recognition, the obligations arising these asset-backed Financial Arrangements were measured at fair value, taking into consideration the Group's borrowing rates and the estimated cash flows, which represent the cash consideration and the subordinated tranches received by the Group. These obligations are subsequently measured at amortised cost with effective interest rates range between 6.29% to 7.72%. As at 31st December, 2022, the carrying amounts of obligations due to SPVs and SPTs amounted to RMB179,197,000 and RMB101,332,000 respectively. Priority tranches issued by the SPVs are listed in the Shenzhen Stock Exchange and the obligations payable to the priority tranches are guaranteed by the ultimate holding company of the Company.

The subordinated tranches subscribed and held by the Group constitute contractually linked instruments as the SPVs/SPTs prioritise payments to the holders of priority tranches prior to repaying the subordinated tranches. The Group has the right to payment only if the SPVs/SPTs have sufficient cashflow to satisfy the obligations payable to the holders of priority tranches. Accordingly, the contractual cash flows of the subordinated tranches are not solely payments of principal and interest and were measured at fair value at initial recognition and subsequently measured at fair value through profit and loss.

During the year, the fair value of subordinated tranches subscribed by the Group amounted to RMB82,768,000 at initial recognition.

23. LEASE LIABILITIES

	2022 **RMB'000**	2021 RMB'000
Lease liabilities payable:		
Within one year	**541**	539
Within a period of more than one year but not more than two years	**210**	536
Within a period of more than two years but not more than five years	**–**	210
	751	1,285
Less: Amount due for settlement within 12 months shown under current liabilities	**(541)**	(539)
Amount due for settlement after 12 months shown under non-current liabilities	**210**	746

24. DEFERRED TAX (ASSETS) LIABILITIES

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

	Reimbursement assets	Impairment losses on factoring receivables	Distributable profits of subsidiaries	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2021	–	(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
Charge (credit) to profit or loss	2,464	(747)	4,492	638	6,847
Reversal upon payment of withholding tax	–	–	(750)	–	(750)
At 31st December, 2022	2,464	(3,985)	13,190	638	12,307

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

	2022	2021
	RMB'000	RMB'000
Deferred tax assets	**(3,985)**	(3,238)
Deferred tax liabilities	**16,292**	9,448
	12,307	6,210

25. SHARE CAPITAL

	Number of shares	Amount	Shown in the consolidated financial statements
		HK$'000	RMB'000
Ordinary shares of HK$0.10 each:			
Authorised			
At 1st January, 2021, 31st December, 2021 and 31st December, 2022	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2021, 31st December, 2021 and 31st December, 2022	1,168,626,516	116,863	105,965

26. SHARE-BASED PAYMENTS TRANSACTIONS

The Scheme

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.

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.

26. SHARE-BASED PAYMENTS TRANSACTIONS – CONTINUED

The New 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.

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.

26. SHARE-BASED PAYMENTS TRANSACTIONS – CONTINUED

The New Scheme – Continued

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 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).

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, 2021 and 2022, no outstanding share options under the New Scheme.

27. 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 net debts, which include amounts due to related parties, bank and other borrowings, obligations arising from asset-backed financing arrangements, net of cash and cash equivalents 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.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities	**Amounts due to directors**	**Amounts due to related parties**	**Obligations arising from asset-backed financing arrangements**	**Bank and other borrowings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2021	61	526	5,331	–	356,519	362,437
Financing cash flows	(398)	105	228,093	–	(301,939)	(74,139)
Foreign exchange translation	(6)	–	(21)	–	(9,090)	(9,117)
Interest expenses	57	–	–	–	4,510	4,567
Recognition of lease liabilities	1,571	–	–	–	–	1,571
As at 31st December, 2021	1,285	631	233,403	–	50,000	285,319
Financing cash flows	(613)	(22)	(161,168)	252,695	37,277	128,169
Foreign exchange translation	15	–	(180)	–	–	(165)
Non-cash at initial recognition	–	–	–	11,886	–	11,886
Interest expenses	64	–	–	15,948	2,723	18,735
At 31st December, 2022	751	609	72,055	280,529	90,000	443,944

29. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiary is required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2021: 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 ("MPF 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 5% (2021: 5%) of the relevant payroll costs to the scheme, subject to a cap of monthly relevant income of HK$30,000 for the MPF Scheme which contribution is matched by employees. The Group also makes voluntary contribution in addition the mandatory contribution.

The total cost of RMB1,168,000 (2021: RMB876,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

30. PLEDGE OF ASSETS

(i) As disclosed in Notes 16, 21 and 22, the Group's credit facilities were secured by the Group's factoring receivables of RMB100,000,000 (2021: RMB50,000,000) in aggregate as at 31st December, 2022.

(ii) As disclosed in Note 22, the Group has the contractual obligations to transfer the cashflows relating to the Group's communications factoring receivables of RMB291,373,000 as at 31st December, 2022 (2021: nil) under asset-backed financing arrangements.

31. RELATED PARTY DISCLOSURES

(i) 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.

31. RELATED PARTY DISCLOSURES – CONTINUED

(i) – Continued

(a) Other than as disclosed elsewhere in the consolidated financial statements, the Group has following transactions and balances with subsidiaries of Jiangsu Yue Da:

Name of related parties	Nature of transactions/balances	2022 RMB'000	2021 RMB'000
Fellow subsidiary			
Jiangsu Yue Da Green Construction Technology Company Limited	Income from traditional factoring business	5,679	2,787
	Factoring receivables	110,516	26,926
Jiangsu Yue Da Commercial Properties Company Limited	Income from traditional factoring business	5,392	7,623
	Factoring receivables	33,060	66,112
Shanghai Saina Energy Conservation Technology Development Company Limited	Income from traditional factoring business	67	–
	Factoring receivables	2,334	–
Blue Shield Construction Group Company Limited	Income from traditional factoring business	447	–
	Factoring receivables	15,824	–
Jiangsu Yueda Saifuna Energy Saving Technology Company Limited	Income from traditional factoring business	31	–
	Factoring receivables	8,617	–

Note: As at 31st December, 2022 and 2021, the factoring receivables balances were fully guaranteed by Yueda Real Estate Group Company Limited, a fellow subsidiary of the Company.

(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.

31. 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:

	2022 RMB'000	2021 RMB'000
Short-term benefits	**4,045**	3,815
Post-employment benefits	**433**	311
	4,478	4,126

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiary as at 31st December, 2022 and 2021 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company		Principal activities
			2022 %	2021 %	
Yueda (Shenzhen) Commercial Factoring Co., Ltd. *(Note)*	PRC	Registered capital – RMB400,000,000	**100**	100	Provision of factoring services and accounts receivable management and collection 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 has issued any debt securities at the end of the year.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at FVTPL	**89,752**	–
Financial assets at amortised cost	**800,282**	702,524
Financial liabilities		
Amortised cost	**452,081**	291,972

Financial risk management objectives and policies

The Group's major financial instruments include factoring receivables, other receivables (included in other assets), amounts due from related parties, cash and cash equivalents, other payables, amounts due to related parties/directors, bank and other borrowings, obligations arising from asset-backed financing arrangements and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

The Group has foreign currency financial assets and liabilities which expose the Group to foreign 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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
US$	**–**	–	**3,945**	3,612
HK$	**1,024**	1,304	**5,502**	4,188

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.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Market risk – Continued

(i) Currency risk – Continued

Sensitivity analysis

The Group is mainly exposed to HK$ and US$ exchange risk relative to RMB.

No sensitivity analysis is disclosed as the management considers that the exposure is insignificant to the Group.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate factoring receivables, bank and other borrowings, obligations arising from asset-backed financing arrangements and lease liabilities as set out in Notes 16, 21, 22 and 23 respectively. Currently, the Group does not have a hedging policy. However, management monitors interest rate exposure and will consider hedging significant fixed interest rate exposure should the need arise. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (as set out in Note 18).

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.

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

	2022 RMB'000	2021 RMB'000
Revenue		
Financial assets at amortised cost	**102,618**	58,292
Other income		
Financial assets at amortised cost	**308**	1,167
Revenue/interest income under effective interest method	**102,926**	59,459

Total interest expense from financial liabilities not measured at fair value through profit or loss:

	2022 RMB'000	2021 RMB'000
Financial liabilities at amortised cost	**18,671**	4,510

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Market risk – Continued

(iii) *Other price risk*

The Group is exposed to other price risk through its subordinated tranches arising from asset-backed financing arrangements as disclosed in Note 22.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to factoring receivables, other receivables (included in other assets), financial assets at FVTPL, amounts due from related parties and cash and cash equivalents. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

Except for financial assets at FVTPL, the Group performs impairment assessment for other financial assets under ECL model.

The Group applies HKFRS 9 to measure ECL for which uses a 12m ECL for all factoring receivables of which the credit risk has not increased significantly since initial recognition. 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.

Traditional factoring business

The Group had concentration of credit risk as 45.6% (2021: 43%) of the total factoring receivables as at 31st December, 2022 was due from seven (2021: six) customers from traditional factoring business.

In order to minimise the credit risk in relation to traditional factoring receivables 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 traditional 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 of the borrowers and the guarantors, collaterals and past collection history.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Traditional factoring business – Continued

To measure the ECL, factoring receivables for traditional factoring business with gross amount of RMB375,918,000 (2021: RMB288,767,000) have been assessed individually. The credit losses expectations are based on the Group's historical loss experience, collaterals and guarantees that are integral to the contractual terms, financial condition of borrowers for the probability of default and loss given default, as well as forward-looking information.

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. The settlement patterns of customers are regularly monitored by the Group. As at 31st December, 2022, the expected loss rate for traditional factoring receivables is 0.26% (2021: 0.16% to 0.27%).

Communications factoring business

The Group uses collective assessment in estimating ECL on factoring receivables for communications business. The Group takes into consideration of internal credit rating of various debtors, which are grouped based on historical collection records, taking into consideration collaterals and forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Financial guarantee contracts held by the Group in relation to the communications factoring receivables are separately accounted for by the Group. The Group recognised reimbursement asset, when and only when, it is virtually certain that reimbursement will be received and the amount can be measured reliably. The amount recognised for the reimbursement is capped at the amount of impairment losses recognised under ECL model for the related receivables under such guarantees.

Other receivables (included in other assets)

For other receivables, 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. No allowance for impairment was made since the management of the Group considers that the probability of default is minimal after considering the counterparties' repayment history.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Amounts due from related parties

The Group has taken into account the economic outlook of the industries in which the related parties operate, and concluded that there has been no significant increase in credit risk since initial recognition. No allowance for impairment was made since the management of the Group considers that the probability of default is minimal after considering the counterparties' repayment history.

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, 2022 and 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 of credit loss is insignificant.

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

Internal credit rating	Description	Factoring receivables/ other financial assets
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

33. 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	
					2022 RMB'000	2021 RMB'000
Financial assets at amortised cost						
Traditional factoring receivables	16	N/A	Low risk	12m ECL (not credit-impaired)	**375,918**	288,767
Communications factoring receivables	16	N/A	Low risk	12m ECL (not credit-impaired)	**387,880**	381,365
			Watch list	12m ECL (not credit-impaired)	**15,778**	10,633
Other receivables (included in other assets)	16	N/A	Low risk	12m ECL (not credit-impaired)	**2,447**	3,841
Amounts due from related parties	17	N/A	Low risk	12m ECL (not credit-impaired)	**7,933**	6,417
Cash and cash equivalents	18	Ba1 to Aa2	Low risk	12m ECL (not credit-impaired)	**26,267**	24,454

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Collective assessment – Communications factoring business

As part of the Group's credit risk management, the Group applies collective assessment for its customers in relation to its communications factoring business. The following table provides information about the exposure to credit risk for communications factoring receivables which are assessed on a collective basis with 12m ECL. Debtors with gross carrying amounts under 12m ECL are RMB403,658,000 as at 31st December, 2022 (2021: RMB391,998,000).

Gross carrying amount

	2022		2021	
Internal credit rating	**Average loss rate**	**Communications factoring receivables RMB'000**	Average loss rate	Communications factoring receivables RMB'000
Low risk	**3.64%**	**387,880**	3.04%	381,365
Watch list	**5.10%**	**15,778**	4.51%	10,633
		403,658		391,998

Note: For the outstanding balance as at 31st December, 2022 and 2021, the total amount was not due.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Credit risk and impairment assessment – Continued

Collective assessment – Communications factoring business – Continued

The estimated loss rates are estimated based on historical observed default rates of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

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

	12m ECL (not-credit-impaired) RMB'000
As at 1st January, 2021	5,836
Changes due to financial instruments recognised as at 1st January, 2021:	
– Impairment losses reversed	(5,423)
New financial assets originated or purchased	12,540
As at 31st December, 2021	12,953
Changes due to financial instruments recognised as at 1st January, 2022:	
– Impairment losses reversed	(8,670)
– Impairment losses recognised	2,417
New financial assets originated or purchased	9,241
As at 31st December, 2022	15,941

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 Group relies on amounts due to related parties, bank and other borrowings and obligations arising from asset-backed financing arrangements as a significant source of liquidity. Details of which are set out in Notes 17, 21 and 22.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – Continued

Liquidity risk – Continued

The table includes both interest and principal cash flows.

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
2022							
Non-derivative financial liabilities and lease liabilities							
Other payables	–	11,273	–	–	–	11,273	11,273
Amounts due to related companies	–	72,055	–	–	–	72,055	72,055
Amounts due to directors	–	609	–	–	–	609	609
Bank and other borrowings	5.2	–	40,280	50,250	–	90,530	90,000
Obligations arising from asset-backed financing arrangements	7.2	–	75,822	164,113	76,664	316,599	278,144
Lease liabilities	6.1	–	188	383	213	784	751
		83,937	116,290	214,746	76,877	491,850	452,832
2021							
Non-derivative financial liabilities and lease liabilities							
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 and other borrowings	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

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.

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Fair value measurement and valuation process

The financial controller of the Group is responsible to determine the appropriate valuation techniques and key inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged independent qualified professional valuers to perform the valuation. The financial controller works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and key inputs to the model. Financial controller reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

33. FINANCIAL INSTRUMENTS – CONTINUED

Fair value measurements of financial instruments – Continued

Fair value measurement and valuation process – Continued

Information about the valuation techniques and key inputs used in determining the fair value of carious assets are disclosed below:

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and key inputs used).

Financial assets	Fair value as at 31st December		Fair value hierarchy	Valuation technique(s) and key input(s)	Sensitivity
	2022	2021			
	RMB'000	RMB'000			
Financial assets at FVTPL	**89,752**	–	Level 3	Income approach with key inputs (i) estimated cash flows (ii) discount rate ranging from 13.08% to 17.82%	A significant increase/decrease discount rate adopted would result in a significant decrease/increase in fair value. No further sensitivity analysis has been disclosed for the impacts of changes in the relevant unobservable inputs as the management considers the exposure is insignificant to the Group. The fair value gain for the year ended 31st December, 2022 mainly attributed to the accretion of discounting effect.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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 cost in the consolidated financial statements approximate their fair values.

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Non-current assets		
Property, plant and equipment	**26**	36
Right-of-use assets	**57**	260
Investments in subsidiaries	**1**	1
Amount due from a subsidiary	**371,968**	362,723
	372,052	363,020
Current assets		
Other receivables	**142**	125
Amounts due from subsidiaries	**1,069**	119
Amounts due from related parties	**7,933**	6,417
Bank balances and cash	**3,603**	3,201
	12,747	9,862
Current liabilities		
Other payables and accruals	**8,233**	7,434
Lease liabilities	**59**	209
Amount due to a subsidiary	**–**	51,156
Amounts due to related parties	**72,055**	14,360
Amounts due to directors	**223**	307
	80,570	73,466
Net current liabilities	**(67,823)**	(63,604)
Total assets less current liabilities	**304,229**	299,416
Capital and reserves		
Share capital	**105,965**	105,965
Reserves	**198,264**	193,396
	304,229	299,361
Non-current liabilities		
Lease liabilities	**–**	55
	304,229	299,416

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

Movement in the Company's capital and reserves:

	Share capital RMB'000	**Share premium** RMB'000	**Contributed surplus** RMB'000 *(Note i)*	**Capital contribution** RMB'000 *(Note ii)*	**Accumulated losses** RMB'000	**Total** RMB'000
At 1st January, 2021	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
Profit for the year	–	–	–	–	4,868	4,868
At 31st December, 2022	105,965	967,576	231,749	18,813	(1,019,874)	304,229

Notes:

(i) The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired pursuant to the group reorganisation in 2001 over the nominal value of the share capital of the Company issued for the acquisition.

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

FINANCIAL SUMMARY

	Year ended 31st December,				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Revenue (including continuing and discontinued operations)	87,429	64,354	47,658	58,292	**102,618**
(Loss) profit for the year attributable to:					
Owners of the Company	(46,515)	30,177	10,499	15,114	**30,543**
Non-controlling interests	(920)	–	–	–	**–**
	(47,435)	30,177	10,499	15,114	**30,543**

	As at 31st December,				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Assets and liabilities					
Total assets	1,163,835	754,220	770,994	707,743	**905,122**
Total liabilities	(826,998)	(384,974)	(391,249)	(312,884)	**(479,720)**
	336,837	369,246	379,745	394,859	**425,402**
Equity attributable to owners of the Company	336,837	369,246	379,745	394,859	**425,402**