国美金融科技
GOME FINTECH

國美金融科技有限公司

Gome Finance Technology Co., Ltd.

(Incorporated in Bermuda with limited liability)

(Stock Code: 628)

Annual Report 2017

TABLE OF CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Mr. Liu Xiaopeng *(Chief Executive Officer)*
(appointed on 26 August 2017)
Mr. Ding Donghua
Ms. Chen Wei (appointed on 27 December 2017)
Mr. Chung Tat Fun

Non-executive Director
Ms. Wei Qiuli

Independent Non-executive Directors
Mr. Zhang Liqing
Mr. Li Liangwen
Mr. Hung Ka Hai Clement
Mr. Wan Jianhua (appointed on 26 August 2017)

COMPANY SECRETARY
Mr. Ng Kwok Choi

AUDIT COMMITTEE
Mr. Hung Ka Hai Clement *(Chairman)*
Mr. Zhang Liqing
Mr. Li Liangwen

REMUNERATION COMMITTEE
Mr. Li Liangwen *(Chairman)*
Mr. Zhang Liqing
Ms. Chen Wei (appointed on 27 December 2017)

NOMINATION COMMITTEE
Mr. Zhang Liqing *(Chairman)*
Mr. Ding Donghua
Mr. Li Liangwen

STRATEGY COMMITTEE
Mr. Wan Jianhua *(Chairman)*
(appointed on 27 December 2017)
Mr. Li Liangwen (appointed on 27 December 2017)
Ms. Chen Wei (appointed on 27 December 2017)
Mr. Liu Xiaopeng (appointed on 27 December 2017)

AUDITORS
Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central

BANKERS
Wing Lung Bank Limited
Bank of Communications Co., Ltd.
Industrial Bank Co., Ltd.
China Merchants Bank Co., Ltd.
Bank of Jiangsu Co., Ltd.
China Construction Bank (Asia) Corporation Limited

SOLICITORS
As to Hong Kong Law
Kirkland & Ellis

As to Bermuda Law
Conyers Dill & Pearman

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 2912, 29th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

SHARE REGISTRARS
Principal Share Registrar and Transfer Office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

STOCK CODE
628

INVESTOR RELATIONS
Website: www.gomejr.com
Email: ir@gomejr.com

CEO'S STATEMENT

CEO'S STATEMENT

Dear Shareholders,

On behalf of my fellow members of the board of directors, I am pleased to present the annual results of Gome Finance Technology Co., Ltd. and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

In the previous year, the global economy has been gradually recovering. The economy of the PRC has maintained steady growth. Technological innovation in financial technology companies has been making steady progress and developing rapidly, making them important players in the financial field. Against this background, we focused on accelerating our strategic layout in the Mainland China market, further enriching the Group's product system and improving the financial service system to rapidly enhance the Group's business scale and seize the domestic market.

At present, the number of financial technology enterprises in China is rapidly increasing, competition in the market is becoming fierce, and the overall regulatory environment is becoming more stringent. However, competitions and regulations have also promoted the financial technology industry toward a more professional, robust and sustainable direction. There are still huge potential opportunities for quality companies with scene, technology and traffic advantages. At the macroeconomic level, with the steady structural reform on the supply side, new momentum, new industries and new formats have been accelerated. Macroeconomic growth picked up for the first time in seven years, with the gross national income further rising while consumption maintained its relatively fast growth. Credit and social financing grew steadily, private investment picked up and RMB continued to appreciate. At the industrial development level, technological innovations and applications such as cloud computing, big data, blockchain, and artificial intelligence have witnessed rapid development. Broadening the boundaries of the financial industry, financial technology companies have gradually stepped into the financial system of traditional financial institutions. As supported by these favorable factors, we are optimistic about the growth potential of the future market and are full of confidence and enthusiasm for the Group's prospects. We will continue to focus on commercial factoring and financing leasing businesses and provide more customers in Hong Kong and Mainland China markets with professional high-quality financial services.

During the reporting period, the Group further deepened its strategic cooperation with GOME Group. In January 2017, the Group completed the acquisition of 100% equity interest in Tianjin Gome Finance Leasing Company Limited, relying on the GOME Group industry chain to develop its equipment financing business and other equipment financing leasing business, so as to enrich its existing financial products and services. In the future, the Group will continue to leveraging the GOME Group brand and its advantage on industry chain resources, increase business development efforts, and consolidate its innovative products and services.

In addition, at the policy level, on 13 October 2017, the General Office of the State Council released the Guiding Opinions on Vigorously Advancing the Innovation on and Application of Supply Chains《關於積極推進供應鏈創新與應用的指導意見》. The innovation on and application of supply chains rose for the first time to a national strategy. The construction of industrial ecological chain for the supply chain financial industry will have all-round support from the policy, which brings a rare opportunity for the accelerated development of our supply chain financial business. We plan to use the experience gained from the cooperation with GOME and the supply chain resources of GOME to deeply integrate our supply chain financial services into the supply chains of manufacturing industry and distribution industry. Through such, accurate credit assessment and effective supply of capital could be achieved, so as to facilitate the integration of capital and industry and effectively prevent supply chain financial risks at the same time.

Looking forward, we hope to accelerate our expansion of market share in the financial technology services industry, upgrade the standard of innovation and continue our efforts progress ourselves to industry pioneers. By deepening our existing businesses, creating new sources of revenue and making full use of our strategic partnership with GOME, the Group's services will be extended to the entire industrial value chain and will stand out from many competitors.

Finally, I would like to extend my sincere gratitude to the staff and senior management for their relentless efforts and contributions, service excellence, as well as assistance to the Group to overcome challenges, and their unwavering commitment to the Group's success. I also wish to sincerely thank our customers and shareholders for their continuing trust and loyalty.

Liu Xiaopeng
Chief Executive Officer

Hong Kong, 29 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2017 (the "Reporting Period"), the Group, in light of the development of the industry and the regulatory requirements, has been committing to the vision of 'using innovation to promote the development of technology and using technology to drive financial reform', and to the objective of establishing a market-leading comprehensive financial technology services group. The Group has been actively improving the industry and service system, so as to provide high-quality financial services with high efficiency, accuracy and security for its customers.

The Group remains positive with the growth potential of the PRC market. Focusing on the commercial factoring and financial leasing businesses, the Group has also placed greater effort in expanding its businesses, leveraged on GOME Group's brand and industry chain resources, integrated innovative products and services and continued to expand its business scale. The Group has proactively responded to the regulatory policies in Mainland China, optimized its business structure in a timely manner, and realized considerable growth in the business scale even under the macro environment of tightening regulations. During the Reporting Period, the transaction volume of the commercial factoring business was approximately RMB2,387,223,000, representing an increase of 297.66% as compared with the nine months ended 31 December 2016 (the "Corresponding Period"); the transaction volume of the financial leasing business was approximately RMB66,804,000, representing an increase of 51.73% over the Corresponding Period.

During the Reporting Period, the Group recorded an operating revenue of approximately RMB73,807,000, representing an increase of 107.91% as compared with the Corresponding Period. Profit attributable to the owners of the Company was approximately RMB21,724,000, representing an increase of approximately RMB53,252,000 over the Corresponding Period, and hence realizing a turnaround in business.

The management of the Group strongly believes that by accelerating the pace of business layout, and by optimizing and upgrading its products and services, the Group will be able to maintain its fast growth and achieve better performance in its operating results in future.

INDUSTRY ENVIRONMENT

In 2017, the global economy performed well and the recovery synchronization of major economies has significantly increased. The economic recovery has spread from the United States to many advanced economies and emerging economies. Global trade and cross-border capital flows have recovered remarkably. Global debt levels remained high, the US dollar continued to depreciate after the Federal Reserve raised interest rates, and the pressure of financial market volatility risk has increased.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, Mainland China's economy maintained its stable growth. The supply-side structural reform steadily progressed, and new momentum, new industries and new industries has accelerated their growth. The annual GDP growth rate was 6.9%, representing a pick-up of growth rate for the first time in seven years. The year-on-year PPI rose 6.3%, ending a continuous 5-year downward cycle. Gross national income further increased, while a relatively fast growth in consumption has been maintained. The financial markets has seen robust development, liquidity has remained at a reasonable level with constant progress in credit and social financing. Investment growth rate has slowed down but the investment in the private sector rebounded. RMB has continued its appreciation and the foreign exchange reserves have resumed its growth. However, the debt level is still at a historical high and the task of strictly controlling financial risks is arduous. The foundation of economic recovery still needs to be further consolidated.

In 2017, with the integration of innovative technologies, the internet finance of the PRC is gradually transforming from user traffic driven to financial technology driven, and financial technology companies have been developing rapidly. Since 2015, Chinese financial technology companies have achieved a flying development in technological innovations and applications such as cloud computing, big data, blockchain, and artificial intelligence. Financial boundaries have continued to widen. Financial technology companies have gradually involved in the financial systems of traditional financial institutions and become important participants in the field.

In 2017, the financial regulatory authorities have stepped up its effort to lead to the compliance, as well as the robust and healthy development of the financial technology sector. The overall regulatory environment has been tightened. Under such background, quality companies with scene, technology and traffic advantages are facing opportunities for development.

BUSINESS REVIEW

During the Reporting Period, the Group gave full play to GOME's resources and brand advantages, and comprehensively upgraded its business and expanded its scale. Relying on the business scene of GOME Group to cater to the market, Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), a subsidiary of the Company, has integrated its business with GOME's with regard to their logistics and storage databases on the retail end, and comprehensively implemented the full-chain data cross-validation of charged goods from production, transportation, storage to sales, to better its supply chain services for companies. In the meantime, based on the data and experience accumulated since 2016, Xinda Factoring has proactively expanded its business out of the GOME ecosystem, providing factoring services to the upstream and downstream enterprises of the industry chain with a particular focus on the core companies which are mainly listed companies. At present, Xinda Factoring is deeply engaged in various industries, including industrial and real estate, and has established close co-operation relationships with established leading enterprises, including Lonkey Industrial and Greenland Construction. During the Reporting Period, the Group recorded an operating revenue generated from the factoring business of RMB67,770,000, representing an increase of 362.66% over the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

By completing the acquisition of 100% interest of Tianjin Financial Leasing in January 2017, and with the support of GOME Group's industry chain and the equipment financing and other equipment financial leasing business of developers and manufacturers, the Group has expanded the portfolio of its existing financial products and services. During the Reporting Period, the Group recorded an operating revenue generated from the financial leasing business of RMB2,510,000.

In October 2017, Gome Wangjin (Beijing) Technology Co., Ltd (國美網金(北京)科技有限公司) has been established to accelerate the expansion of financial technology service business.

FINANCIAL REVIEW

Results highlights

The acquisition of Tianjin Financial Leasing took place during the Reporting Period belongs to business combination under common control. Therefore, the statements of last year's comparable period have been restated and adjusted accordingly so that the period under common control between 5 September 2016 and 31 December 2016 has been included in the restated period of last year's comparable period.

During the Reporting Period, the Group recorded an operating revenue of approximately RMB73,807,000, representing an increase of RMB38,307,000 (107.91%) over RMB35,500,000 for the Corresponding Period. The increase in revenue was mainly attributable to the increase in revenue amounting to RMB53,122,000 due to the increase in scale of commercial factoring business, while there was a decrease in revenue of RMB14,575,000 due to the decrease in scale of other financing services business, as the Group placed emphasis on commercial factoring and financial leasing businesses for its core business strategies during the Reporting Period. During the Reporting Period, profit attributable to the owners of the Company was approximately RMB21,724,000 (for the nine months ended 31 December 2016: loss of RMB31,528,000). The turnaround in the results for the Reporting Period was mainly attributable to the following reasons: (1) the Group recorded a profit from operations of commercial factoring business of approximately RMB10,701,000 during the Reporting Period (for the nine months ended 31 December 2016: RMB622,000) due to the increase in scale of commercial factoring business and an increase in revenue; meanwhile, the Group recorded a loss from operations of other financial services business of approximately RMB3,291,000 during the Reporting Period (for the nine months ended 31 December 2016: profit of RMB10,969,000) due to the decrease in scale of other financial services business and a decrease in revenue, offsetting the contribution of the commercial factoring business to profit to some extent; (2) a reversal of recognised impairment loss of approximately RMB12,414,000 recorded by the Group during the Reporting Period on the Group's trade and loans receivables (for the nine months ended 31 December 2016: provision for impairment loss on trade and loans receivables of RMB16,374,000); (3) during the Reporting Period, the Group did not recognise the relevant provision for the impairment loss of goodwill; and (4) the Group recorded a loss on disposal of listed securities invested by the Group amounted to approximately RMB5,432,000 for the Corresponding Period, while no such loss was recognised by the Group during the Reporting Period. Basic earnings per share for the Reporting Period were RMB0.80 cents (basic loss per share for the nine months ended 31 December 2016: RMB2.08 cents). The board of directors of the Company did not recommend the payment of a final dividend for the Reporting Period (for the nine months ended 31 December 2016: Nil).

In 2016, the presentation currency of the Group's consolidated financial statements was changed to RMB from HKD in order to present a more accurate picture of the Group's financial performance.

Commercial factoring business

The following table sets forth the operating results for the Group's commercial factoring business:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000
Revenue	**67,770**	14,648
Operating expenses	**(57,069)**	(14,026)
Operating earnings	**10,701**	622
Reversal of/(provision for) impairment loss on trade and loans receivables	**2,563**	(3,929)
Segment results	**13,264**	(3,307)

The revenue and operating expenses of commercial factoring business for the Reporting Period increased significantly, which was mainly due to the adjustment of the Group's business strategies with management's attention focusing on the commercial factoring business. With the support of GOME's supply chain network, the Group has stepped up in expanding its external factoring business while implementing risk controlling measures in order to safeguard a healthy growth of business. With the efforts in expanding the commercial factoring business while controlling risks and costs, the commercial factoring business showed a sign of turnaround for the current period.

The Group exercises consistent and objective approach in analysing the loan quality at the end of each reporting period so as to assess whether there is impairment loss on trade and loans receivables, taking into account events such as subsequent settlement, default or delinquency in interest or principal payments, and the financial and credit analysis of each individual debtor or a group of debtors. After such analysis, the Group classifies the loans into five different categories and applies consistent policy for each category in providing for the impairment of trade and loans receivables with reference to the balance of loans receivable, net of any settlement amounts subsequent to the reporting period.

The following table sets forth the distribution of trade and loans receivables of the Group's commercial factoring business by five category loan classification.

	31 December 2017		31 December 2016	
	Gross balance RMB'000	**Impairment provision RMB'000**	Gross balance RMB'000	Impairment provision RMB'000
Normal	**347,146**	**1,696**	731,877	3,949
Special mention	**–**	**–**	–	–
Substandard	**–**	**–**	208	52
Doubtful	**–**	**–**	–	–
Loss	**5,274**	**5,274**	5,321	5,321
	352,420	**6,970**	737,406	9,322

Financial leasing business

The following table sets forth the operating results for the Group's financial leasing business:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000
Revenue	**2,510**	2,750
Operating expenses	**(8,552)**	(4,248)
Operating loss	**(6,042)**	(1,498)
Impairment loss on trade and loans receivables	**(786)**	(2,339)
Segment results	**(6,828)**	(3,837)

The increase in operating loss of the financial leasing business for the Reporting Period as compared with that of the Corresponding Period was mainly due to relatively more marketing and channel promotional fees incurred in the preliminary period of the new vehicle leaseback business "Mei Yi Che" ("美易車") and the mobile phone leaseback business "Guo Mei Zu Zu" ("國美租租") launched by the Group during the year, while the revenue is realised by instalments during the lease terms.

The following table sets forth the distribution of trade and loans receivables of the Group's financial leasing business by five category loan classification.

	31 December 2017		31 December 2016	
	Gross balance RMB'000	**Impairment provision RMB'000**	Gross balance RMB'000	Impairment provision RMB'000
Normal	**65,484**	**652**	45,394	358
Special mention	**80**	**16**	454	9
Substandard	**34**	**20**	–	–
Doubtful	**–**	**–**	4	2
Loss	**3,635**	**3,635**	3,625	3,625
	69,233	**4,323**	49,477	3,994

Other financing services business

The following table sets forth the operating results for the Group's other financing services business:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000
Revenue	**3,527**	18,102
Operating expenses	**(6,818)**	(7,133)
Operating (loss)/earnings	**(3,291)**	10,969
Reversal of / (provision for) impairment loss on trade and loans receivables	**10,637**	(10,106)
Impairment of goodwill	**–**	(5,697)
Impairment of intangible assets	**–**	(4,656)
Segment results	**7,346**	(9,490)

The significant decrease in revenue and segment results of the other financing services business for the Reporting Period as compared with that of the comparable period was mainly due to, as mentioned above, the adjustment of the Group's focus of business strategies to the commercial factoring business and financial leasing business.

Interest income of other financing services business

The following table shows the composition of interest income of the Group's other financing services business:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000
Real estate-backed loans	**847**	4,017
Personal property pawn loans	**302**	4,268
Other loans receivables	**2,378**	9,817
Total	**3,527**	18,102

The following table sets forth the distribution of trade and loans receivables of the Group's other financing business by five categories of loan classification.

	31 December 2017		31 December 2016	
	Gross balance RMB'000	**Impairment provision RMB'000**	Gross balance RMB'000	Impairment provision RMB'000
Normal	**–**	**–**	162,980	1,629
Special mention	**–**	**–**	–	–
Substandard	**–**	**–**	38,257	9,209
Doubtful	**–**	**–**	–	–
Loss	**4,551**	**4,551**	4,574	4,574
	4,551	**4,551**	205,811	15,412

Key operating data of the Group

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000
Net loan balance	**410,360**	963,966
Gross loan balance	**426,204**	992,694
– Hong Kong	**–**	28,256
– PRC	**426,204**	964,438
Total return on loans (revenue/average gross loan balance)		
– Hong Kong	**10.89%**	9.97%
– PRC	**9.49%**	8.68%
Allowance to loans ratio (impairment allowance as % of gross loan balance)	**3.72%**	2.89%
Non-performing loan ratio (gross non-performing loan balance as % of gross loan balance)	**3.17%**	5.24%
Allowance coverage ratio (impairment allowance as % of gross non-performing loan balance)	**117.43%**	55.25%

As at the end of the Reporting Period, the Group's net loan balance and gross loan balance decreased by approximately RMB553,606,000 (57.43%) and approximately RMB566,490,000 (57.07%) respectively as compared with those at the end of 2016. Such decrease was primarily due to the fact that: (1) the Group adjusted its core business strategies during the Reporting Period which led to a decline in other financing services business, and the trade receivables were recovered when due; and (2) the balance of asset loans at year-end decreased as compared with that at the end of the previous year, when the Group started refactoring without recourse business with other companies in the industry to improve asset liquidity for the year.

Compared with the end of 2016, the allowance to loans ratio and allowance coverage ratio increased while the non-performing loan ratio decreased for the Reporting Period, reflecting the improvement of the Group's loan quality at the end of the year. The changes in the above indicators were mainly due to (1) the decrease in gross loan balance of approximately RMB566,490,000 (57.07%) for the Reporting Period as mentioned above; and (2) the decrease in non-performing loan balance of approximately RMB38,280,000 (89.37%) as compared with that at the end of 2016 as a significant part of trade receivables of the other financing services business has been recovered.

Loan quality analysis and impairment allowances

During the Reporting Period, net amount for the reversal of impairment loss on trade and loans receivables was approximately RMB12,414,000 (for the nine months ended 31 December 2016: provision for impairment loss on trade and loans receivables of approximately RMB16,374,000). This included charges for impairment allowance on loans receivable of approximately RMB2,661,000 (for the nine months ended 31 December 2016: RMB18,869,000), deducting the reversal of impairment loss of approximately RMB15,075,000 (for the nine months ended 31 December 2016: RMB2,495,000).

	31 December 2017 RMB'000	31 December 2016 RMB'000
At beginning of year/period	**28,728**	9,982
Acquisition of a subsidiary	**–**	2,174
Impairment loss recognised	**2,661**	18,869
Impairment loss reversed	**(15,075)**	(2,495)
Bad debt allowance written off	**(245)**	–
Exchange difference	**(225)**	198
At end of the year/period	**15,844**	28,728

Other gains and losses

The following table shows the composition of the Group's other gains and losses:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000
Fair value loss on financial assets at fair value through profit or loss	**–**	(5,432)
Investment income	**1,578**	–
Exchange gain/(loss)	**11,747**	(1,093)
	13,325	(6,525)

PROSPECTS

Going forward, with the continuous maturation and extended application of leading technologies, such as cloud computing, Internet of Things, big data, biometrics, blockchain, and artificial intelligence, financial services will continue to develop towards the direction of having high-efficiency and low-cost, as well as offering high-quality experiences. The Group will adhere to its strategic main-line of "using innovation to promote the development of technology and using technology to drive financial reform", actively expand its strategic layout on the financial technology field, and expand the risk control service system driven by large data and artificial intelligence with the resources advantage of GOME Group to enrich its system of financial products. Through continuously cultivating new points of growth, the comprehensive financial system of the group will be further enhanced.

At present, China's financial technology industry is still in its early stages of development, and its market capacity and development potential are huge. Facing the changing industry conditions and regulatory environment, the Group will adhere to the trend of the financial technological industry's development and actively innovate its business development model and optimize its business structure on top of the consolidation of its existing business development. It will further strengthen its business monitoring and risk management, standardize its business development and improve its corporate governance structure, so as to enhance its integrated financial services capability and core market competitiveness, to promote the sustained, healthy and rapid development of the Group, and to create greater value for all shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position is sound with strong equity and working capital bases. As at 31 December 2017, the Group's total equity amounted to approximately RMB1,719,025,000, representing a slight decrease of 3.97% compared with that as at 31 December 2016. As at 31 December 2017, the Group's cash and cash equivalents totaled approximately RMB708,401,000 (as at 31 December 2016: RMB789,683,000). During the Reporting Period, the Group incurred a total of approximately RMB168,494,000 (for the nine months ended 31 December 2016: RMB813,716,000) cash outflow from its operating activities. The Group's current ratio as at 31 December 2017 was 3.01 (as at 31 December 2016: 3.63). The Group's gearing ratio, expressed as percentage of total liabilities except tax payable over the Group's total equity was 49.57% (as at 31 December 2016: 39.41%).

The Group has issued an 8-year corporate bond with principal of HKD35.0 million, which is due in 2022 and 2023 and carries interest at fixed rate of 7.0% per annum with interest payable in arrears. The corporate bond is unsecured and repaid in par on the maturity date.

The Group had no particular seasonal pattern of borrowing. As at 31 December 2017, the Group's borrowings comprised non-current portion (over 1 year) and current portion (within 1 year), which amounted to approximately RMB802,635,000 (as at 31 December 2016: RMB664,660,000). The Group's current borrowings of approximately RMB776,000,000 were made at fixed and floating interest rates. The weighted average effective interest rates on secured current borrowings for the Reporting Period were 4.1325% to 4.35% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2017, the Group's borrowings were denominated in RMB and HKD, amounting to approximately RMB776,000,000 and approximately HKD31,864,000 (equivalent to approximately RMB26,635,000), respectively.

Taking the above figures into account, together with the available bank balances and cash, the management is confident that the Group will have adequate resources to settle its loans and finance its daily operational and capital expenditures.

CAPITAL STRUCTURE

During the Reporting Period, there is no change in the issued capital of the Company and the Company's number of issued ordinary shares remained at 2,701,123,120 as at 31 December 2017.

GROUP STRUCTURE

During the Reporting Period, United Universal Limited, an indirect wholly-owned subsidiary of the Company, acquired 100% interest of Tianjin Gome Financial Leasing Company Limited, a company incorporated in the PRC and engaged in financial leasing business in the PRC. In addition, Gome Finance Technology (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company, formed Gome Wangjin (Beijing) Technology Co., Ltd., a company incorporated in the PRC but did not commence operations during the Reporting Period.

Save as disclosed above, the Group did not have any acquisitions and disposals of subsidiaries during the year ended 31 December 2017.

On 7 June 2017, Xinda Factoring, an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with Beijing Bosheng Huifeng Business Consulting Co., Limited ("Bosheng Huifeng"), a company incorporated in the PRC with limited liability and is owned as to 90% by Ms. Du Juan (controlling shareholder of the Company) and 10% by Mr. Ding Donghua (Exectuvie Director of the Company), pursuant to which Xinda Factoring agreed to provide a non-interest bearing loan for an amount of RMB720 million to Bosheng Huifeng solely for the purpose to acquire the entire equity interest in Tianjin Guanchuang Mei Tong Electronic Commerce Limited (the "Acquisition"). On the same day, Bosheng Huifeng and independent third parties (the "Sellers") entered into a framework agreement, pursuant to which Bosheng Huifeng and the Sellers agreed, among others, to enter into a conditional sale and purchase agreement for the Acquisition and upon its completion, a series of VIE Contracts is to be entered into such that Xinda Factoring will have effective control over Baosheng Huifeng so as to obtain the economic interests and benefits from its business activities. Tianjin Guanchuang Mei Tong Electronic Commerce Limited and its subsidiaries are principally engages in the prepaid card business, third party internet payment services and related technology development and technical advisory services in the PRC. Further details are set out in the circular of the Company dated 29 June 2017.

The Acquisition was not completed up to the date of this Annual Report.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2017, certain Group's bank deposits in the amount of approximately RMB831,464,000 (as at 31 December 2016: RMB665,996,000) were pledged to secure banking facilities of the Group and the Group did not have any material contingent liabilities (as at 31 December 2016: Nil).

COMMITMENTS

As at 31 December 2017, the Group had loans commitment in the amount of RMB144,000,000 (as at 31 December 2016: Nil), which are contracted but not provided for. Rental payment under non-cancellable leases amounted to approximately RMB8,487,000 (as at 31 December 2016: RMB8,022,000).

TREASURY POLICIES

The Group continued to adopt a conservative treasury policy, with all bank deposits in HKD, RMB, and USD. The Board and management had been closely monitoring the Group's liquidity position, performing ongoing credit evaluations, and monitoring the financial conditions of its customers, in order to ensure the Group's healthy cash position. The Group has not adopted any hedging policy or entered into any derivative products. However, the Board and the management will continue to monitor the foreign currency exchange exposure and will consider adopting certain hedging measures against the currency risk when necessary.

EMPLOYEES AND EMOLUMENT POLICY

The Group employed 76 employees in total as at 31 December 2017 (as at 31 December 2016: 90). The Group implemented its remuneration policy, bonus, and share option schemes based on the performance of the Group and its employees. The Group provided benefits such as social insurance and pensions to ensure competitiveness.

Additionally, the Group adopted a share option scheme as a long term incentive to Directors and eligible employees. The emolument policy for the Group's Directors and senior management was set up by the Company's Remuneration Committee, and gives consideration to the Group's performance, individual performance and comparable market conditions.

USE OF NET PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES

The below table sets out the proposed application of net proceeds from the subscription of new shares on 5 September 2016, and usage up to 31 December 2017:

	Proposed application of net proceeds	**Actual usage up to 31 December 2017**
	HKD million	HKD million
Provision of commercial factoring services	700.0	463.1
Provision of financial leasing services	350.0	350.0
Development and promotion of third party payment service business	380.0	380.0
Marketing and promotion of financial service business	100.0	–
General working capital	44.5	14.9
	1,574.5	1,208.0

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liu Xiaopeng

aged 42, joined the Company in 2017 and was appointed as the chief executive officer of the Company on 7 April 2017 and as an executive director of the Company on 26 August 2017. Mr. Liu is also directors of certain subsidiaries of the Company. Before joining the Company, Mr. Liu served such organizations as State Grid Corporation of China (國家電網公司), Yingda International Holdings Co., Ltd. (國網英大國際控股有限公司), China Power Finance Co., Ltd. (中國電力財務有限公司) and the Global Energy Interconnection Development and Cooperation Organization (全球能源互聯網發展合作組織). Mr. Liu has in-depth understanding on operations of finance business, and has extensive experience in operation management, capital operation and investment management of the relevant businesses. Mr. Liu graduated from Tianjin University with a bachelor's degree in engineering and received a doctoral degree in economics from Nankai University. Mr. Liu is a qualified senior economist in China.

Mr. Ding Donghua

aged 39, was appointed as an executive director of the Company on 5 September 2016. Mr. Ding is also directors of certain subsidiaries of the Company and the general manager of Gome Xinda Commerical Factoring Co., Ltd. and Tianjin Gome Financial Leasing Company Limited, both of which are subsidiaries of the Company. Mr. Ding has extensive experience in handling the financial and business affairs of Gome Retail Holdings Limited and its subsidiaries (collectively "Gome Group"), including Shenyang GOME Electrical Appliance Co., Ltd. (瀋陽國美電器有限公司) and Kuba Technology (Beijing) Co., Ltd. (庫巴科技(北京)有限公司). Immediately before his appointment as an executive director of the Company, Mr. Ding acted as the deputy vice president and senior vice president of Gome Finance Holding Investment Co., Ltd. (國美金控投資有限公司) ("Gome Finance") responsible for overseeing the overall business operation and financial affairs. Mr. Ding obtained a Master of Business Administration degree from the Guanghua School of Management of Peking University in 2010.

Ms. Chen Wei

aged 58, was appointed as an executive director of the Company on 27 December 2017. Ms. Chen formerly served as president of treasury management office of Shenzhen branch, People's Bank of China (中國人民銀行深圳經濟特區分行), executive director, vice president and chief financial officer of China Merchants Bank Co., Ltd. (招商銀行股份有限公司), and Shenzhen Development Bank Co., Ltd. (深圳發展銀行股份有限公司), executive director and general vice president of Ping An Bank Co., Ltd. (平安銀行股份有限公司), consultant and general vice president of Shanghai Lujiazui International Financial Asset Exchange Co., Ltd. (上海陸家嘴國際金融資產交易市場股份有限公司) and president of Gome Finance. Ms. Chen possesses more than 34 years of working experience in banking institutions and has extensive working and management experience in various operations of financial institutions. Ms. Chen received a doctoral degree in management from Harbin University of Technology and is a qualified senior economist in China.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chung Tat Fun

aged 57, was appointed as an executive director in February 2014. Mr. Chung is also directors of certain subsidiaries of the Company. Mr. Chung has extensive operation and management experience in businesses of various industries, including financing services, assets management, equity investment and property investment for over 20 years. Mr. Chung is a member of the committee of All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會), a vice president of China Federation of Overseas Chinese Entrepreneurs (中國僑商聯合會), a member of the standing committee of Guangdong Province Returned Overseas Chinese Association (廣東省歸國華僑聯合會), a standing executive vice president of Guangdong International Overseas Chinese Chamber of Commerce (廣東省國際華商會), a standing committee of the Guangzhou Yuexiu District Committee of Chinese People's Political Consultative Conference of Yuexiu (廣州市越秀區政協委員會) and a member of the Guangzhou Committee of Chinese People's Political Consultative Conference (廣州市政協委員會).

NON-EXECUTIVE DIRECTOR

Ms. Wei Qiuli

aged 50, was appointed as a non-executive director of the Company on 5 September 2016. Ms. Wei has been acting as the executive vice president of GOME Group Holdings Co., Ltd. (國美控股集團有限公司) responsible for administrative and brand management matters since June 2015, and as the senior vice president of GOME Home Appliance Co., Ltd. (國美電器有限公司) ("Gome Home Appliance"), a wholly-owned subsidiary of GOME Retail Holdings Limited since 2012. Ms. Wei previously acted as the head of both the administration centre and the management centre of the headquarter of Gome Home Appliance and a vice president of Gome Home Appliance for administrative system work. During the period from 2000 to 2006, Ms. Wei worked at Beijing Eagle Investment Co., Ltd. (北京鵬潤投資有限公司), initially as manager at the human resources department and then as the head of the administration centre. Ms. Wei obtained a Bachelor of Philosophy degree from Capital Normal University in 1990 and a Master of Business Administration degree from the China Europe International Business School in 2013. Ms. Wei is a director of Sanlian Trading Company Holding Limited (三聯商社股份有限公司) which is listed on the Shanghai Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Liqing

aged 53, was appointed as an independent non-executive director of the Company on 5 September 2016. Mr. Zhang joined Central University of Finance and Economics in 1987 and is a professor of Central University of Finance and Economics. Mr. Zhang is the author and editor of numerous publications on international economics and finance issues. Mr. Zhang is a member of the fifth executive council of the China International Finance Society (中國國際金融學會), China Urban Financial Society (中國城市金融學會) and the current vice president of China Society of World Economics (中國世界經濟學會). Mr. Zhang served as the member of the 12th Main Board Market Issuance Examination Committee of the China Securities Regulation Commission in 2010. Mr. Zhang is currently an independent director of Poly Real Estate Group Co., Ltd (保利房地產(集團)股份有限公司), a company listed on the Shanghai Stock Exchange. Mr. Zhang obtained a doctoral degree in Global Economics at Renmin University of China in 2003 and a Master of Economics degree from the Finance Graduate School of People's Bank of China in 1987.

Mr. Li Liangwen

aged 66, was appointed as an independent non-executive director of the Company on 5 September 2016. Mr. Li has over 40 years of experience in the insurance industry. In 1975, Mr. Li joined the People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) ("PICC Group"). From August 2007 to March 2012, Mr. Li was appointed as the deputy general manager of PICC Group and from September 2009 to December 2013, Mr. Li acted as executive director of PICC Group. In April 2007, Mr. Li was appointed as the vice chairman of the board of directors and president of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司). In December 2006, Mr. Li was appointed as director and president of China Life Property and Casualty Insurance Company Limited (中國人民人壽財產保險股份有限公司). Mr. Li graduated from Hebei Normal University in July 1975 with a university level qualification majoring in English. Mr. Li is an independent director of Shanghai New Huangpu Real Estate Co., Ltd. (上海新黃浦置業股份有限公司) which is listed on the Shanghai Stock Exchange. From December 2013 to April 2016, Mr. Li acted as the non-executive director of Industrial Bank Co., Ltd. (興業銀行股份有限公司) which is listed on the Shanghai Stock Exchange.

Mr. Hung Ka Hai Clement

aged 62, was appointed as an independent non-executive director of the Company on 31 October 2016. Mr. Hung retired from the chairman role of Deloitte in June 2016 and had represented Deloitte China in the Deloitte Global Board and Governance Committee as a member during his tenure.

Mr. Hung has served Deloitte China firm for more than 30 years and has extensive experience in the areas of initial public offerings, mergers and strategic acquisitions as well as corporate finance for multinational corporations, public companies and enterprises in Hong Kong and the People's Republic of China. Mr. Hung is an expert in listings in Main Board and GEM Board of the Hong Kong Stock Exchange. The Ministry of Finance of the People's Republic of China appointed Mr. Hung as an expert consultant.

Mr. Hung has been an honorary member of the Shenzhen Institute of Certified Public Accountants since 2004; He has served as the consultant of the Guangzhou Institute of Chartered Accountants since 2009; From 2006 to 2012, Mr. Hung also served as member of the Political Consultative Committee of Luohu District, Shenzhen. Mr. Hung graduated from UK Huddersfield University with a Bachelor degree in Accountancy.

Mr. Hung was appointed as an independent non-executive director of SMI Holdings Group Limited (stock code: 198) with effect from 16 January 2017 and re-designated as a non-executive director of the company with effect from 15 March 2017. Mr. Hung was also appointed as independent non-executive director of LT Commercial Real Estate Limited (stock code: 112) with effect from 24 February 2017 and re-designated as a non-executive director of the company with effect from 3 March 2017. Mr. Hung was appointed as an independent non-executive director of Sheng Ye Capital Limited (stock code: 8469) and Henry Group Holdings Limited (stock code: 0859) on 5 July 2017 and 12 January 2018, respectively, and a non-executive director of High Fashion International Limited (stock code: 608) since 1 December 2017.

Mr. Wan Jianhua

aged 62, was appointed as an independent non-executive director of the Company on 26 August 2017. Mr. Wan is currently a director of All In Pay Network Services Co., Ltd. (通聯支付網絡服務股份有限公司), the chairman of the Association of Shanghai Finance Industry (上海市互聯網金融行業協會), a director of China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行股份有限公司) and Great Wall Fund Management Company Limited (長城基金管理有限公司). Mr. Wan formerly served as senior management of various well-known enterprises and organizations including director of treasury management and office of macro-economic analysis of The People's Bank of China (中國人民銀行), vice president of China Merchants Bank Co., Ltd. (招商銀行股份有限公司) and president of its Shanghai branch, president of China UnionPay Co., Ltd. (中國銀聯股份有限公司), president of Shanghai International Group (上海國際集團) and chairman of Guotai Junan Securities Co. Ltd. (國泰君安證券股份有限公司). Mr. Wan has extensive working and management experience in banking, securities, payment and corporate management. Mr. Wan obtained a bachelor degree in the Department of Economics of The Xiamen University, a master degree in Economics from The People's Bank of China Institute of Finance (now known as Tsinghua University PBC School of Finance) and a doctoral degree in Economics from The Australian National University.

The Directors present their report and the audited consolidated financial statements of Gome Finance Technology Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 (the "Reporting Period").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings. The principal activities of the subsidiaries comprise commercial factoring, financial leasing, pawn business and financial consultancy service in the People's Republic of China (the "PRC") and money lending services in Hong Kong, details of which are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

CHANGE OF COMPANY NAME

The change of the English name of the Company from "Sino Credit Holdings Limited" to "Gome Finance Technology Co., Ltd." and the adoption of "國美金融科技有限公司" as the secondary name in Chinese to replace "華銀控股有限公司" which was used for identification purposes was approved by the shareholders of the Company at the special general meeting held on 6 February 2017. The Certificate of Incorporation on Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda on 24 February 2017. The conditions for the Change of Company Name have therefore been satisfied and the change of the English name of the Company and the adoption of Chinese secondary name became effective on 15 February 2017. The Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 9 March 2017.

The Board considers that the new name better reflects the current business focus of the Group and its direction of future development.

BUSINESS REVIEW

A review of the business of the Group during the Reporting Period, discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Management Discussion and Analysis section from pages 8 to 20 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in note 35 to the consolidated financial statements. An analysis of the Group's performance during the Reporting Period using key financial performance indicators is provided in the Management Discussion and Analysis section from pages 10 to 16 of this Annual Report.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided in the Environmental, Social, and Governance Report from pages 62 to 72 of this Annual Report.

REPORT OF THE DIRECTORS

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship and motivating staff and creating a sustainable return to the Group. We are committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live.

ENVIRONMENTAL PROTECTION

As a responsible business participant, the Group strictly endeavoured to comply with laws and regulations regarding environmental protection.

RELATIONSHIPS WITH EMPLOYEES

The employees of the Group are one of the most important assets and stakeholders of the Group and their contribution and support are values at all times. The Group regularly reviews compensation and benefits policies accordingly to industry benchmark as well as the individual performance of employees. Other fringe benefits and mandatory provident fund are provided to employees with the aim to form a professional staff and management team that can bring the Group to different levels of success.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 79 to 80 of this Annual Report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2017 and for the nine months ended 31 December 2016.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years/period, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 164 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 25 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2017, there were no equity-linked agreements entered into during the year or subsisting at the end of the Reporting Period that would or may result in the Company issuing Shares or that requires the Company to enter into any agreements that would or may result in the Company issuing Shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

SHARE OPTION SCHEME

The Company's share option scheme was adopted on 28 September 2012 as an incentive to the Group's employees and business associates (the "Scheme"). The Scheme shall be valid for a period of ten years from that date.

The maximum number of shares in respect of which option may be granted under the Scheme of the Company may not exceed 10 percent of the issued share capital of the Company at the date of adoption of the Scheme. The maximum entitlement of each eligible participant in the total number of shares issued and to be issued upon exercise of options granted under the Scheme of the Company in any 12 month period shall not exceed 1% of the total number of shares in issue.

On 2 September 2014, the Company granted an aggregate of 21,000,000 share options to subscribe for ordinary shares of HK$0.1 each to a number of eligible participants (the "Grantees") under the Scheme. Each option shall entitle the Grantees to subscribe for one share upon exercise of such option at an exercise price of HK$1.25 per share.

The term and conditions of the options granted on 2 September 2014 are stipulated as below:

Grantees	Directors	Consultant
Start Date	2 September 2014	2 September 2014
Expiry Date	1 September 2017	1 September 2017
Exercise Price	HK$1.25 per share	HK$1.25 per share
Earliest Exercise Date	Tranche 1: 2 September 2014 Tranche 2: 2 March 2015	Tranche 1: 2 September 2014 Tranche 2: 2 March 2015
Number of Share Options Granted	Tranche 1: 9,000,000 Tranche 2: 9,000,000	Tranche 1: 1,500,000 Tranche 2: 1,500,000

On 30 September 2014, the Company granted an aggregate of 39,000,000 share options to subscribe for ordinary shares of HK$0.1 each of the share to the Grantees under the Scheme. Each option shall entitle the grantee to subscribe for one share upon exercise of such option at an exercise price of HK$1.23 per share.

The term and conditions of the options granted on 30 September 2014 are stipulated as below:

Grantees	Directors	Consultant/Employees
Start Date	30 September 2014	30 September 2014
Expiry Date	29 September 2017	29 September 2017
Exercise Price	HK$1.23 per share	HK$1.23 per share
Earliest Exercise Date	Tranche 1: 30 September 2014 Tranche 2: 30 March 2015	Tranche 1: 30 September 2014 Tranche 2: 30 March 2015
Number of Share Options Granted	Tranche 1: 3,000,000 Tranche 2: 3,000,000	Tranche 1: 16,500,000 Tranche 2: 16,500,000

At 31 December 2017, the number of shares in respect of which option had been granted and remained outstanding under the Scheme was nil. As at the date of this report, the total number of share option that can be granted was 60,157,078, representing 2.23% of the issued share capital of the Company.

The fair value of the share options granted at 2 September 2014 was HK$8,336,000. Options were priced using a binomial option pricing model.

Inputs into the model

Grantees	Directors	Consultant
Option Life	3 years	3 years
Vesting Period (in year)	Tranche 1: N/A Tranche 2: 0.5	Tranche 1: N/A Tranche 2: 0.5
Risk-free Rate	0.709%	0.709%
Grant Date Share Price	HK$1.25 per share	HK$1.25 per share
Exercise Price	HK$1.25 per share	HK$1.25 per share
Expected Exercise Multiple	2.8x of the exercise price	2.2x of the exercise price
Expected Dividend Yield	0%	0%
Expected Volatility of Share Price	46.72%	46.72%

The fair value of the share options granted at 30 September 2014 was HK$15,021,000. Options were priced using a binomial option pricing model.

Inputs into the model

Grantees	Directors	Consultant/Employees
Option Life	3 years	3 years
Vesting Period (in year)	Tranche 1: N/A	Tranche 1: N/A
	Tranche 2: 0.5	Tranche 2: 0.5
Risk-free Rate	0.925%	0.925%
Grant Date Share Price	HK$1.23 per share	HK$1.23 per share
Exercise Price	HK$1.23 per share	HK$1.23 per share
Expected Exercise Multiple	2.8x of the exercise price	2.2x of the exercise price
Expected Dividend Yield	0%	0%
Expected Volatility of Share Price	45.72%	45.72%

Expected volatility of share prices was determined with reference to annualised historical weekly volatility of comparable listed companies' shares prices.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options is based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

The following table discloses movements of the Company's share option held by Directors and employees during the year ended 31 December 2017.

	Number of share options							
	Outstanding at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2017	Exercise price HKD	Date of grant	Exercise period
Director								
Mr. Chung Tat Fun	3,000,000	–	–	(3,000,000)	–	1.23	30 September 2014	30 September 2014 to 29 September 2017
	3,000,000	–	–	(3,000,000)	–	1.23	30 September 2014	30 March 2015 to 29 September 2017
	6,000,000	–	–	(6,000,000)	–			
Employees	3,000,000	–	–	(3,000,000)	–	1.25	2 September 2014	2 September 2014 to 1 September 2017
	3,000,000	–	–	(3,000,000)	–	1.25	2 September 2014	2 March 2015 to 1 September 2017
In Aggregate	9,000,000	–	–	(9,000,000)	–	1.23	30 September 2014	30 September 2014 to 29 September 2017
	9,000,000	–	–	(9,000,000)	–	1.23	30 September 2014	30 March 2015 to 29 September 2017
	24,000,000	–	–	(24,000,000)	–			
Total	30,000,000	–	–	(30,000,000)	–			

PRE-EMPTIVE RIGHTS

As at 31 December 2017, there are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to shareholders, calculated in accordance with the provision of the Companies Act 1981 of Bermuda (as amended), amounted to nil (as at 31 December 2016: nil).

DONATION

No charitable donation was made by the Group for the year ended 31 December 2017 (for the nine months ended 31 December 2016: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, revenue generated from the Group's top five customers accounted for 29.84% of the total revenue of the Group with the top customer contributing 10.72% of the Group's revenue. There was no major supplier to the Group during the Relevant Period.

None of the Directors or any of their associates or any shareholders which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital has any beneficial interest in the Group's five largest customers.

RELATED PARTY TRANSACTIONS

Except certain transactions disclosed herein this report, the other related party transactions set out in note 31 to the consolidated financial statements did not either fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), or fall within the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules but are exempted from the connected transaction requirements under Rules 14A.73 and 14A.90 of the Listing Rules.

CONNECTED TRANSACTION AND DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

The information required for disclosure under Rule 14A.71 of the Listing Rules in relation to the Group's connected transaction conducted during the Relevant Period and under Rule 13.20 of the Listing Rules in relation to the Group's advance to an entity as at 31 December 2017 is as follows:

On 7 June 2017, Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with Beijing Baosheng Huifeng Business Consulting Co., Limited ("Baosheng Huifeng"), a company incorporated in the PRC with limited liability and owned as to 90% by Ms. Du Juan (controlling shareholder of the Company) and 10% by Mr. Ding Donghua (executive Director of the Company), pursuant to which Xinda Factoring agreed to provide an unsecured non-interest loan for an amount of RMB720 million (the "Consideration") to Baosheng Huifeng solely for the purpose to acquire the entire equity interest in Tianjin Guanchuang Mei Tong Electronic Commerce Limited (the "Acquisition"). As at 31 December 2017, an aggregate amount of RMB576 million, representing 80% of the Consideration, was advanced to Baosheng Huifeng to pay for the Consideration. Baosheng Huifeng will use 90% of the dividends arising from its interest in Tianjin Guanchuang Mei Tong Electronic Commerce Limited to repay the loan and Baosheng Huifeng undertakes that if the completion of the Acquisition does not take place, Baosheng Huifeng shall refund the loan (with accured interest) to Xinda Factoring in full.

Other details of this transaction have been disclosed in the circular of the Company dated 29 June 2017.

The Acquisition was not completed up to the date of this report.

CONTINUING CONNECTED TRANSACTIONS

On 5 August 2016, the Company and Swiree Capital Limited ("Swiree") entered into the following two framework agreements. Swiree is a connected person of the Company by virtue of it being a substantial shareholder of the Company:

(1) Factoring Service Framework Agreement

The principal terms of the Factoring Service Framework Agreement are as follows:

Date:	5 August 2016
Parties:	(i) The Company (ii) Swiree
Term:	The Factoring Service Framework Agreement takes effect on 5 September 2016 and will expire on 31 March 2019 (inclusive of both dates)
Subject:	Commercial factoring loans to be granted by the Group to GOME Suppliers (the "Connected Factoring Loans").

Guiding principles for providing Connected Factoring Loans:

(i) The Group enters into separate factoring agreements with the GOME Suppliers ("Individual Factoring Agreements"), which shall comply with the terms and conditions as set out in the Factoring Service Framework Agreement. Terms of an Individual Factoring Agreement shall be negotiated at arm's length and determined by the Group and the relevant GOME Supplier based on normal commercial terms and with reference to the terms and conditions of comparable services offered by the Group to independent third parties or with reference to the prevailing terms and conditions of other comparable factoring loans in the market within the knowledge of the Company, and shall be determined in accordance with the internal procedures of the Company.

(ii) Details of the terms of the Individual Factoring Agreements shall be determined in accordance with the conditions and principles set out in the Factoring Service Framework Agreement.

(iii) The aggregate principal amount of any outstanding Connected Factoring Loans which may be granted by the Group under the Individual Factoring Agreements entered/to be entered into pursuant to the Factoring Service Framework Agreement are subject to the following proposed annual caps:

	For the financial year ended/ending 31 March		
	2017	**2018**	**2019**
Connected Factoring Loans	RMB600 million	RMB600 million	RMB600 million

The largest outstanding principal amount for the Connected Factoring Loans during the year ended 31 December 2017 amounted to approximately RMB191,453,000. Other details of the Factoring Service Framework Agreement have been disclosed in the circular of the Company dated 5 August 2016.

(2) Financial Leasing Service Framework Agreement

The principal terms of the Financial Leasing Service Framework Agreement are as follows:

Date:	5 August 2016
Parties:	(i) The Company (ii) Swiree
Term:	The Financial Leasing Service Framework Agreement takes effect on 5 September 2016 and will expire on 31 March 2019 (inclusive of both dates)
Subject:	Financial leasing loans to be granted by the Group to GOME Customers (the "Connected Factoring Leasing") where the proceeds from the relevant loans are used by GOME Customers to purchase goods by wholesale from the GOME Group or purchase goods from GOME Group's designated outlets through which such retail customers can get access to the Group's financial leasing service and products.

Guiding principles for providing Connected Financial Leasing:

(i) The Group enters into separate financial leasing agreements with the GOME Customers ("Individual Financial Leasing Agreements") which shall comply with the terms and conditions as set out in the Financial Leasing Service Framework Agreement. Terms of an Individual Financial Leasing Agreement shall be negotiated at arm's length and determined by the Group and the relevant GOME Customer based on normal commercial terms and with reference to the market price and terms of comparable financial leasing services offered by the Group to independent third parties or with reference to the prevailing terms and conditions of other comparable financial leasing loans in the market within the knowledge of the Company, and shall be determined in accordance with the internal procedures of the Company.

(ii) Details of the terms of the Individual Financial Leasing Agreements shall be determined in accordance with the conditions and principles set out in the Financial Leasing Service Framework Agreement.

(iii) The aggregate principal amount of any outstanding Connected Financial Leasing which may be granted by the Group under the Individual Financial Leasing Agreements to be entered into pursuant to the Financial Leasing Service Framework Agreement are subject to the following proposed annual caps:

	For the financial year ended/ending 31 March		
	2017	**2018**	**2019**
Connected Financial Leasing	RMB100 million	RMB120 million	RMB120 million

The Company will also limit (i) the aggregate principal amount of any outstanding Connected Factoring Loans and Connected Financial Leasing to not more than 40% of the Group's latest published total assets from time to time; and (ii) the aggregate revenue generated from the Connected Factoring Loans and the Connected Financial Leasing to not more than 50% of the Group's total revenue in each financial year.

The largest outstanding principal amount for the Connected Financing Leasing during the year ended 31 December 2017 amounted to approximately RMB7,689,000. Other details of the Financing Leasing Service Framework Agreement have been disclosed in the circular of the Company dated 5 August 2016.

Reasons for the Framework Agreements

As the Group plans to expand its money lending business and targets to tap into the opportunity of granting the Connected Factoring Loans and the Connected Financial Leasing to the GOME Suppliers or the GOME Customers, it is beneficial to the Company as the Framework Agreements allow the Group to increase revenue with additional source of income.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed the transactions carried out pursuant to the Framework Agreements and confirmed that the transactions were entered into:

i. in the ordinary course of business of the Group;

ii. either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third party; and

iii. in accordance with the terms of the agreements that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditor of the Company has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTRACTUAL ARRANGEMENTS

The Group has been using contract-based arrangements to indirectly own and control its provision of pawn loans services in the PRC. Based on the opinions provided by the PRC legal adviser of the Company, the Administrative Measures for Pawning (典當管理辦法) jointly issued by Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部) ("MOFCOM") and the Ministry of Public Security (公安部) which came into effect on 1 April 2005 (the "Pawning Measures"), which regulate the pawn loans financing business in the PRC, do not explicitly permit foreign invested companies to operate a pawn loans financing business in the PRC.

According to Article 71 of the Pawning Measures, rules and regulations governing the investment by foreign invested companies in the pawn loans financing business in the PRC will be separately announced by MOFCOM and other relevant authorities. According to the Foreign Investment Catalogue jointly promulgated by the National Development and Reform Commission and the MOFCOM on 24 December 2011, foreign investments in the pawn loan financing business are neither expressly prohibited nor restricted.

As at 31 December 2017, no relevant rules and regulations have been announced by MOFCOM or The Economic & Information Commission of Guangdong Province (廣東省經濟和信息化委員會). According to the Administrative Licensing Law of the PRC (中華人民共和國行政許可法), administrative licensing regimes may only be set up and implemented where there are established laws setting out relevant procedures, parameters, conditions and scope of administrative power. As the approval of investment in pawn loans financing business by foreign invested companies in the PRC falls under an administrative act, no approval can be granted and no licence can be issued to a foreign invested company if there are no established laws governing the investments by foreign invested companies in pawn loans financing business.

To operate the Group's pawn loans financing business in the PRC, various agreements (the "Structural Agreements") have been entered into, among others, among Guangzhou City Yuenqian Investment Consultancy Limited Liability Company (廣州市源謙投資咨詢有限責任公司) ("Yuenqian Investment", a wholly-owned subsidiary of the Company), Guangdong Lido Pawnshop Co. Ltd. (廣東利都典當有限公司) ("Lido Pawnshop") and the registered owners of Lido Pawnshop (the "Registered Owners"). The Structural Agreements are designed to provide the Company with an effective control over and the right to enjoy the economic benefits and risks in and/or assets of Lido Pawnshop. Through the Structural Agreements, the control and economic benefits and risks from the business of Lido Pawnshop will flow to Yuenqian Investment. For accounting purposes, Lido Pawnshop is regarded as an indirect wholly owned subsidiary of the Company.

REPORT OF THE DIRECTORS

The Registered Owners are Guangdong Baozima Automobile Sale Services Co. Ltd. (廣東寶之馬汽車銷售服務有限公司), Guangzhou Heng Xin Group Company Limited (廣州恒信集團有限公司), Guangdong Xinzixing Automobile Development Co. Ltd. (廣東新之星汽車發展有限公司) and Mr. Liu Bingpei, which are interested in approximately 2.5%, approximately 50%, approximately 5% and approximately 42.5% of the entire registered capital of Lido Pawnshop, respectively.

Major terms of the Structural Agreements

Under the Structural Agreements, Yuenqian Investment has an irrecoverable and exclusive priority right to acquire directly and/or through one or more nominees, the equity interests held by the New Members in Lido Pawnshop, as permitted by applicable PRC laws and regulations. Further, each agreement under the Structural Agreements includes a provision that each such agreement is binding on the legal assignees or heirs of the parties to each such agreement. In the event of death, bankruptcy or divorce of any of the New Members, Yuenqian Investment may exercise its option to replace the relevant shareholders and the newly appointed nominee shareholders will still be subject to the Structural Agreements.

Apart from Mr. Liu Bingpei who is an executive director and manager of Lido Pawnshop, each of the Registered Owners and their respective ultimate beneficial owners is not an officer or a director of the Company and its subsidiaries. The Directors consider that the possibility of material potential conflicts of interest between the Company and the Registered Owners is remote. In case of any material potential conflicts of interest between the Company and the Registered Owners, the Board will ensure that any material potential conflict of interests will be reported to the independent non-executive Directors as soon as practicable when the Company becomes aware of such potential conflict. The Board will review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities and alert the Board, including the independent non-executive Directors, to take any precautionary actions where necessary.

Services agreement

Yuenqian Investment has entered into the services agreement with Lido Pawnshop, pursuant to which Yuenqian Investment shall provide to Lido Pawnshop consultancy services, including but not limited to, (i) conducting market research, formulating budget plan, business objective, development plan and expansion strategy; (ii) formulating and implementing operation flow, pawn services approval policy, risk management policy, administrative policy; nominating appropriate candidates as directors, management and staff members, provision of training services to staff members; and (iii) formulating accounting, financial and internal control system. At the discretion of Yuenqian Investment, Yuenqian Investment can assign the rights and novate the obligations under the services agreement to any company nominated by Yuenqian Investment without the consent of Lido Pawnshop and the Registered Owners.

The initial term of the services agreement is a fixed term of 10 years from the date of the execution of the services agreement. Upon expiry of the services agreement, Yuenqian Investment has the sole discretion to renew the services agreement for further extensions of the terms once every 10 years. Lido Pawnshop is not allowed to refuse the renewal of the services agreement. Yuenqian Investment shall charge Lido Pawnshop a service fee equals an amount being the total income less the operating expenses and taxation of Lido Pawnshop which is payable yearly.

Equity charge

The Registered Owners have created the equity charge over their respective equity interests in Lido Pawnshop to secure and guarantee the obligations of Lido Pawnshop under the services agreement until the fulfillment of all the obligations of Lido Pawnshop under the services agreement. At the discretion of Yuenqian Investment, Yuenqian Investment can assign the rights and novate the obligations under the equity charge to any company nominated by Yuenqian Investment without the consent of the Registered Owners.

The charging period commenced from the effective date of the equity charge until fulfillment of all the obligations of the Registered Owners and Lido Pawnshop under the services agreement.

Equity transfer agreement

Yuenqian Investment, the Registered Owners and Lido Pawnshop have entered into the equity transfer agreement pursuant to which the Registered Owners shall grant an irrevocable and exclusive priority right to Yuenqian Investment to acquire the entire equity interests in Lido Pawnshop at nil consideration or such minimum consideration as permitted under the laws of the PRC. In the event if any consideration shall be payable, the shareholders of Lido Pawnshop, to the extent permissible by law, shall refund such consideration to Yuenqian Investment. At the discretion of Yuenqian Investment, Yuenqian Investment can assign the rights and novate the obligations under the equity transfer agreement to any company nominated by Yuenqian Investment without the consent of the Registered Owners and Lido Pawnshop. There is no fixed term to the exercise of rights by Yuenqian Investment to acquire entire equity interests in Lido Pawnshop. Such rights shall remain valid until (i) it is not permitted under the law; or (ii) Yuenqian Investment exercises the right to acquire the entire equity interests in Lido Pawnshop. Yuenqian Investment will acquire the entire equity interests in Lido Pawnshop once, to the best knowledge of the Company, the relevant authorities in the PRC has published guidelines/practices in respect of allowing the pawn loans financing business to be operated without the Structural Agreements and foreign ownership application in PRC pawn shops.

Directors' undertaking

As the directors of Lido Pawnshop (being nominated by the shareholders of Lido Pawnshop) may change, the Registered Owners, as confirmers, have entered into an undertaking with all existing directors of Lido Pawnshop to Yuenqian Investment, among other matters, (i) to confirm and approve the director(s) of Lido Pawnshop to undertake that he or she will act according to the instructions of Ability Wealth and/or Yuenqian Investment upon the exercise of the powers of the director(s) of Lido Pawnshop, including but not limited to, the convening of shareholders' meeting, execution of shareholders' resolutions, approval of business plans and investment plans, formulation of annual budget, distribution of profits and making up of losses; (ii) to guarantee that upon the change of director(s) of Lido Pawnshop, they will procure the replacement director(s) to give a similar undertaking as aforesaid; and (iii) each of the directors of Lido Pawnshop has also undertaken not to compete with the business operating by Lido Pawnshop.

Registered Owners' undertaking

Each of the Registered Owners has undertaken, among other matters, that he/it will vote on any resolutions proposed at the shareholders' meetings of Lido Pawnshop in accordance with the instructions of Yuenqian Investment until the transfer of the entire equity interests in Lido Pawnshop to Yuenqian Investment and the fulfillment of all obligations under the services agreement, the equity charge and the equity transfer agreement. Each of the Registered Owners will also undertake not to compete with the business operating by Lido Pawnshop.

Upon the assignment of the rights and novation of obligations under the services agreement, the equity charge and the equity transfer agreement, Ability Wealth can also assign the rights under the shareholders undertaking to its subsidiary.

Powers of Attorney of directors

Each of the existing directors of Lido Pawnshop has executed a power of attorney in favour of Yuenqian Investment to irrevocably appoint Yuenqian Investment as his/her exclusive agent to exercise, inter alia, all his/her powers as director for the operation of Lido Pawnshop and to execute any documents necessary for giving effect to the Structural Agreements.

The power of attorney of directors of Lido Pawnshop shall remain valid until the termination or cancellation of the Structural Agreements (excluding the directors' undertakings, the Registered Owners' undertakings, and the powers of attorney of the Registered Owners).

Powers of Attorney of the Registered Owners

Each of the Registered Owners has executed a power of attorney in favour of Yuenqian Investment to irrevocably appoint Yuenqian Investment as his/its exclusive agent to exercise, inter alia, all his/its rights as shareholder of Lido Pawnshop and to execute any documents necessary for giving effect to the Structural Agreements.

The power of attorney of directors of Lido Pawnshop shall remain valid until the termination or cancellation of the Structural Agreements (excluding the directors' undertakings, the Registered Owners' undertakings, and the powers of attorney of directors).

Risk relating to the Structural Agreements

The following risks are associated with the Structural Agreements:

– the PRC Government may determine that the Structural Agreements do not comply with applicable PRC laws and regulations;

– the Structural Agreements may not provide control as effective as direct ownership;

– failure by Lido Pawnshop or the Registered Owners to perform their obligations under the Structural Agreements;

– the Company may lose the ability to use and enjoy assets held by Lido Pawnshop if Lido Pawnshop declares bankruptcy or becomes subject to a dissolution or liquidation proceeding;

– the shareholders of Lido Pawnshop may have potential conflicts of interest with the Company;

– the Company's ability to acquire the entire equity interests and/or assets of Lido Pawnshop through Yuenqian Investment may be subject to various limitations; and

– the Structural Agreements may be challenged by the PRC tax authorities.

Further details of the risks are set out in the circular of the Company dated 3 January 2014.

Lido Pawnshop's business activities

Lido Pawnshop is a company established in the PRC with limited liability which is principally engaged in the provision of pawn loans relating to movable and immovable properties (other than immovable properties located in autonomous regions, municipalities directly under the central government, or those under construcionwithout permission for sale) (which may involve realization of overdue pawned items); valuation and consultancy services and other approved pawn-related business; and other pawn loans related businesses permitted under the relevant PRC rules. Lido Pawnshop holds the Pawn Operations Business Licence (典當經營許可證) and the Special Industry Licence (特種行業許可證).

Under the Pawn Operations Business Licence (典當經營許可證) dated 31 December 2012 issued to Lido Pawnshop by The Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會), Lido Pawnshop is allowed to engage in the provision of pawn loans relating to movable and immovable properties (other than immovable properties located in autonomous regions, municipalities directly under the central government, or those under construction without permission for sale) (which may involve realization of overdue pawned items); valuation and consultancy services and other approved pawn-related business; and other pawn loans related businesses permitted under the relevant PRC rules for a period of six years. Under the Special Industry Licence (特種行業許可證) dated 17 May 2013 issued to Lido Pawnshop by Guangzhou Public Security Bureau (廣州市公安局), Lido Pawnshop is allowed to engage in pawning industry for a period from 17 May 2013 to 17 May 2015 and the expiry date of such licence has been extended to 5 May 2019.

For the year ended 31 December 2017, the revenue subject to the Structured Agreements are approximately RMB302,000 (nine months ended 31 December 2016: approximately RMB4,278,000), representing approximately 0.41% (nine months ended 31 December 2016: approximately 12.05%) of the Group's revenue. As at 31 December 2017, the total assets and the loans receivable (net off provision of impairment loss) subject to the Structured Agreements are approximately RMB103,268,000 and Nil (as at 31 December 2016: approximately RMB106,244,000 and approximately RMB31,977,000).

DIRECTORS

The Directors for the year ended 31 December 2017 and up to the date of this report of the directors were:

Executive Directors:
Mr. Liu Xiaopeng (appointed on 26 August 2017)
Mr. Ding Donghua
Ms. Chen Wei (appointed on 27 December 2017)
Mr. Zhang Jun (resigned on 27 December 2017)
Mr. Chung Tat Fun

Non-executive Director:
Ms. Wei Qiuli

Independent Non-executive Directors:
Mr. Zhang Liqing
Mr. Li Liangwen
Mr. Hung Ka Hai Clement
Mr. Wan Jianhua (appointed on 26 August 2017)

Pursuant to Bye-law numbers 86(2) and 87(1) of the Bye-laws, Mr. Liu Xiaopeng, Ms. Chen Wei, Ms. Wei Qiuli, Mr. Li Liangwen and Mr. Wan Jianhua shall retire from office and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 24 of this Annual Report.

CONFIRMATION OF INDEPENDENCE

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 of the Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

During the Reporting Period, Mr. Liu Xiaopeng, Mr. Ding Donghua and Mr. Zhang Jun has each entered into an employment contract with Xinda Factoring. Each of Mr. Liu, Mr. Ding and Mr. Zhang is entitled to (i) an annual emolument of RMB360,000, RMB580,000 and RMB276,000, respectively (comprising basic pay and employment benefits) which will be subject to review by the Board from time to time with reference to their duties, experience and responsibilities; and (ii) a discretionary bonus the computation of which is based on their respective performance and the profitability of Xinda Factoring.

Save as disclosed above, no contract of significance, to which the Company, its fellow subsidiaries, its subsidiaries or its holding company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2017 or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and the administration of the whole or any substantial part of the business of the Company and the Group were entered into or existed during the Relevant Period.

COMPETING INTERESTS

As at 31 December 2017, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company 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 Securities and Futures Ordinance (the "SFO")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in Shares and Underlying Shares in the Company

Ordinary shares of HK$0.1 each of the Company

	Number of shares/underlying shares held in the Company			
Name of Director	Personal interest	Corporate interest	Total interests	% of the issued share capital of the Company
Mr. Chung Tat Fun	6,320,000	60,000,000	66,320,000	2.45%

Notes:

1. As Light Tower Holding Limited is wholly and beneficially owned by Mr. Chung Tat Fun, an Executive Director of the Company, Mr. Chung Tat Fun is deemed to be interested in 60,000,000 shares. Mr. Chung also holds 6,320,000 shares directly in the Company.

2. As at 31 December 2017, the issued share capital of the Company is 2,701,123,120 shares.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as is known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the shares and underlying shares 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follow:

Long positions in Shares and Underlying Shares in the Company

Ordinary shares of HK$0.1 each of the Company

Name of Shareholder	Nature of interests	Number of shares held in the Company	% of the issued share capital of the Company *(Note 5)*	Notes
Swiree	Beneficial owner	1,653,073,872	61.20	1
Ms. Du Juan	Corporate interest	1,653,073,872	61.20	1
Mr. Wong Kwong Yu	Spouse interest	1,653,073,872	61.20	2
Richlane Ventures Limited ("Richlane")	Beneficial owner	295,512,312	10.94	3
Mr. Ko Chun Shun, Johnson ("Mr. Ko")	Beneficial owner	15,000,000	0.56	3
	Corporate interest	297,776,312	11.02	3
Best Global Ventures Limited ("Best Global")	Beneficial owner	137,756,156	5.10	4
Gate Success Investments Limited ("Gate Success")	Corporate interest	137,756,156	5.10	4
Ms. Yu Nan	Corporate interest	137,756,156	5.10	4

Notes:

1. As Ms. Du Juan wholly and beneficially owns Swiree, she is deemed to be interested in 1,653,073,872 shares.

2. Mr. Wong Kwong Yu is the spouse of Ms. Du Juan and is also deemed to be interested in 1,653,073,872 shares.

3. Mr. Ko holds 15,000,000 shares directly. He also holds 297,776,312 shares indirectly, among which he holds 2,264,000 shares through Peninsula Resources Limited, which is a company wholly-owned by him, and 295,512,312 shares through Richlane, which is ultimately owned by him.

4. Best Global is wholly and beneficially owned by Gate Success, which is wholly and beneficially owned by Ms. Yu Nan. Both Gate Success and Ms. Yu Nan are deemed to be interested in 137,756,156 shares.

5. As at 31 December 2017, the total number of issued shares is 2,701,123,120.

Save as disclosed above, as at 31 December 2017, the Company has not been notified by any person (other than Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this Annual Report.

PERMITTED INDEMNITY PROVISION

Pursuant to Bye-law number 168 of the Company's Bye-laws, every Director, other officer and auditor shall be entitled to be indemnified and secured harmless out of assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by him as a Director, Auditors or other officer of the Company 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.

REMUNERATION OF THE DIRECTORS

The emoluments of the Directors are recommended by the Remuneration Committee of the Company, having regard to the Company's operating results, individual performance and/or comparable market statistics. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation. The Group has also implemented a share option scheme to reward eligible employees (including Executive Directors) according to their individual performance.

Details of the remuneration of the Directors are set out in note 8 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices.

Details of the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 48 to 61 of this Annual Report.

CHANGE OF DIRECTOR'S INFORMATION

Upon specific enquiry by the Company and following confirmations from the Directors, save as otherwise set out in this Annual Report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The change of Director's information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

Mr. Liu Xiaopeng signed a director service contract with the Company for one year commencing from 1 January 2018. Mr. Liu's appointment is subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company in accordance with the Bye-Laws of the Company, subject to which the appointment will be terminated by either party serving no less than one-month's written notice. Pursuant to the service contract, Mr. Liu will receive a remuneration of HK$480,000 per annum which was determined by the Board with reference to his duties and responsibilities with the Company.

CHANGE OF AUDITORS

Following the resignation of Hodgson Impey Cheng Limited ("HLB") as auditor of the Company on 19 December 2016, Ernst & Young ("EY") was appointed as the auditor of the Company by the Board on 23 December 2016. The appointment of EY was then approved by the shareholders at the special general meeting of the Company held on 6 February 2017 to fill in the vacancy following the resignation of HLB.

The Board confirmed that there was no disagreement between HLB and the Company.

Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

The consolidated financial statements of the Company for the year ended 31 December 2017 were audited by EY whose terms of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of EY as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Liu Xiaopeng
Executive Director

Hong Kong, 29 March 2018

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of Gome Finance Technology Co., Ltd. (the "Company") is committed to maintain high standard of corporate governance practices. The primary corporate governance rules applicable to the Company is the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Throughout the year ended 31 December 2017, the Company had complied with all code provisions set out in the CG Code, except for deviation disclosed below.

i. **Code provision A.2.1 and Code provision A.2.7**

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and according to code provision A.2.7 of the CG Code, chairman should at least annually hold meetings with the non-executive directors without the executive directors present.

Mr. Chung Tat Fun had assumed the duties of the Chairman of the Board and the chief executive officer ("CEO") of the Company until 7 April 2017, when he stepped down from the positions of CEO and the Chairman of the Board and Mr. Liu Xiaopeng was appointed as CEO and as executive director on 7 April and 26 August 2017, respectively. After his appointment as executive director, Mr. Liu Xiaopeng had assumed the duties of the chairman and the chief executive of the Company. The Board considered that while vesting the roles of chairman and CEO in the same person can facilitate the execution of the Group's business strategies and maximizes effectiveness of its operation, the Board nevertheless reviews the structure of the Board from time to time and is considering suitable candidate to be elected as the Chairman such that the Company can be able to comply with code provision A.2.1 and A.2.7 of the CG Code.

ii. **Code provision A.6.7**

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and non-executive directors should attend general meetings in order to develop a balanced view of the shareholders. Due to the various business commitments, not all the Independent Non-executive Directors and Non-executive Director of the Company attended the special general meetings of the Company held on 6 February and 25 July 2017 and the annual general meeting of the Company held on 23 May 2017. The Company will finalize and inform the dates of the general meetings as earliest as possible to make sure that all the Independent Non-executive Directors and Non-executive Director can attend the general meetings in future.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

Duing the year ended 31 December 2017 and up to the date of this report, except (i) Mr. Liu Xiaopeng and Mr. Wan Jianhua were on 26 August 2017 appointed as the Executive Director and the Independent Non-executive Director, respectively; and (ii) Mr. Zhang Jun resigned from his office as the Company's Executive Director with effect from 27 December 2017 and Ms. Chen Wei was appointed as the Company's Executive Director with effect from the same date, there was no change in the structure of the Board, which currently comprises nine Directors and its composition is set out as follows:

Executive Directors

Mr. Liu Xiaopeng *(Chief Executive Officer)*
Mr. Ding Donghua
Ms. Chen Wei
Mr. Chung Tat Fun

Non-executive Director

Ms. Wei Qiuli

Independent Non-executive Directors

Mr. Zhang Liqing
Mr. Li Liangwen
Mr. Hung Ka Hai, Clement
Mr. Wan Jianhua

The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company. The Executive Directors have accumulated sufficient and valuable experience to hold their positions in order to ensure that their fiduciary duties have been carried out in an efficient and effective manner. The Board is responsible for setting the Company and its subsidiaries (collectively, the "Group") strategic direction and overseeing the business performance of the Group while business operations are delegated to qualified management under the supervision of the Executive Directors. The Board also monitors the financial performance and the internal controls of the Group's business operations. The senior management is responsible for the day-to-day operations of the Group.

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 21 to 24 of this Annual Report. None of the members of the Board is related to one another.

The Company has four Independent Non-executive Directors representing more than one-third of the Board. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Chairman and CEO

The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

Mr. Chung Tat Fun was the Chairman of the Board and CEO of the Company until 7 April 2017. Mr. Liu Xiaopeng was appointed as CEO and as Executive Director on 7 April and 26 August 2017, respectively. After his appointment as the Executive Director, Mr. Liu Xiaopeng had assumed the responsibilities of the Chairman and the CEO of the Company. The roles and responsibilities of the Chairman and the CEO are set out as follows:

Chairman is mainly responsible for:

- ensuring that good corporate governance practices and procedures are established;
- ensuring that all Directors are properly briefed on issues arising at Board meetings and that all Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- encouraging all Directors to make a full and active contribution to the Board's affair and to voice their concerns even with different views, allowing sufficient time for discussion of issues, ensuring that Board decisions fairly reflect Board consensus, and taking the lead to ensure that it acts in the best interests of the Group;
- ensuring that appropriate steps are taken to provide effective communication with shareholders and their views are communicated to the Board as a whole; and
- promoting a culture of openness and debate by facilitating the effective contribution of Independent Non-executive Directors in particular and ensuring constructive relations between Executive and Independent Non-executive Directors.

CEO is responsible for, among other things:

- organizing and manage the Group's business;
- leading the corporate team to implement the strategies and plans established by the Board; and
- coordinating overall daily business operations of the Group.

Board Diversity

The Board has adopted the Board Diversity Policy on 26 March 2013. The Company maintains that the Board appointment should be based on merits that complement and expand the skills, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of new Director(s) and other related matters have been delegated to the Company's Nomination Committee, which would make recommendations to the Board on relevant matters including the appointment or re-appointment of the Directors of the Company. The Board considers that the new Director(s) is expected to have expertise in relevant area to make contribution to the Company and to have sufficient time to participate in the decision making process of the Company. The Non-executive Director and the Independent Non-executive Directors signed letters of appointment with specific terms of office with the Company. Each of Mr. Wan Jianhua, Ms. Wei Qiuli, Mr. Li Liangwen, Mr. Zhang Liqing and Mr. Hung Ka Hai, Clement has entered into appointment letter with the Company and is subject to retirement by rotation once every three years in accordance with the Company's Bye-laws.

Bye-law number 86(2) of the Bye-laws provides that: (1) any director appointed by the Board to fill a casual vacancy shall hold office only until the next general meeting of the Company after his/her appointment, or (2) any director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company. Any Directors appointed shall then be eligible for re-election. Pursuant to Bye-law number 87(1) of the Bye-laws, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company at least once every three years. All retiring Director shall be eligible for re-election. Accordingly, all Directors shall be subject to retirement by rotation and re-election at the annual general meeting of the Company under the Bye-laws.

ROLES AND FUNCTIONS OF THE BOARD AND THE MANAGEMENT

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results, as well as corporate governance, financial, capital, remuneration and mergers and acquisition matters. During the year under review, five Board meetings, an annual general meeting ("AGM") was held on 23 May 2017 and two other general meetings were held on 6 February and 25 July 2017. The attendance of each Director at the Board meetings and the general meetings is set out as follows:

Name of Directors	Attendance of the 6 February general meeting	Attendance of the AGM	Attendance of the July 25 general meeting	Number of Board meetings attended/held
Executive Directors				
Mr. Liu Xiaopeng (appointed on 26 August 2017)				1/1*
Mr. Ding Donghua	✓	✓	✓	5/5
Ms. Chen Wei (appointed on 27 December 2017)				0/0*
Mr. Zhang Jun (resigned on 27 December 2017)			✓	4/5
Mr. Chung Tat Fun				0/5
Non-Executive Director				
Ms. Wei Qiuli		✓		4/5
Independent Non-Executive Directors				
Mr. Zhang Liqing				4/5
Mr. Li Liangwen		✓		5/5
Mr. Hung Ka Hai Clement	✓	✓		5/5
Mr. Wan Jianhua (appointed on 26 August 2017)				1/1*

* It refers to number of Board meetings held during his/her tenure.

During the year ended 31 December 2017, the Board has dealt with matters covering mainly the Group's overall strategy, annual and interim results, internal control, corporate governance, capital, financial, and acquisition matters.

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of regular Board meetings (or reasonable notice for all other meetings) is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a Board meeting. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

ACCESS TO INFORMATION

All Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including relevant rules and regulations and are able to make further enquiries when necessary. Sufficient explanation and information have been provided to the Board to enable the Board to make an informed assessment of financial and other information put before it for approval. They also have unrestricted access to the advices and services of the Company Secretary. A monthly update which gives a balanced and concise assessment of the Company's performance, position and prospects in sufficient details is provided to all Directors to enable the Board as a whole and each Director to discharge their duties. The Board has also agreed that the Directors may seek independent professional advice in performing their Directors' duties at the Company's expenses.

DIRECTORS INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 31 December 2017, the newly appointed Directors were given an induction after their appointment so as to ensure that they have appropriate understanding of the Group's business and of their duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company provides regular updates on the business performance of the Group to the Directors. The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to Directors will be arranged whenever necessary.

CORPORATE GOVERNANCE REPORT

According to the records maintained by the Company, the Directors received the following training on continuous professional development during the year and up to the date of this report.

Name of Directors	Courses/Seminars provided/accredited by Professional Body	Reading materials
Executive Directors		
Mr. Liu Xiaopeng (appointed on 26 August 2017)	✓	✓
Mr. Ding Donghua	–	✓
Ms. Chen Wei (appointed on 27 December 2017)	✓	✓
Mr. Zhang Jun (resigned on 27 December 2017)	–	✓
Mr. Chung Tat Fun	–	✓
Non-Executive Director		
Ms. Wei Qiuli	–	✓
Independent Non-Executive Directors		
Mr. Zhang Liqing	–	✓
Mr. Li Liangwen	–	✓
Mr. Hung Ka Hai Clement	✓	✓
Mr. Wan Jianhua (appointed on 26 August 2017)	✓	✓

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out below:

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

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

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to directors and employees; and

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

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

BOARD COMMITTEES

The Board has established four committees with specific responsibilities as described below. The terms of reference of the remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and audit committee (the "Audit Committee") of the Company are posted on the websites of the Company and the Stock Exchange.

REMUNERATION COMMITTEE

As at 31 December 2017, the Remuneration Committee comprises three members including two Independent Non-Executive Directors, namely Mr. Li Liangwen (the Chairman), Ms. Chen Wei and Mr. Zhang Liqing.

It is responsible for reviewing and recommending all elements of the Executive Director and senior management remuneration. The fees of Non-executive Directors are determined by the Board. No individual Director is involved in decisions relating to his/her own remuneration. The Remuneration Committee has adopted the model under code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual Directors and senior management. Meetings of the Remuneration Committee shall be held at least once a year.

For the year ended 31 December 2017, there was one meeting held by the Remuneration Committee to review the remuneration packages of the Directors for the nine months period ended 31 December 2016 and make recommendation on their remuneration packages for the next financial year.

Details of the remuneration paid to Directors and members of senior management by band for the year 31 December 2017 are disclosed in notes 8 and 9 to the consolidated financial statements.

Attendance of the Remuneration Committee during the relevant year is set out below:

Members	**No. of Meetings attended/ No. of meeting held**
Li Liangwen *(Chairman)*	1/1
Zhang Jun (resigned on 27 December 2017)	1/1
Zhang Liqing	1/1
Chen Wei (appointed on 27 December 2017)	0/0*

NOMINATION COMMITTEE

As at 31 December 2017, the Nomination Committee comprises three members including two Independent Non-Executive Directors, namely Mr. Zhang Liqing (the Chairman), Mr. Ding Donghua and Mr. Li Liangwen.

It is responsible for reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the required blend of skills, knowledge and experience. Meetings of the Nomination Committee shall be held at least once a year.

The Board has adopted the Board Diversity Policy. The Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and length of service. All appointments of directors will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

* It refers to number of Board meetings held during her tenure.

During the year ended 31 December 2017, there were three meetings held by the Nomination Committee to (i) review the structure, size and composition of the Board; (ii) nominate three Directors for re-election at the 2017 annual general meeting; (iii) assess the independence of Independent Non-Executive Directors with reference to the requirements under the Listing Rules; and (iv) review biographies of the candidates who would be appointed as new Directors of the Company and made recommendation to the Board on the candidates nominated for directorship.

Attendance of the Nomination Committee during the relevant period is set out below:

Members	**No. of Meetings attended/ No. of meeting held**
Zhang Liqing *(Chairman)*	3/3
Ding Donghua	3/3
Li Liangwen	3/3

AUDIT COMMITTEE

As at 31 December 2017, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Hung Ka Hai Clement, Mr. Zhang Liqing and Mr. Li Liangwen.

The Audit Committee is responsible for reviewing the Group's financial statements, overseeing the Group's financial reporting and risk management, internal control procedures, and making recommendations to the Board. None of the members of the Audit Committee is a member of the former or existing auditors of the Company. The Audit Committee has adopted the principles set out in the CG Code. Meetings of the Audit Committee shall be held at least twice a year.

The Audit Committee has access to and maintains an independent communication with the external auditors and the management to ensure effective information exchange on all relevant financial accounting matters. During the year ended 31 December 2017, there were two meetings held by the Audit Committee to (i) review the work done by external auditors, the relevant fees and terms of engagement, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance; (ii) review and discuss with the auditor the audited financial statements and the unaudited interim financial statements, with recommendations to the Board for approval; (iii) review the internal control system covering financial, operational, procedural compliance and risk management functions; and (iv) consider the independence of auditors, review the auditor's remuneration and recommend to the Board the auditor's re-appointment.

The Chairman of the Audit Committee, Mr. Hung Ka Hai Clement, possesses appropriate professional qualification in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules.

Attendance of the Audit Committee during the relevant year is set out below:

Members	No. of Meetings attended/ No. of meeting held
Hung Ka Hai Clement *(Chairman)*	2/2
Zhang Liqing	2/2
Li Liangwen	2/2

STRATEGY COMMITTEE

The Company established on 27 December 2017 a Strategy Committee. As at 31 December 2017, the Strategy Committee comprised two Executive Directors, Ms. Chen Wei and Mr. Liu Xiaopeng, and two Independent Non-executive Directors, Mr. Wan Jianhua and Mr. Li Liangwen. The Strategy Committee is chaired by Mr. Wan Jianhua.

The principal duties of the Strategy Committee include drawing up long-term development strategies and significant investments on financing plans of the Company, proposing capital investment for operation projects, and conducting studies and making recommendations on important matters that would affect the development of the Company.

EXTERNAL AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the total remuneration for the services provided by the external auditors amounted to approximately RMB3,850,000.

For the year ended 31 December 2017, the total remuneration for the audit services provided by Ernst & Young for the year ended 31 December 2017 amounted to approximately RMB1,002,000. The total remuneration for the permissible non-audit services provided by the external auditors amounted to approximately RMB2,848,000, analyzed into (1) approximately RMB416,000 for the review of the interim financial report of the Group, and (2) approximately RMB2,432,000 for reporting accountant services for the financial information of Tianjin Guanchuang Mei Tong Electronic Commerce Limited and its subsidiaries and the unaudited pro forma financial information of the enlarged Group, which has been included in the circular of the Company dated 29 June 2017.

The re-appointment of Ernst & Young as auditor of the Company has been recommended by the Audit Committee and endorsed by the Board and is subject to approval of the shareholders of the Company at the forthcoming annual general meeting.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2017, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

The Directors acknowledge their responsibility to prepare the financial statements as set out on pages 79 to 163 of this Annual Report. The statement of the external auditors about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 73 to 78 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to maintain effective risk management and internal control systems of the Company in order to manage rather than eliminate risks of failure to achieve business objectives, and to provide reasonable but not absolute assurance against material misstatement or loss.

During the year ended 31 December 2017, the Company implemented various policies and procedures for internal audit and risk management at each aspect of its operation. The internal audit department monitors compliance with policies and procedures and the effectiveness of risk management and internal control structures across the Group and its principal divisions.

The Board had conducted an annual review on the systems of internal control and risk management of the Company. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Based on the assessment made by the management of the Group, it is considered that the Group's internal control and risk management systems are effective and adequate for its present requirements, but areas of improvement have been identified and appropriate measures have been put in place to manage the risks. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthening the Company's control environment and processes.

During the year ended 31 December 2017, the Company formulated policy and procedural guidelines for the disclosure of inside information. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information (as defined under the SFO). Also, the Company keeps Directors, senior management and employees appraised of the latest regulatory updates.

SHAREHOLDERS' RIGHTS

Procedures for convening a special general meeting

Shareholders shall have the right to request the Board to convene a special general meeting of the Company. Shareholders holding in aggregate of not less than one-tenth of the paid up capital of the Company may send a written request to the Board of the Company to request for special general meeting.

The written requisition, duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the Company's head office and principal place of business in Hong Kong at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong or at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act") once a valid requisition is received.

Procedures for shareholders to put forward proposals at general meetings

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

(a) any number of members representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or

(b) not less than 100 members holding shares in the Company.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the Company's head office and principal place of business in Hong Kong at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong or at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act once valid documents are received.

If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should follow the "Procedures for shareholders to propose a person for election as a Director", which can be found on the website of the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send in their enquiries and concerns to the Board in writing via the following channel:

The Board of Directors/Company Secretary
Gome Finance Technology Co., Ltd.
Suite 2912, 29th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

Shareholders may also make enquiries with the Board at general meetings of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company established a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. The Board is committed in providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to shareholders, additional information of the Group is also available to shareholders on the website of the Company.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The chairman of the Board and Directors are available to answer questions on the Group's business at the meeting. Subject to the Bye-laws, all shareholders shall have statutory rights to call for special general meetings and put forward agenda items for consideration in the general meetings. All resolutions at the general meeting are decided by a poll.

The Group values feedback from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

CONSTITUTIONAL DOCUMENTS

The Company did not have any changes in the constitutional documents during the year ended 31 December 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group provides effective, convenient and quality financial services to customers under the vision of "using innovation to promote the development of technology and using technology to drive financial reform". Stable environmental, social and governance (ESG) performance has a significant meaning on the Group's sustainable development and the creation of value for its shareholders. Therefore, the Group focuses on fulfilling corporate social responsibility, paying attention to employees' development and closely following sustainable development while actively promoting our financial performance, so as to achieve economic, environmental and social sustainability.

Communication with Stakeholders

The Company attaches great importance to its communication with stakeholders. Through the development of effective communication platforms, the Group strives for open and diversified communication channels to understand concerns of internal and external stakeholders like customers, shareholders, government, regulatory authorities and employees, and provide timely feedbacks.

Stakeholders	Expectations and Requirements	Methods of Communications and Feedback
Customers	Quality service Address customers' concerns timely Open communication channels	Regular communication Complaint mechanism Customer feedback
Government	Proper tax payment Promoting economic development Inclusive finance Promoting employment Financial risk management Performance of social responsibility	Files submission Advices and suggestions Reports on special projects Conferences Government visit receptions
Regulatory Authorities	Compliance in operation Comprehensive risk management Performance of social responsibility Information disclosure	Regular reports Participating in industry conferences Regular reports Company announcements
Shareholders and Investors	Sustainable and stable investment return Information disclosure Compliance in operation	General meetings Regular reports Company announcements Reports on special projects Investor relations enquiry hotline and mailbox Official Company website Roadshows and information dissemination channels

Stakeholders	Expectations and Requirements	Methods of Communications and Feedback
Employees	Legal rights Remuneration and welfare Occupational health Career development Humanistic care	Internal website Internal training Performance communication mechanism Employee care activities
Suppliers/Business associates	Openness and fairness Integrity and honesty Contract execution	Open tender Arm's length negotiation Regular evaluation
Industry	Industry interactions Compliance with standards	Participation in industry forums and conferences Visits and inspections with industry peers
Community	Boosting regional development Supporting community welfare	Fitting in the community Employees' participation

Material Issues and Matrix

To enhance the specificity and responsiveness of the report, the Group, pursuant to the requirements by *Environmental, Social and Governance Reporting Guide* of the Hong Kong Stock Exchange, specifically identifies ESG issues related to the Group in 2017 through various forms, such as the investigation of material issue disclosures of industry peers, discussions by the Management on specific issues, receiving opinions from external experts and collection of feedbacks from stakeholders, so as to address the concerns of stakeholders.

Selection Process for Environmental, Social and Governance Issues
Source of issues
– Suggestions made by the management team – Analysis and suggestions made by internal and external experts – Analysis of information from various medium – *Environmental, Social and Governance Reporting Guide* of the Hong Kong Stock Exchange – Study on standards conducted by peers in domestic and overseas environment – Conferences of the industry leaders
Standards of selection
– Contribution to sustainable development – General issues of concern to stakeholders – Key contents form related guides on sustainable development – Alignment with the Group's strategic development needs

Results of Materiality Analysis

Performance of Product Responsibilities and Provision of High-Quality Services

The Group is committed to serve the real economy under the vision of "using innovation to promote the development of technology and using technology to drive financial reform", and to promote development of small and medium enterprises through our financial services. The Group focuses on product innovation and technological application, incorporating technologies like Internet and big data into product research and development and internal management, so as to protect customer information security through information technology, enhance quality of customer service and fully perform our product responsibilities. Facilitating the Development of Inclusive Finance.

Facilitating Inclusive Finance

Supply chain finance plays an important role in serving the real economy and promoting the development of small and medium enterprises, as well as in promoting supply-side reformation.

In 2017, the Group leveraged on financial technology means such as big data and artificial intelligence to provide convenient financial services to different types of enterprises and suppliers of GOME Home Appliance across the country and provided liquidity financing to enterprises in a timely manner to solve their liquidity problems. Through the provision of financial services to more small and micro enterprises, the development of small and micro enterprises can be further enhanced and thus the development of inclusive finance is facilitated.

Case: Account Cloud Loan – Capital solutions with all procedures online

Account Cloud Loan is based on the receivables of upstream suppliers of GOME Home Appliance and adopts the pattern of free application, grant, settlement and repayment within the loan facility, providing highly efficient capital solutions for customers, of which the procedures could all be completed online. It can effectively help the upstream members in GOME Group industry chain to vitalize their current assets and solve their short-term funds demand of the enterprises.

Innovation of Financial Technologies

The Group is committed to creating financial products which are more competitive, customer-friendly and convenient to use. In 2017, with big data and cloud platform as the focus of our technological research and development, the Group rolled out core technologies including TMH and NCM. They allow smooth user experience and provide personalized and extended solutions. Meanwhile, under the guarantee of the big data technology, the Group makes use of automation technologies to automatically generate post-loan management plans and implements them automatically. This improves customer experience and at the same time safeguards their information security to the greatest extent.

Case: NCM – A risk control management monitoring system driven by big data

NCM is a risk control management monitoring system driven by big data. Through establishing the technology modules like machine learning and information mining, the securing of clients, as well as the pre-loan, loan-in-progress and post-loan processes can be accurately monitored. The risk control management processes can be completed automatically by the module.

Customer Service and Information Security

The Group has always placed customer service and customers' information security in its first place. By utilizing internet technologies, the service quality and customers' information security can be safeguarded. The Company is committed to providing highly efficient, convenient, quality and safe financial services to its customers.

The Group has a well-designed customer communication mechanism. Customers can make complaints and feedbacks through channels like customer managers. In 2017, the Group has received no complaint from customers. At the same time, the Group sends customer care information, such as holiday greetings and weather changes reminders, to customers periodically to provide convenience to its customers.

Safeguarding customers' information security is the most crucial work of the Group's daily operation. As a financial technology company relying on information technology, the Group strictly manages customers' information and protect customers' privacy. The Group incorporates customer information security into its daily information management system, protects customer information to the greatest extent through setting up hierarchical authorities and adopting encryption technologies, etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Integrity in Operation

The Company strictly abides by the related laws and regulations such as the *Anti-unfair Competition Law of the People's Republic of China* and the regulations of the State Administration of Industry and Commerce *Temporary Provisions on Commercial Bribery Prohibition*. The Company is committed to establish a clean, open and transparent company culture and demands employees to follow the relevant laws and regulations and corporate rules to avoid the possible illegal behaviors. There were no lawsuits brought by corruption, bribery and money laundering during the reporting period.

Suppliers management

The Group strictly abides by *The Bidding Law of The People's Republic of China* (中華人民共和國招標投標法) and the *Implementation Regulations for Bidding Law of the People's Republic of China* (中華人民共和國招標投標法實施條例) and related laws, and stipulates a *Supplies Purchase Ordinance* (採購管理規則) internally, regulating suppliers purchasing processes and giving adequate consideration to the social and environmental risks of the supplier. At the same time, the Group actively participates in communication activities with business partners to facilitate development in the industry.

Promoting Green Office to Put Low-Carbon Environmental Conservation in Practice

The Group upholds the principle of "environmental protection starts from trivial matters". It actively takes up the responsibility of protecting the environment and strictly abides by the laws and regulations of the *Environmental Protection Law of the People's Republic of China*. During the reporting period, the Group did not have any litigation and corresponding penalties arising from environmental violations.

Energy Saving and Emissions Reduction

The Group has been advocating the philosophy of green operation. In 2017, the Group rolled out a series of measures like "paperless office", "reuse of office supplies", "regular recycling of consumables" and "environmentally-friendly printing" to conserve resources, enhancing its working efficiency and conservation of resources. Meanwhile, environmentally-friendly reminders about saving paper and water are posted in a number of areas working areas of the Company, reminding employees to sophisticatedly implement the philosophy of green office into daily operation.

The Group places emphasis on promoting the philosophy of being low-carbon and environmentally friendly. In 2017, a volunteer committee responsible for making sure that electronical facilities in the working area are switched off after office hours was established. At the same time, the administrative department conducts irregular inspections to check whether drinking water machines, computers, lightings, etc. in the working area are switched off. This is to ensure that all electronical facilities in the working area are switches off, so that power loss can be minimized, and useful lives of facilities can be extended.

Resources Utilization	Usage in 2017
Paper	0.137 tonnes
Municipal water use	Approximately 1,300 tonnes
Electricity	19,726 kilowatt hours
Purchased heat	311 gigajoules

Case: Stair climbing competition to deepen employees' understanding towards low-carbon lifestyle

The Group held a stair climbing competition in December 2017 to advocate an environmentally-friendly and healthy lifestyle. Participants were required to climb up the stairs from 1st floor to 36th floor. The competition was divided into "competition group" and "leisure group". The time limit for competition group was 25 minutes while that of leisure group was 40 minutes. Participants who reached the finishing point within the time limit were awarded prizes. The activity received a lot of interest and support from employees.

Emissions Management

As a financial company, the Group's related business does not include high energy consuming or high pollution projects, and its own operation has little impact on the environment. However, the Group still conscientiously complies with relevant laws and regulations to apply a standardized management of emissions to minimize our impact in operation on the environment. During the reporting period, the Group has used a very limited number of ink cartridges, toner cartridges, light tubes and batteries. Such type of wastes has been handed over to the property company for recycling and has been treated properly.

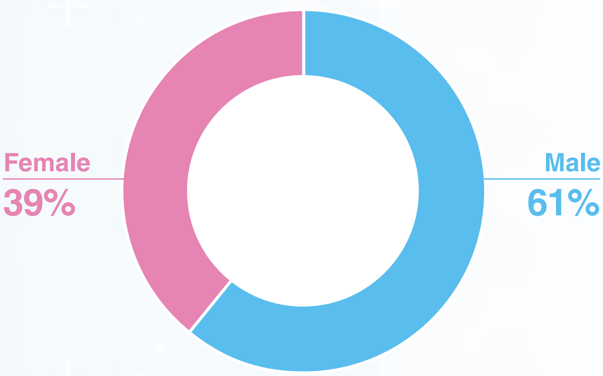
Growing Together with Employees to Create a Pleasant Community

Employees are the cornerstone for the rapid development of GomeFinTech. The Group has always strived to respect and safeguard the legal rights of employees. We provide good remuneration and welfare package to help boost employees' competitiveness and provide a comfortable working environment, so as to give each employee a wide career platform and room for development.

Fair Employment

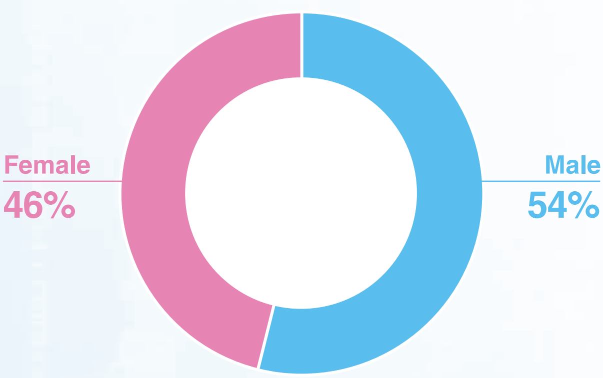
The Group advocates the recruiting principles of open employment, fair competition, selecting of candidates according to job posts and meritocracy. The Group is in strict accordance with the laws and regulations relating to employment in the *Labor Law of the People's Republic of China, the Labour Contract Law and the Trade Union Law*. Its has entered into labour contracts with all employees. The Group adopts no tolerance in all forms of discrimination regarding gender, ethnicity, age, political affiliation in matters including recruitment process, remuneration system, training mechanism and promotion gateway. This is to guarantee that all employees enjoy fair and open working opportunities and to safeguard the legal rights of its employees to the greatest extent. GomeFinTech promises not to employ child labour, and not to force employees to work using any forms. As at the end of December 2017, the Group has a total of 76 incumbent employees.

Percentage of Employees by Gender



Percentage of Employees by Age

Employee Turnover Rate by Gender



Employee Turnover Rate by Age

Training and Development

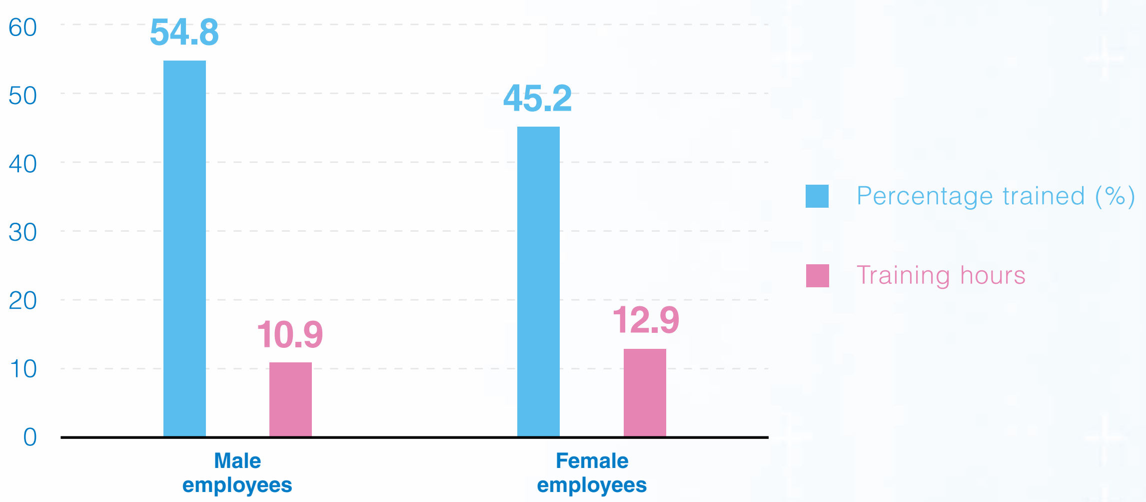
Talent is the core competitiveness of every company. The Group has formulated the *Training Management Measures* and *Training Fee Management Measure* to satisfy employees' demand for training., and provided a variety of diversified training courses to employees of different levels.

Training for new employees: Training includes company introduction, system introduction, compliance training and related disciplines.

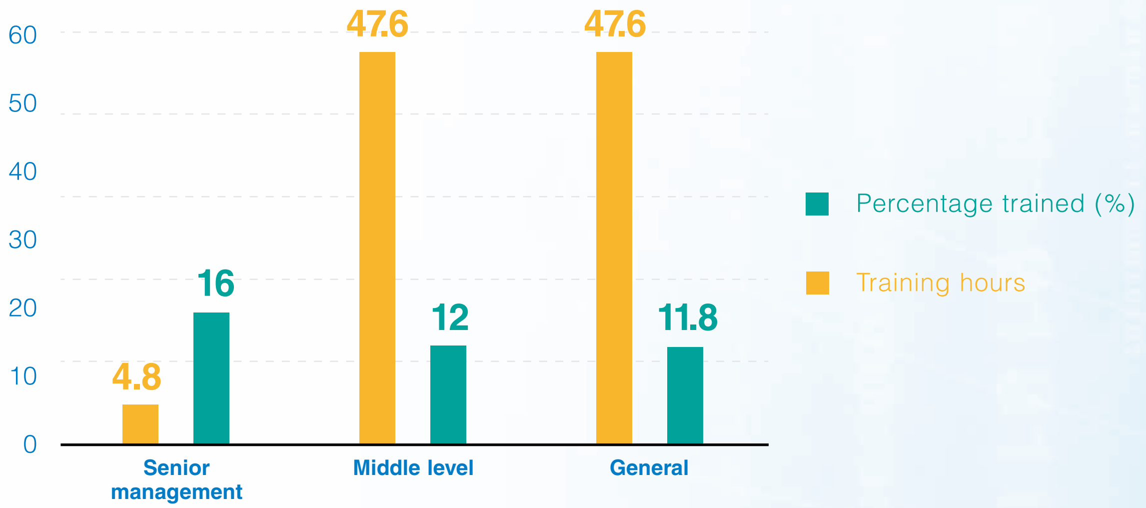
Training in technology management: The Company provides management course training with different themes every month for core management personnel of the IT technologies.

Outward bound training: Outward bound trainings are organised regularly for all employees. Employees' communication and team cohesiveness can be enhanced through various interactive events.

Training data by Gender



Percentage trained (%) Training hours



Promotion of Employees

The Group provides different and clear career development path for employees of different levels under the premise of fulfilling the Group's strategies and employees' demand for development, as well as the principle of utilizing talents to the optimum.

To provide employees with better and more appropriate career development, the Group has two rank systems: the professional hierarchy and managerial hierarchy. According to employees' working experience, knowledge, skills and other factors, the Group identifies the hierarchy and rank which the employees is positioned in, as well as the corresponding salary standard. Every half a year, the Group initiates its remuneration adjustment and employee promotion procedures based on the Company's internal promotion procedures and with reference to the employees' appraisal results, so as to ensure that all employees have enjoyed fair and smooth promotion opportunities.

Employee Care

While preparing favourable terms for its employees, the Group also works hard to provide a more comfortable working environment for employees, and actively carry out all types of care activities in hopes of improving employees' happiness index.

The Group pays contributions for its employees' pension insurance, medical insurance, unemployment insurance, occupational injury insurance, maternity insurance, housing provident fund and supplementary health insurance. Employees can enjoy statutory holidays according to national policies and related laws and regulations. Apart from providing competitive remuneration competition within the industry in accordance with market principles, the Group also provides employees with diversified welfare policies such as holiday gifts, employees' birthday parties and afternoon tea. The Group has set up employee activity rooms in the working area, and organised all kinds of activities irregularly to enrich employees' work life. In addition, the Company has also decorated a cosy baby care room for breastfeeding working females.

Case: Afternoon interest group – flower arranging activity

On 4 September 2017, the Company employed a professional florist and held a flower arranging activity in the company. Under the guidance of the florist, every participating employee created his/her exclusive flower arrangement according to his/her preference. They placed their works in their seats, filling their seats with aroma of the flowers. It has not only beautified the working environment, but also delighted its viewers.

Case: Chinese medicine consultation in office

Office workers have a high risk of suffering from sub-health conditions. In 4–8 September 2017, the Company cooperated with Dongzhimen Hospital of Chinese Medicine in Beijing, inviting outstanding senior physicians to provide diagnostic services in the office building GomeFinTech. The physicians provided pulse inspection, cervical inspections, cupping and scraping, as well as health conditioning for the employees. Employees were highly enthusiastic about the activity. Not only did the employees received prompt diagnosis and conditioning, they also received much heath and conditioning advice from the physicians.

The Group pays high attention to employees' physical and mental health. In 2017, the Group bought a large quantity of indoor plants and air purifiers and installed new ventilation system in the working area to improve air quality of the working area, and to enhance comfort of the working environment. At the same time, the Group makes sure drinking water machines are cleaned and disinfected regularly and carpets are cleaned and disinfected regularly to ensure hygiene and cleanliness of the working area.

Community Charity

While creating economic value, the Group never forgets to contribute to the society and actively fulfill corporate social responsibilities. Since its establishment, the Group has actively responded to the charity promotion of the Gome Group, and has also actively encouraged employees to participate in all sorts of charity activities, for instance social service, caring visits, voluntary blood donation, etc.

Building a better working world

To the shareholders of Gome Finance Technology Co., Ltd.
(Formerly known as Sino Credit Holdings Limited)
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Gome Finance Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 163, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 31 December 2017, 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 matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements, as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade and loans receivables	
The assessment of impairment of trade and loans receivables to customers involves significant judgement. The Group adopts the individual impairment assessment approach for individually significant trade and loans receivables; and the collective impairment assessment approach for trade and loans receivables not individually significant or not individually impaired. Under the collective approach, assessment of future cash flows for trade and loans receivables portfolios is based on historical loss experience of trade and loans receivables with similar credit risk characteristics, with adjustments based on the impact from changes of and uncertainties in macro-economic environment. The future cash flows of loans without collateral or guarantees, or loans that are not adequately collateralised, are subject to higher uncertainties. Since trade and loans receivables impairment assessment involves judgements and assumptions, and in view of the significance of the amount (as at 31 December 2017, gross trade and loans receivables amounted to approximately RMB427,439,000, and impairment of trade and loans receivables amounted to approximately RMB15,845,000), we consider it a key audit matter. Relevant disclosures are included in note 3, note 16 and note 31.	We evaluated and tested the effectiveness of design and implementation of key controls relating to trade and loans receivables, including relevant data quality involved. We performed detailed procedures on the individually significant trade and loans receivables portfolios and the collective trade and loans receivables portfolios, and assessed the loan related data and tested the assumptions used in the valuation models. We further focused on the adequacy of the Group's disclosures regarding the provision for impairment of trade and loans receivables and the related risks such as credit risk, liquidity risk and the aging of the trade and loans receivables. We checked relevant disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Related party transactions and disclosures	
A significant amount of revenue in the Group's financial statements was a result of transactions with related parties, including providing factoring service to the suppliers of Gome Electrical Appliances Holding Limited which are significantly influenced by a close member of beneficial controlling person of the Group. Related party relationships, particularly those not on arm's length terms, may affect financial performance of the Group. The carrying amount of trade and loans receivables included an amount of RMB38,168,000 commercial factoring receivables, representing 9% of total gross trade and loans receivables, due from related companies in which the beneficial controlling person's related parties has controlling interests as at 31 December 2017. Relevant disclosures are included in note 31.	We evaluated the management's process for identifying and recording related party transactions. We read contracts and agreements with related parties to understand the nature of the transactions, compared the terms of related party transactions to terms of arm's length transactions and performed revenue cut-off testing at year-end. We kept professional scepticism on revenue from related party transactions. We checked related party disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Derecognition of financial assets	
The Group entered into an agreement on transfer of creditor's rights (the "Agreement") and transferred certain trade and loans receivables to a factoring company, which involves the management's judgement upon whether the derecognition should be applied to part of a financial asset or the financial asset in its entirety, as well as the evaluation of whether, and to what extent, derecognition is appropriate. Considering the significant impact and the usage of judgement and subjective estimation by the management in relation to accounting treatment, we treated derecognition of financial assets as a key audit matter. During the year ended 31 December 2017, the trade and loans receivables amounting approximately RMB719,960,000 had been derecognised by the Group (for the nine months ended 31 December 2016: Nil). Relevant disclosures are included in note 3 and note 32.	Our audit procedures included obtaining and reviewing related contracts and agreements, mainly including the nature and purpose of the financial assets transferred, the Group's exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows of the transferred assets, as well as whether the Group had retained the control of the transferred assets. We checked relevant disclosures in the consolidated financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 the directors 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. 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 judgement and maintain professional scepticism 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 the Audit Committee 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 the Audit Committee 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, related safeguards.

From the matters communicated with the Audit Committee, 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 this independent auditor's report is Ng Chi Keung.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**For the year ended 31 December 2017 RMB'000**	For the nine months ended 31 December 2016 RMB'000 (Restated)
Revenue	5	**73,807**	35,500
Other income and gains/(losses)	5	**30,054**	(3,193)
Administrative expenses		**(55,579)**	(33,770)
Reversal of/(provision for) impairment loss on trade and loans receivables	16	**12,414**	(16,374)
Finance costs	7	**(35,782)**	(9,263)
Profit/(loss) before tax		**24,914**	(27,100)
Income tax expense	10	**(3,190)**	(4,428)
Profit/(loss) for the year/period		**21,724**	(31,528)
Attributable to:			
Owners of the Company		**21,724**	(31,528)
Earnings/(loss) per share attributable to ordinary equity holders of the Company	12		
Basic and diluted			
For profit/(loss)for the year/period		**RMB0.80 cents**	RMB(2.08) cents

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the year ended 31 December 2017

	Notes	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Profit/(loss) for the year/period		**21,724**	(31,528)
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of overseas operations		**(92,748)**	51,348
Other comprehensive income for the year/period, net of tax		**(92,748)**	51,348
Total comprehensive income for the year/period		**(71,024)**	19,820
Attributable to:			
Owners of the Company		**(71,024)**	19,820

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Non-current assets			
Trade and loans receivables	16	**56,720**	–
Property, plant and equipment	13	**1,893**	2,800
Goodwill	14	**–**	–
Other intangible assets	15	**17,702**	22,814
Deferred tax assets	24	**595**	781
Total non-current assets		**76,910**	26,395
Current assets			
Trade and loans receivables	16	**353,640**	963,966
Prepayments, deposits and other receivables	17	**605,071**	27,450
Notes receivable	18	**–**	26,835
Pledged deposits for bank loans	19	**831,464**	665,996
Cash and cash equivalents	19	**708,401**	789,683
Total current assets		**2,498,576**	2,473,930

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Current liabilities			
Trade payables	20	**11,730**	24,550
Other payables and accruals	21	**37,822**	16,264
Tax payables		**4,274**	4,802
Interest-bearing bank and other borrowings	22	**776,000**	636,573
Total current liabilities		**829,826**	682,189
Net current assets		**1,668,750**	1,791,741
Total assets less current liabilities		**1,745,660**	1,818,136
Non-current liabilities			
Bonds issued	23	**26,635**	28,087
Total non-current liabilities		**26,635**	28,087
Net assets		**1,719,025**	1,790,049
Equity			
Equity attributable to owners of the Company			
Share capital	25	**230,159**	230,159
Reserves	27	**1,488,866**	1,559,890
Total equity		**1,719,025**	1,790,049

Approved and authorised for issue by the board of directors on 29 March 2018.

Ding Donghua
Director

Liu Xiaopeng
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Notes	Attributable to owners of the Company									
			Reserves								
		Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserves RMB'000	Revaluation reserves RMB'000	Share option reserves RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total reserves RMB'000	Total equity RMB'000
At 31 December 2016 (as previously reported)		230,159	1,944,601	520,838	87,072	603	9,263	15,178	(1,016,535)	1,561,020	1,791,179
Business combination involving entities under common control	2.1	–	–	–	–	–	–	–	(1,130)	(1,130)	(1,130)
At 1 January 2017 (restated)		230,159	1,944,601	520,838	87,072	603	9,263	15,178	(1,017,665)	1,559,890	1,790,049
Profit for the year		–	–	–	–	–	–	–	21,724	21,724	21,724
Exchange differences on translation of overseas operations		–	–	–	–	–	–	(92,748)	–	(92,748)	(92,748)
Total comprehensive income for the year		–	–	–	–	–	–	(92,748)	21,724	(71,024)	(71,024)
Equity-settled share option arrangements	26	–	–	–	–	–	(9,263)	–	9,263	–	–
At 31 December 2017		230,159	1,944,601	520,838	87,072	603	–	(77,570)	(986,678)	1,488,866	1,719,025

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the nine months ended 31 December 2016

		Attributable to owners of the Company									
			Reserves								
	Notes	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserves RMB'000	Revaluation reserves RMB'000	Share option reserves RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total reserves RMB'000	Total equity RMB'000
At 1 April 2016		51,989	765,197	520,838	87,072	603	16,737	(36,170)	(992,327)	361,950	413,939
Loss for the period		–	–	–	–	–	–	–	(31,528)	(31,528)	(31,528)
Exchange differences on translation of overseas operations		–	–	–	–	–	–	51,348	–	51,348	51,348
Total comprehensive income for the period		–	–	–	–	–	–	51,348	(31,528)	19,820	19,820
Issue of shares	25	178,170	1,193,741	–	–	–	–	–	–	1,193,741	1,371,911
Transaction costs of issuing shares	25	–	(14,337)	–	–	–	–	–	–	(14,337)	(14,337)
Equity-settled share option arrangements	26	–	–	–	–	–	(7,474)	–	7,474	–	–
Business combination involving entities under common control	2.1	–	–	–	–	–	–	–	(1,284)	(1,284)	(1,284)
At 31 December 2016 (Restated)		230,159	1,944,601	520,838	87,072	603	9,263	15,178	(1,017,665)	1,559,890	1,790,049

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Cash flows from operating activities			
Profit/(loss) before tax:		**24,914**	(27,100)
Adjustments for:			
Bank interest income	5	**(16,538)**	(1,559)
Finance costs	7	**35,782**	9,263
Fair value loss on financial assets at fair value through profit or loss	5	**–**	5,432
Impairment of other assets		**–**	10,353
(Reversal of)/provision for impairment loss on trade and loans receivables	16	**(12,414)**	16,374
Depreciation	13	**1,639**	1,377
Amortisation of intangible assets	15	**5,112**	2,711
Software maintenance	6	**2,900**	1,633
Exchange (gain)/loss	5	**(11,747)**	1,093
Gain from acquisition of a subsidiary		**–**	(989)
Investment Income	5	**(1,578)**	–
Disposal of property, plant and equipment		**5**	–
		28,075	18,588
Decrease/(increase) in trade and loans receivable		**565,796**	(151,133)
(Increase)/decrease in prepayments, deposits and other receivables		**(579,901)**	8,341
Decrease in note receivable		**26,835**	–
Increase in pledged deposits for bank loans		**(216,375)**	(665,996)
Increase in trade payables		**28,181**	6,946
Increase/(decrease) in other payables and accruals		**21,558**	(20,301)
Cash used in operations		**(125,831)**	(803,855)
Income tax paid		**(3,980)**	(2,567)
Interest paid		**(38,683)**	(7,594)
Net cash used in operating activities		**(168,494)**	(813,716)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2017

	Notes	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Cash flows from investing activities			
Interest received		**16,538**	1,559
Investment income	5	**1,578**	–
Purchases of property, plant and equipment	13	**(780)**	–
Net cash outflow on acquisition of a subsidiary		**–**	(31,566)
Proceeds from disposal of equity investments at fair value through profit or loss		**–**	17,775
Purchase of other intangible assets		**–**	(10,000)
Net cash inflow of combination of subsidiaries		**–**	113
Net cash generated from/(used in) investing activities		**17,336**	(22,119)
Cash flows from financing activities			
Proceeds from issue of shares		**–**	1,371,911
New borrowings		**1,189,075**	209,223
Repayment of borrowings		**(1,049,648)**	–
Interest and other finance charges paid		**(37,661)**	(9,739)
Transaction costs of issuing shares		**–**	(14,337)
Net cash generated from financing activities		**101,766**	1,557,058
Effect of foreign exchange rate changes		**(31,890)**	48,496
Net (decrease)/increase in cash and cash equivalents		**(81,282)**	769,719
Cash and cash equivalents at beginning of year/period		**789,683**	19,964
Cash and cash equivalents at end of year/period	19	**708,401**	789,683
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**708,401**	789,683

The accompanying notes form an integral part of these consolidated financial statements.

1 CORPORATE AND GROUP INFORMATION

Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited) (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "HKEx"). The principal place of business in Hong Kong is located at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The Company's holding company and ultimate holding company is Swiree Capital Limited, a company incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise commercial factoring, financial leasing, pawn business and financial consultancy services in the Mainland China and money lending services in Hong Kong.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 6 February 2017, the name of the Company was changed from "Sino Credit Holdings Limited" to "Gome Finance Technology Co., Ltd.". The name change of the Company became effective on 15 February 2017.

1 CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct (%)	Indirect (%)	Principal activities
Ability Wealth Holdings Limited*	British Virgin Islands	HKD390,000 Ordinary	100	–	Investment holding
Best Review Investments Limited*	British Virgin Islands	USD1 Ordinary	100	–	Investment holding
Pure Profit Holdings Limited*	Hong Kong	HKD1 Ordinary	–	100	Money lending
Greater China Leasing Limited*	Hong Kong	HKD39,300,001 Ordinary	–	100	Investment holding
Guangdong Juqian Leasing Limited*@	Mainland China	HKD156,000,000 Registered capital	–	100	Financial leasing
Guangdong Lido Pawnshop Co., Ltd. (Note)*@	Mainland China	RMB100,000,000 Registered capital	–	100	Pawn business
Guangzhou City Yuenqian Investment Consultancy Limited Liability Company*@	Mainland China	HKD750,000 Registered capital	–	100	Consultation service
Shenzhen City Qianhai Commercial Factoring Limited*@	Mainland China	RMB50,000,000 Registered capital	–	100	Commercial factoring
Shenzhen Qianhai Huayin Leasing Limited*@	Mainland China	RMB170,000,000 Registered capital	–	100	Financial leasing
Guangdong Hengshin Commercial Factoring Limited*@	Mainland China	RMB50,000,000 Registered capital	–	100	Commercial factoring
Gome Xinda Commercial Factoring Limited*@	Mainland China	RMB1,000,000,000 Registered capital	–	100	Commercial factoring
Tianjin Gome Financial Leasing Company Limited*@#	Mainland China	RMB500,000,000 Registered capital	–	100	Financial leasing

* The statutory/separate financial statements of these subsidiaries are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ These subsidiaries are registered as wholly-foreign-owned enterprises under the law of People's Republic of China ("PRC").

\# This subsidiary was acquired during the year ended 31 December 2017.

1 CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Note: Guangdong Lido Pawnshop Co., Ltd. is a domestic subsidiary of the Group with limited liability established in the PRC. The subsidiary is indirectly held by the Company through contractual arrangements by the registered owners of the subsidiary.

For the year ended 31 December 2017, the revenue subject to contractual arrangements was approximately RMB302,000 (for the nine months ended 31 December 2016: approximately RMB4,278,000). As at 31 December 2017, the total assets and the trade and loans receivables (net of provision of impairment loss) subject to the contractual arrangements amounted to approximately RMB103,268,000 and nil (as at 31 December 2016: approximately RMB106,244,000 and approximately RMB31,977,000).

For details of the contractual arrangements, please refer to the section of "Report of Directors" in the annual report.

On 31 January 2017, the Company obtained control over Tianjin Gome Financial Leasing Company Limited ("Tianjin Financial Leasing") through business combinations involving entities under common control. Further details of this acquisition are included in note 2.1.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year ended 31 December 2017 or formed a substantial portion of the net assets of the Group as at 31 December 2017. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Change of financial year end date

Pursuant to a resolution of the Board of Directors of the Company passed on 23 December 2016, the Company's financial year end date was changed from 31 March to 31 December in order to align with the financial year end date of the Company's principal operating subsidiaries established in the PRC whose accounts are statutorily required to be prepared with a financial year end date of 31 December. Accordingly, the current financial period covers a twelve-month period from 1 January 2017 to 31 December 2017. The comparative figures cover a nine-month period from 1 April 2016 to 31 December 2016, which may not be comparable with amounts shown for the current period.

2.1 BASIS OF PREPARATION (continued)

Change of presentation currency

Pursuant to a resolution of the Board of Directors of the Company passed on 23 December 2016, the Company's presentation currency was changed from the Hong Kong dollar ("HKD") to Renminbi ("RMB").

The Group's major transactions are denominated and settled in RMB. During the reporting period, the Group changes the currency in which it presents its consolidated financial statements from the HKD to RMB, in order to better reflect the underlying performance of the Group.

Restatement of prior period's consolidated financial statements due to business combinations involving entities under common control

On 24 January 2017, United Universal Limited, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Gome Home Appliances (H.K.) Limited and Gome Finance Holding Investment Co., Ltd. which are related parties ultimately controlled by a close member of the beneficial controlling person of the Group, to acquire 100% of the equity interest in Tianjin Financial Leasing at nil consideration. The Group obtained the control over Tianjin Financial Leasing on 31 January 2017.

Given that Tianjin Financial Leasing is under common control of the beneficial controlling person of the Group before and after the business combination, and that control is not temporary, the acquisition of Tianjin Financial Leasing is considered as a business combination involving entities under common control. Accordingly, the Group applied the principles of merger accounting to account for the acquisition of Tianjin Financial Leasing in preparing the consolidated financial statements of the Group.

By applying the principles of merger accounting, the consolidated financial statements of the Group also included the financial position, profit or loss and other comprehensive income and cash flows of Tianjin Financial Leasing as if it had been combined with the Group from the date when the common control was first established (i.e. 5 September 2016, when the Company became controlled by the beneficial controlling person). Comparative figures as at 31 December 2016 and for the nine months ended 31 December 2016 have been restated as a result of such. All intra-group transactions and balances have been eliminated on consolidation.

2.1 BASIS OF PREPARATION (continued)

Restatement of prior period's consolidated financial statements due to business combinations involving entities under common control (continued)

The quantitative impact on the consolidated financial statements is summarised below:

(i) The consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2016

	The Group for the nine months ended 31 December 2016 RMB'000 (Audited)	Tianjin Financial Leasing from 5 September 2016 to 31 December 2016 RMB'000	The Group for the nine months ended 31 December 2016 RMB'000 (Restated)
Revenue	34,608	892	35,500
Other income and (losses)/gains	(3,202)	9	(3,193)
Administrative expenses	(33,621)	(149)	(33,770)
Impairment loss on trade and loans receivables	(16,280)	(94)	(16,374)
Finance costs	(8,735)	(528)	(9,263)
Income tax expense	(4,452)	24	(4,428)
(Loss)/profit for the period	(31,682)	154	(31,528)
Exchange differences on translation of overseas operations	51,348	–	51,348
Total comprehensive income for the period	19,666	154	19,820

2.1 BASIS OF PREPARATION (continued)

Restatement of prior period's consolidated financial statements due to business combinations involving entities under common control (continued)

(ii) The consolidated statement of financial position as at 31 December 2016

	The Group at 31 December 2016 RMB'000 (Audited)	Tianjin Financial Leasing at 31 December 2016 RMB'000	The Group at 31 December 2016 RMB'000 (Restated)
Total non-current assets	26,371	24	26,395
Total current assets	2,446,216	27,714	2,473,930
Total non-current liabilities	28,087	–	28,087
Total current liabilities	653,321	28,868	682,189
Total equity	1,791,179	(1,130)	1,790,049

(iii) The consolidated statement of cash flows for the nine months ended 31 December 2016

	The Group for the nine months ended 31 December 2016 RMB'000 (Audited)	Tianjin Financial Leasing from 5 September 2016 to 31 December 2016 RMB'000	The Group for the nine months ended 31 December 2016 RMB'000 (Restated)
Cash and cash equivalents at beginning of period	19,964	–	19,964
Net cash (used in)/generated from operating activities	(814,830)	1,114	(813,716)
Net cash (used in)/generated from investing activities	(22,241)	122	(22,119)
Net cash generated from/(used in) financing activities	1,557,586	(528)	1,557,058
Effect of foreign exchange rate changes	48,496	–	48,496
Cash and cash equivalents at end of period	788,975	708	789,683

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are 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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKAS 7	*Disclosure Initiative*
Annual Improvements to HKFRSs 2014-2016 Cycle	*HKFRS 12 Disclosure of Interests in Other Entities*

Except for the amendments included in the Annual Improvements to HKFRSs 2014-2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and impact of the amendments are described below.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Clarification to HKFRS 9 Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
HK(IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements to HKFRSs 2014-2016 Cycle	*HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards*[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	*HKAS 28 Investments in Associates and Joint Ventures*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The Group has assessed the impact of this standard and expects that the standard will not have significant impact, when applied, on the consolidated financial statements of the Group.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. In HKFRS 9: (1) Investments in debt instruments are classified into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to profit or loss in the future. (2) The standard requires transition to an expected credit loss model from the incurred loss model. On initial recognition of these financial assets, the entity should recognise a loss allowance based on 12-month expected credit losses. If credit risk increases significantly subsequent to initial recognition, then the entity should recognise a loss allowance based on the lifetime expected credit losses for the financial instrument. The expected credit loss model is more forward-looking than the incurred loss model. (3) The new hedge accounting model aims to provide a better link among an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group will record an adjustment to its opening 1 January, 2018 retained earnings and OCI, to reflect the application of the HKFRS 9 in consolidation financial statement and will not restate comparative periods. The Group is in the process of assessing the impact of HKFRS 9 on the consolidated and separate financial statements of the Group and the Company respectively.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018. The Group has assessed the impact of this standard and expects that the standard will not have significant impact, when applied, on the consolidated financial statements of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019. The Group has assessed the impact of this standard and expects that the standard will not have significant impact, when applied, on the consolidated financial statements of the Group.

The HKICPA issued amendments to HKAS 40 in April 2017 to clarify that, to transfer to or from investment properties, there must be a change in use. A change in use would involve (i) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (ii) supporting evidence that a change in use has occurred. The amendments also re-characterised the list of circumstances in HKAS 40.57(a)-(d) as a non-exhaustive list of examples to allow for other circumstances to be accounted for as a transfer, as long as that change is supported by appropriate evidence. The amendments are effective for annual periods beginning on or after 1 January 2018. The Group has assessed the impact of the amendments and expects that the amendments will not have significant impact, when applied, on the consolidated financial statements of the Group.

The HKICPA issued HK(IFRIC)-Int 22 in June 2017 to address the exchange rate to be used in transactions that involve advance consideration paid or received in a foreign currency. The Interpretation is effective for annual periods beginning on or after 1 January 2018. The Group has assessed the impact of this Interpretation and expects that the Interpretation will not have significant impact, when applied, on the consolidated financial statements of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC)-Int 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of HKAS 12 and does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply this Interpretation from its effective date. The Group expects that applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss and other comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	33.3%
Furniture and fixtures	20% to 33.3%
Motor vehicle	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss and other comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Licences

Licences with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of profit or loss and other comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, cash and cash equivalents, notes receivable, trade and loans receivables, prepayments, deposits and other receivables, and pledged deposits for bank loans as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the consolidated statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, trade payables, other payables and accruals, bonds issued, interest-bearing bank and other borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

(b) Consultancy service fee income is recognised when the services are provided; and

(c) Dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are included in note 26.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss and other comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government (the "Mainland Scheme"). The subsidiaries are required to contribute a percentage of the basic salaries of its employees to the Mainland Scheme to fund their retirement benefit obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the Mainland Scheme is to pay the ongoing required contributions under the Mainland Scheme mentioned above. Contributions under the Mainland Scheme are charged to profit or loss as incurred as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Entities incorporated/registered in Mainland China determine RMB as their functional currency, while entities incorporated/registered outside Mainland China determine HKD as their functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss and other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year ended 31 December 2017.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade and loans receivables

The policy for provision for impairment of trade and loans receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Further details of which are included in note 16.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Due to the adjustment of the Group's business strategy, management plans to focus on factoring business, and has no active plan in developing the financing service business in Guangdong district in the next few years. The management recognised an impairment loss of approximately RMB5,697,000 during the nine months ended 31 December 2016. The carrying amount of goodwill at 31 December 2017 was nil (as at 31 December 2016: Nil). Further details are included in note 14.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss and other comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset. Further details are included in note 15.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 24.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the internal reports reviewed and used by executive directors for strategic decision making. The executive directors consider the business from a product and service perspective. Due to increasing focus on commercial factoring and finance lease services in the current period, the Group divides the financing services segment into commercial factoring services, finance lease services and other financing services segments to provide better assessment of segment performance. The comparative figures have been restated accordingly. Summary of details of the operating segments is as follows:

Operating segments	Nature of business activities
Commercial factoring services	Commercial factoring services in Mainland China
Finance lease services	Finance lease services in Mainland China
Other financing services	Pawn loan services, real estate-backed loan services, other loan services in Mainland China, and money lending services in Hong Kong

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that bank interest income, investment income, finance costs of bonds issued, exchange gain or loss as well as items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses, are excluded from such measurement.

Segment assets include all tangible and intangible assets, current assets with the exception of notes receivable and other corporate assets which are not allocated to an individual reportable segment. Segment liabilities include trade and other payables attributable to the activities of the individual segments, interest-bearing bank and other borrowings managed directly by the segments with the exception of other corporate liabilities which are unallocated to an individual reportable segment.

4 OPERATING SEGMENT INFORMATION (continued)

There are no intersegment sales or transfers among the segments.

	For the year ended 31 December 2017			
	Commercial factoring services RMB'000	Finance lease services RMB'000	Other financing services RMB'000	Total RMB'000
Segment revenue:				
Revenue from external customers	67,770	2,510	3,527	73,807
Segment results	13,264	(6,828)	7,346	13,782
Reconciliation:				
Investment income				1,578
Bank interest income				16,538
Finance costs				(8,290)
Exchange gain				11,747
Unallocated expenses				(10,441)
Profit before taxation				24,914
Taxation				(3,190)
Profit for the year				21,724

4 OPERATING SEGMENT INFORMATION (continued)

	At 31 December 2017			
	Commercial factoring services RMB'000	Finance lease services RMB'000	Other financing services RMB'000	Total RMB'000
Segment assets	723,095	528,490	145,910	1,397,495
Reconciliation:				
Unallocated assets				1,177,991
Total assets				2,575,486
Segment liabilities	795,121	31,016	2,254	828,391
Reconciliation:				
Unallocated liabilities				28,070
Total liabilities				856,461

	For the year ended 31 December 2017				
	Commercial factoring services RMB'000	Finance lease services RMB'000	Other financing services RMB'000	Unallocated items RMB'000	Total RMB'000
Other segment information:					
Depreciation and amortisation	1,971	1,263	3,516	1	6,751
(Reversal of)/provision for impairment loss on trade and loans receivables	(2,563)	786	(10,637)	–	(12,414)
Additions to non-current assets*	90	–	682	–	772

4 OPERATING SEGMENT INFORMATION (continued)

	For the nine months ended 31 December 2016 (Restated)			
	Commercial factoring services RMB'000	Finance lease services RMB'000	Other financing services RMB'000	Total RMB'000
Segment revenue:				
Revenue from external customers	14,648	2,750	18,102	35,500
Segment results	(3,307)	(3,837)	(9,490)	(16,634)
Reconciliation:				
Bank interest income				1,559
Fair value loss on financial assets at fair value through profit or loss				(5,432)
Finance costs				(1,868)
Exchange loss				(1,093)
Unallocated expenses				(3,632)
Loss before taxation				(27,100)
Taxation				(4,428)
Loss for the period				(31,528)

	At 31 December 2016 (Restated)			
	Commercial factoring services RMB'000	Finance lease services RMB'000	Other financing services RMB'000	Total RMB'000
Segment assets	1,466,141	380,869	222,925	2,069,935
Reconciliation:				
Unallocated assets				430,390
Total assets				2,500,325
Segment liabilities	646,851	30,158	4,737	681,746
Reconciliation:				
Unallocated liabilities				28,530
Total liabilities				710,276

4 OPERATING SEGMENT INFORMATION (continued)

	For the nine months ended 31 December 2016 (Restated)				
	Commercial factoring services RMB'000	Finance lease services RMB'000	Other financing services RMB'000	Unallocated items RMB'000	Total RMB'000
Other segment information:					
Depreciation and amortisation	1,142	947	1,993	6	4,088
Impairment loss on trade and loans receivables	3,929	2,339	10,106	–	16,374
Additions to non-current assets*	3,659	–	10,011	–	13,670

* Additions to non-current assets only include the additions to property, plant and equipment and the intangible assets during the year/period.

Geographical information

(a) *Revenue from external customers*

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Hong Kong	**1,740**	1,946
Mainland China	**72,067**	33,554
	73,807	35,500

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Hong Kong	**884**	1,061
Mainland China	**18,711**	24,553
	19,595	25,614

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets (continued)

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

Revenue of approximately RMB7,913,000 for the year ended 31 December 2017 (for the nine months ended 31 December 2016: RMB2,558,000) was interest income derived from commercial factoring loans receivables to a major customer.

5 REVENUE, OTHER INCOME AND GAINS/(LOSSES)

Revenue represents the interest income earned during the year/period.

An analysis of revenue, other income and gains/(losses) is as follows:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Interest income		
Commercial factoring loans	**67,770**	14,648
Finance lease receivables	**2,510**	2,750
Real estate-backed loans	**847**	4,017
Personal property pawn loans	**302**	4,268
Other loans receivables	**2,378**	9,817
	73,807	35,500
Other income		
Bank interest income	**16,538**	1,559
Others	**191**	1,773
	16,729	3,332
Other gains/(losses)		
Exchange gain/(loss)	**11,747**	(1,093)
Investment income	**1,578**	–
Fair value loss on financial assets at fair value through profit or loss	**–**	(5,432)
	13,325	(6,525)
	30,054	(3,193)

6 PROFIT/(LOSS) BEFORE TAX

The Group's profit or loss before tax is arrived at after charging/(crediting):

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):		
Wages and salaries	**17,356**	8,174
Retirement benefit scheme contributions	**1,586**	515
	18,942	8,689
(Reversal of)/provision for impairment loss on trade and loans receivables (note 16)	**(12,414)**	16,374
Legal and professional fees	**6,253**	1,806
Amortisation of intangible assets (note 15)	**5,112**	2,711
Minimum lease payments under operating leases	**4,700**	3,224
Auditor's remuneration	**3,850**	800
Software maintenance	**2,900**	1,633
Depreciation of property, plant and equipment (note 13)	**1,639**	1,377
Business taxes and other levies	**704**	243
Impairment of goodwill (note 14)	**–**	5,697
Impairment of intangible assets (note 15)	**–**	4,656

7 FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Interest expenses on:		
Bank and other borrowings	**33,255**	7,395
Bonds issued	**2,527**	1,868
	35,782	9,263

8 DIRECTORS' REMUNERATION

Directors' remuneration for the year/period, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000
Fees	**1,648**	682
Other emoluments:		
Salaries, allowances and benefits in kind	**1,348**	814
Pension scheme contributions	**150**	69
	1,498	883
	3,146	1,565

8 DIRECTORS' REMUNERATION (continued)

In prior years, certain directors were granted share options, in respect of their services to the Group under the share option schemes of the Company, further details are included in note 26. The fair value of such options, which was recognised in the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current period was included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000
Mr. Hung Ka Hai, Clement	**277**	47
Mr. Li Liangwen	**277**	89
Mr. Zhang Liqing	**277**	89
Mr. Wan Jianhua (note i)	**97**	–
Ms. Lee Shiow Yue (note ii)	**–**	60
Mr. Poon Wai Hoi, Percy (note ii)	**–**	60
Mr. Tang Chi Ho, Francis (note ii)	**–**	60
	928	405

8 DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2017				
Executive directors				
Mr. Liu Xiaopeng (note iii)	410	352	44	806
Mr. Ding Donghua	104	647	53	804
Mr. Zhang Jun (note iv)	102	349	53	504
Mr. Chung Tat Fun	–	–	–	–
Ms. Chen Wei (note v)	–	–	–	–
Non-executive director				
Ms. Wei Qiuli	104	–	–	104
	720	1,348	150	2,218

8 DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the nine months ended 31 December 2016				
Executive directors				
Mr. Chung Tat Fun	–	273	4	277
Mr. Chung Ho Chun	–	250	5	255
Mr. Ding Donghua	33	117	27	177
Mr. Zhang Jun	33	41	27	101
Mr. Huang Weibo	–	89	4	93
Mr. Fu Ear Ly	–	44	2	46
Non-executive directors				
Ms. Wong Yee Shuen, Regina	89	–	–	89
Mr. So Chak Fai, Francis	89	–	–	89
Ms. Wei Qiuli	33	–	–	33
	277	814	69	1,160

Notes:

(i) Mr. Wan Jianhua was appointed as an independent non-executive director on 26 August 2017.

(ii) Mr. Poon Wai Hoi, Percy, Ms. Lee Shiow Yue and Mr. Tang Chi Ho, Francis resigned as independent non-executive directors on 31 October 2016.

(iii) Mr. Liu Xiaopeng was appointed as an executive director on 26 August 2017.

(iv) Mr. Zhang Jun resigned as executive directors on 27 December 2017.

(v) Ms. Chen Wei was appointed as an executive director on 27 December 2017.

For the year ended 31 December 2017 and the nine months ended 31 December 2016, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There was one director agreed to waive remuneration of RMB600,000 for the year ended 31 December 2017 (for the nine months ended 31 December 2016: Nil).

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2017, included 1 director (for the nine months ended 31 December 2016: 2), details of whose remuneration are included in note 8 above. Details of the remuneration for the year of the remaining 4 (for the nine months ended 31 December 2016: 3) non-director, highest paid employees are as follows:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000
Salaries, allowances and benefits in kind	**2,682**	1,894
Pension scheme contributions	**186**	35
	2,868	1,929

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	31 December 2017	31 December 2016
Nil to RMB1,000,000	**4**	3
	4	3

In prior years, share options were granted to the certain non-director, highest paid employees in respect of their services to the Group, further details of which are included in note 26. The fair value of such options, which is recognised in the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above director, highest paid employees' remuneration disclosures.

For the year ended 31 December 2017 and for the nine months ended 31 December 2016, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

10 INCOME TAX

No provision of Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year ended 31 December 2017 and for the nine months ended 31 December 2016. Mainland China income tax has been provided at the rate of 25% for the year ended 31 December 2017 (for the nine months ended 31 December 2016: 25%) on the estimated assessable profits arising in Mainland China during the year/period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdiction) in which the Group operates.

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Current income tax		
– Mainland China	**3,004**	3,334
Total current tax	**3,004**	3,334
Deferred tax (Note 24)	**186**	1,094
Total tax charge for the year/period	**3,190**	4,428

10 INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit or loss before tax at the statutory rates for the country (or jurisdiction) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Profit/(loss) before tax	**24,914**	(27,100)
Tax at the statutory tax rates	**4,705**	(5,756)
Income not subject to tax	**(5,165)**	(243)
Expenses not deductible for tax	**1,412**	2,532
Tax losses not recognised	**3,212**	2,233
Temporary differences not recognised	**647**	(5,718)
Utilisation of previously unrecognised tax losses	**(9)**	(56)
Utilisation of previously unrecognised temporary differences	**(2,360)**	–
Adjustments in respect of current tax of previous periods	**748**	–
Tax charge at the Group's effective rate	**3,190**	4,428

11 DIVIDENDS

The directors did not recommend the payment of any dividend for the year ended 31 December 2017 and the nine months ended 31 December 2016.

12 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit or loss for the year/period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,701,123,120 (for the nine months ended 31 December 2016: 1,517,124,024) in issue during the year/period, as adjusted to reflect the rights issue during the year/period.

12 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

The calculation of the diluted earnings/(loss) per share amounts is based on the profit or loss for the year/period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year/period, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2017 in respect of dilution as the Group had no potential dilutive ordinary shares in issue for the year ended 31 December 2017. The basic earnings per share equals to the diluted earnings per share.

No adjustment has been made to the basic loss per share amounts presented for the nine month ended 31 December 2016 in respect of dilution as the impact of the share options outstanding had an anti-dilutive effect on the loss per share presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation:	**21,724**	(31,528)

12 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

	For the year ended 31 December 2017 '000	For the nine months ended 31 December 2016 '000 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings/(loss) per share calculation	**2,701,123**	1,517,124
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	–
	2,701,123	1,517,124

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000 (Restated)	Furniture and fixtures RMB'000 (Restated)	Motor vehicle RMB'000 (Restated)	Total RMB'000 (Restated)
Cost				
At 1 April 2016	4,859	2,511	890	8,260
Additions	–	12	–	12
Acquisition of a subsidiary	–	158	–	158
Exchange difference	147	67	–	214
At 31 December 2016 and 1 January 2017	5,006	2,748	890	8,644
Additions	–	99	681	780
Disposal	–	(8)	–	(8)
Exchange difference	(141)	(64)	–	(205)
At 31 December 2017	**4,865**	**2,775**	**1,571**	**9,211**
Accumulated depreciation:				
At 1 April 2016	2,974	1,253	88	4,315
Additions	897	348	132	1,377
Acquisition of a subsidiary	–	32	–	32
Exchange difference	75	45	–	120
At 31 December 2016 and 1 January 2017	3,946	1,678	220	5,844
Additions	969	494	176	1,639
Disposal	–	(3)	–	(3)
Exchange difference	(112)	(50)	–	(162)
At 31 December 2017	**4,803**	**2,119**	**396**	**7,318**
Net book value:				
At 1 April 2016	1,885	1,258	802	3,945
At 31 December 2016	1,060	1,070	670	2,800
At 31 December 2017	**62**	**656**	**1,175**	**1,893**

14 GOODWILL

	RMB'000 (Restated)
At 1 April 2016	5,697
Impairment (Note 6)	(5,697)
At 31 December 2016	–
Impairment (Note 6)	–
At 31 December 2017	–

The carrying amount of goodwill was allocated to groups of cash-generating units as follow:

Impairment testing of goodwill

Goodwill has been allocated to a single cash-generating unit of financing services during the year/period. The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period.

Key assumptions for the discounted cash flow method relate to the estimation of cash inflows/outflows which include gross margin, growth and discount rate. Such estimation is based on management's plans for the business development. Goodwill with a carrying amount of approximately RMB5,697,000 and the pawn shop licence in intangible assets with a carrying amount of approximately RMB4,656,000 were recognised on the acquisition of pawn business in Guangdong. According to adjustment of the Group's business strategy, the management plans to focus on factoring business, and has no development plan for pawn business in next several years. Management recognised an impairment loss of approximately RMB5,697,000 for goodwill and RMB4,656,000 for the pawn shop licence during the nine months ended 31 December 2016. The balances of goodwill were nil as at 31 December 2016 and 31 December 2017.

15 OTHER INTANGIBLE ASSETS

	Pawn shop licence RMB'000 (Restated)	Computer Software RMB'000 (Restated)	Total RMB'000 (Restated)
Cost:			
At 1 April 2016	4,656	12,041	16,697
Additions	–	13,500	13,500
At 31 December 2016 and 1 January 2017	4,656	25,541	30,197
Additions	–	–	–
At 31 December 2017	**4,656**	**25,541**	**30,197**
Accumulated amortisation:			
At 1 April 2016	–	16	16
Additions	–	2,711	2,711
At 31 December 2016 and 1 January 2017	–	2,727	2,727
Additions	–	5,112	5,112
At 31 December 2017	**–**	**7,839**	**7,839**
Accumulated impairment losses:			
At 1 April 2016	–	–	–
Additions	4,656	–	4,656
At 31 December 2016 and 1 January 2017	4,656	–	4,656
Additions	–	–	–
At 31 December 2017	**4,656**	**–**	**4,656**
Net carrying value:			
At 31 March 2016	4,656	12,025	16,681
At 31 December 2016	–	22,814	22,814
At 31 December 2017	**–**	**17,702**	**17,702**

15 OTHER INTANGIBLE ASSETS (continued)

The balance of pawn shop licence at 31 March 2016 included the carrying amount of the licence of pawn business in Mainland China. Such intangible asset is carried at cost less accumulated impairment losses. The recoverable amount of the intangible asset has been determined based on a value in use calculation. Details of assessment of impairment of the pawn shop licence for the year ended 31 December 2017 have been included in note 14.

16 TRADE AND LOANS RECEIVABLES

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Trade and loans receivables		
Commercial factoring loans (note (a))	**352,420**	737,406
Finance lease receivables (note (b))	**69,233**	49,477
Personal property pawn loans (note (c))	**4,551**	36,875
Real estate-backed loans (note (d))	**–**	80,750
Other trade and loans receivables (note (e))	**–**	88,186
	426,204	992,694
Impairment	**(15,844)**	(28,728)
	410,360	963,966
Carrying amount analysed for reporting purpose:		
Current assets	**353,640**	963,966
Non-current assets	**56,720**	–
	410,360	963,966

The directors consider that the fair values of trade and loans receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

16 TRADE AND LOANS RECEIVABLES (continued)

Notes:

(a) Commercial factoring loans arising from the Group's commercial factoring business, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The loan periods range from 30 days to 365 days.

(b) Finance lease receivable arising from the Group's leasing business, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The loan periods range from 60 days to 1,095 days.

(c) Personal property pawn loans arising from the Group's pawn loans business, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The loan periods range from 30 days to 240 days.

(d) Real estate-backed loans arising from the Group's real estate-backed loans services, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The loan periods range from 120 days to 365 days.

(e) Other trade and loans receivables arising from the provision of money lending business, the customers are obligated to settle the amounts according to the terms set out in the relevant contracts. The loan periods for other trade and loans receivables range from 60 days to 365 days.

(1) An ageing analysis of the trade and loans receivables as at the end of the reporting period is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Within 3 months	**398,336**	404,202
3 to 6 months	**9,540**	237,811
6 to 12 months	**4,309**	253,211
Over 12 months	**14,019**	97,470
	426,204	992,694
Impairment	**(15,844)**	(28,728)
	410,360	963,966

16 TRADE AND LOANS RECEIVABLES (continued)

(2) The ageing analysis of the trade and loans receivables that are not individually nor collectively considered to be impaired is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Neither past due nor impaired	412,628	852,330
Less than 30 days past due	82	88,368
30 to 60 days past due	–	–
61 to 120 days past due	–	7
More than 120 days past due	–	–
	412,710	940,705

(3) The movements in provision for impairment of trade and loans receivables are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
At beginning of year/period	28,728	9,982
Acquisition of a subsidiary	–	2,174
Impairment loss recognised (note 6)	2,661	18,869
Impairment loss reversed* (note 6)	(15,075)	(2,495)
Bad debt allowance written off	(245)	–
Exchange difference	(225)	198
	15,844	28,728

* The directors considered that the amounts due could not be recovered and sufficient impairment has been made in the previous period. During the year/period, the debtor has made repayment in respect of the outstanding amount, therefore, the reversal of impairment loss was recognised for the year/period.

16 TRADE AND LOANS RECEIVABLES (continued)

Included in the above provision for impairment of trade and loans receivables is a provision for individually impaired trade and loans receivables of approximately RMB13,480,000 (as at 31 December 2016: approximately RMB22,783,000) with a carrying amount before provision of approximately RMB13,494,000 (as at 31 December 2016: approximately RMB51,989,000).

The individually impaired trade and loans receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and sufficient impairment has been made on these trade and loans receivables.

Trade and loans receivables from the Group's related parties are included in note 31.

The Group has certain concentration risk on trade and loans receivables as it has five (as at 31 December 2016: five) customers with total outstanding balances of approximately RMB310,235,000 (as at 31 December 2016: approximately RMB322,134,000) as at 31 December 2017, and four (as at 31 December 2016: one) customers contribute more that 10% of trade and loans receivables of the Group.

The Group is not permitted to sell or re-pledge the collateral in the absence of default by the customers.

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Prepayments	**9,844**	12,722
Deposits	**974**	1,578
Other receivables	**594,253**	13,150
	605,071	27,450

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

As at 31 December 2017, included in other receivables of RMB577,000,000 are due from the Group's related parties (as at 31 December 2016: Nil). The balances with related parties are unsecured, interest-free and have no fixed terms of repayment. Details are included in note 31.

18 NOTES RECEIVABLE

In November 2015, the Group disposed of its interest in the Best Volume Group for an aggregate consideration of HKD400,000,000 which was satisfied by notes of HKD30,000,000 and cash of HKD370,000,000. The notes were non-interest-bearing, unsecured and maturing within three business days after the date of a final and effective judgement or an effective and binding settlement agreement of the lawsuit between the Best Volume Group and a construction engineering company in respect of not making certain payment under the construction contract for the Best Volume Group's investment properties located in Guangzhou, Guangdong Province, PRC. The above notes receivable had been fully recovered during the year ended 31 December 2017.

19 PLEDGED DEPOSITS FOR BANK LOANS AND CASH AND CASH EQUIVALENTS

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Cash and bank balances	**1,539,865**	1,455,679
Less: Pledged deposits for bank loans	**831,464**	665,996
Cash and cash equivalents	**708,401**	789,683

	31 December 2017		
	Original currency '000	**Exchange rate**	**RMB'000**
RMB	**397,279**	**1.0000**	**397,279**
HKD	**51,536**	**0.8359**	**43,080**
USD	**168,269**	**6.5342**	**1,099,506**
			1,539,865

19 PLEDGED DEPOSITS FOR BANK LOANS AND CASH AND CASH EQUIVALENTS (continued)

	31 December 2016 (Restated)		
	Original currency '000	Exchange rate	RMB'000
RMB	70,047	1.0000	70,047
HKD	59,665	0.8945	53,371
USD	192,039	6.9375	1,332,261
			1,455,679

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The cash and bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and bank balances approximate to their fair values.

20 TRADE PAYABLES

The following is an analysis of trade payables by age based on the invoice date.

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Within 1 month	**3,909**	18,459
1 to 2 months	**1,664**	2,018
2 to 3 months	**774**	1,556
Over 3 months	**5,383**	2,517
	11,730	24,550

As at 31 December 2017, the Group had trade payables due to related parties of approximately RMB214,000 (as at 31 December 2016: Nil).

The trade payables are non-interest-bearing and the Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying amount of trade payables approximates to their fair values.

21 OTHER PAYABLES AND ACCRUALS

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Receipt in advance	**5,396**	1,441
Deposit received	**3,858**	3,156
Accruals	**1,031**	463
Other payables	**27,537**	11,204
	37,822	16,264

Other payables and accruals are non-interest-bearing and have an average term of three months. The carrying amounts of the other payables and accruals approximate to their fair values.

22 INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2017			31 December 2016 (Restated)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**4.1325%–4.3500%**	**2018/7/2–2018/12/27**	**776,000**	3.698%	2017/12/24	350,000
Other borrowings – unsecured			**–**	6%–7.6%	2017/1/4–2017/5/4	286,573
			776,000			636,573

Notes:

(a) The Group's bank loans of RMB776,000,000 at 31 December 2017 (as at 31 December 2016: RMB350,000,000) were secured by the Group's fixed deposits. Relevant disclosures are included in note 19.

(b) The balance of other borrowings represents the carrying amount due to many individual persons through a related party acting as a peer-to-peer service provider. Relevant disclosures are included in note 31.

23 BONDS ISSUED

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Unlisted corporate bonds	**26,635**	28,087

On 17 December 2014, the Company issued an eight-year unlisted corporate bond at a principal amount of HKD5 million which is unsecured, bears a fixed interest rate of 7% per annum.

On 22 December 2014, the Company issued an eight-year unlisted corporate bond at a principal amount of HKD10 million which is unsecured, bears a fixed interest rate of 7% per annum.

On 15 January 2015, the Company issued an eight-year unlisted corporate bond at a principal amount of HKD10 million which is unsecured, bears a fixed interest rate of 7% per annum.

23 BONDS ISSUED (continued)

On 26 May 2015, the Company issued an eight-year unlisted corporate bond at a principal amount of HKD10 million which is unsecured, bears a fixed interest rate of 7% per annum.

The effective interest rate of the unlisted corporate bonds is approximately 9.28%.

24 DEFERRED TAX

The movements in deferred tax assets and liabilities during the year/period are as follows:

Deferred tax liabilities

	Intangible assets RMB'000 (Restated)
At 1 April 2016	1,164
Deferred tax credited to the consolidated statement of profit or loss during the period (note 10)	(1,164)
At 31 December 2016 and 1 January 2017	–
Deferred tax credited to the consolidated statement of profit or loss during the year (note 10)	–
At 31 December 2017	–

24 DEFERRED TAX (continued)

Deferred tax assets

	Impairment of trade and loans receivables RMB'000 (Restated)
At 1 April 2016	2,495
Acquisition of a subsidiary	544
Deferred tax charged to the statement of profit or loss during the period	(2,258)
At 31 December 2016 and 1 January 2017	781
Deferred tax charged to the statement of profit or loss during the year (note 10)	(186)
At 31 December 2017	595

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Tax losses	**83,034**	67,743
Deductible temporary differences	**19,322**	28,136

As at 31 December 2017, the Group had tax losses arising from the operation in Hong Kong of approximately equivalent RMB69,092,000 (as at 31 December 2016: approximately RMB61,801,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Tax losses as at 31 December 2017 and 31 December 2016 are subject to approval of the Hong Kong Inland Revenue Department.

As at 31 December 2017, the Group also had tax losses arising from the operation in Mainland China of approximately RMB13,942,000 (as at 31 December 2016: approximately RMB5,942,000) that will expire in one to five years for offsetting against future taxable profits.

24 DEFERRED TAX (continued)

Deferred tax assets (continued)

The above deductible temporary difference include impairment of trade and loan receivables, and other timing difference in respect of depreciation and amortisation. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

25 SHARE CAPITAL

Shares

	31 December 2017 HKD'000	31 December 2016 HKD'000 (Restated)
Authorised:		
6,000,000,000 (31 December 2016: 6,000,000,000) ordinary shares of HKD0.1 each	**600,000**	600,000

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Issued and fully paid:		
2,701,123,120 (31 December 2016: 2,701,123,120) ordinary shares of HKD0.1 each	**230,159**	230,159

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue '000 (Restated)	**Share capital** RMB'000 (Restated)
At 1 April 2016	634,781	51,989
Issue of shares (Note)	2,066,342	178,170
At 31 December 2016 and at 31 December 2017	2,701,123	230,159

25 SHARE CAPITAL (continued)

Shares (continued)

Note:

On 5 September 2016, the Company issued a total of 2,066,342,340 ordinary share at a price of HKD0.77 per share. After deducting the transaction costs of issuing shares amounting to RMB14,337,245, the net proceeds from the subscription were RMB1,357,574,591, of which RMB178,170,368 was recorded into share capital and RMB1,179,404,223 was recorded into share premium. Details of the issuance of subscription shares and the use of proceeds have been disclosed in the Company's circular dated 5 August 2016.

26 SHARE OPTION SCHEME

The Company operates a share option scheme (the "New Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include the Company's directors, including executive, non-executive and independent non-executive directors, other employees of the Group, suppliers, consultants, agents and advisers of any person who, in the sole discretion of the board of directors, has contributed or may contribute to the Group. A share option scheme was adopted on 28 September 2012. Unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 30% (or where applicable, such higher percentage as may from time to time to be permitted under the Listing Rules or by the Stock Exchange) of the shares of the Company in issue at any time. The total number of shares available for issue under options which may be granted under the New Scheme and any other share option schemes of the Company must not in aggregate exceed 60,157,078 shares, after the refreshment of the limit effected on 5 September 2014, representing 10% of the issued share capital of the Company, as at the date of adoption of the New Scheme. The Company may seek approval of its shareholders at a general meeting to renew the 10% limit. However, the total number of shares available for issue under options which may be granted under the New Scheme and any other share option schemes of the Company in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of renewing such a limit. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HKD1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and shall not exceed the period of ten years from the date of the grant of the particular option but subject to the provisions for early termination.

26 SHARE OPTION SCHEME (continued)

The exercise price of share options is determinable by the board of directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 2 September 2014, the Company granted an aggregate of 21,000,000 share options to subscribe for ordinary shares of HKD0.1 each of the share to a number of eligible participants ("grantees") under the New Scheme. Each option shall entitle the grantee to subscribe for one share upon exercise of such option at an exercise price of HKD1.25 per share.

The following share options granted on 2 September 2014 were outstanding under the New Scheme during the year/period:

	31 December 2017		31 December 2016	
	Weighted average exercise price HKD per share	**Number of options '000**	Weighted average exercise price HKD per share	Number of options '000
At beginning of year/period	**1.25**	**6,000**	1.25	21,000
Lapsed during the year/period	**1.25**	**(6,000)**	1.25	(15,000)
At end of the year/period	**–**	**–**	1.25	6,000

No share options were exercised during the year ended 31 December 2017 and the nine months ended 31 December 2016.

26 SHARE OPTION SCHEME (continued)

As at 31 December 2017, the Company had no share option outstanding. The exercise prices and exercise periods of the share options outstanding as at 31 December 2016 are as follows:

31 December 2016

Number of options '000	Exercise price* HKD per share	Exercise period
3,000	1.25	2014/9/2 – 2017/9/1
3,000	1.25	2015/3/2 – 2017/9/1
6,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

On 30 September 2014, the Company granted an aggregate of 39,000,000 share options to subscribe for ordinary shares of HKD0.1 each of the share to a number of grantees under the New Scheme. Each option shall entitle the grantee to subscribe for one share upon exercise of such option at an exercise price of HKD1.23 per share.

The following share options granted at 30 September 2014 were outstanding under the New Scheme during the year/period:

	31 December 2017		31 December 2016	
	Weighted average exercise price HKD per share	**Number of options '000**	Weighted average exercise price HKD per share	Number of options '000
At beginning of year/period	**1.23**	**24,000**	1.23	33,000
Lapsed during the year/period	**1.23**	**(24,000)**	1.23	(9,000)
At end of the year/period	**–**	**–**	1.23	24,000

No share options were exercised during the year ended 31 December 2017 and the nine months ended 31 December 2016.

26 SHARE OPTION SCHEME (continued)

As at 31 December 2017, the Company had no share option outstanding. The exercise prices and exercise periods of the share options outstanding as at 31 December 2016 are as follows:

31 December 2016

Number of options '000	Exercise price* HKD per share	Exercise period
12,000	1.23	2014/9/30 – 2017/9/29
12,000	1.23	2015/3/30 – 2017/9/29
24,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the equity-settled share options granted on 2 September 2014 and 30 September 2014 was estimated by Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent firm of professionally qualified valuers, using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Grant date	2 September 2014	30 September 2014
Grantees	Directors, consultants and employees	Directors, consultants and employees
Dividend yield (%)	–	–
Expected volatility (%)	46.72	45.72
Risk-free interest rate (%)	0.709	0.925
Expected life of options (year)	3	3
Weighted average share price (HKD per share)	1.25	1.23

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had no share options outstanding under the New Scheme.

27 RESERVES

The amounts of the Group's reserves and the movements therein for the current period and prior years are presented in the consolidated statement of changes in equity on pages 83 to 84 of the consolidated financial statements.

Share premium

The share premium account of the Group includes shares issued at premium. The amount of RMB1,179,404,223 was resulted from the issue of shares on 5 September 2016. Relevant disclosures are included in note 25.

Contributed surplus

The contributed surplus are resulted from elimination of accumulated losses from the share premium account, offset to accumulated losses and acquisition of subsidiaries in previous years.

Capital reserves

The capital reserve of the Group represents the cash received in excess of the fair value of a promissory note issued to a shareholder by the Company in previous years.

Share option reserves

Share option reserves related to share options granted under the Company's share option scheme and those that are reclassified to share capital and share premium when the share options were exercised, and to accumulated losses when the share options lapsed or expired.

28 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017 and 31 December 2016.

29 OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its offices under operating lease arrangements, which are negotiated for terms ranging from one to nine years.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Within one year, inclusive	3,541	2,617
In the second to fifth years, inclusive	3,747	2,605
After five years	1,199	2,800
	8,487	8,022

30 COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments at the end of the reporting period:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contracted, but not provided for:		
Loan commitment	144,000	–

Details of the loan commitment are included in note 31.

31 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year/period:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000 (Restated)
Transactions with related parties which are significantly influenced by a close member of the beneficial controlling person of the Group:		
Rental expense	**1,489**	460
Interest income from finance lease receivables	**1,224**	–
Property management fee	**710**	53
Service fee	**–**	1,753

The above transactions were conducted in accordance with respective contractual terms.

(b) Balances with related parties of the Group as at the end of the year/period are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Balances with related parties which are significantly influenced by a close member of the beneficial controlling person of the Group:		
Trade and loans receivables	**38,168**	304,318
Prepayments, deposits and other receivables	**825**	5,540
Trade payables	**214**	–
Other payables and accruals	**22,159**	1,842
Other receivables due from a related party controlled by the beneficial controlling person of the Group (Note)	**576,000**	–
Other receivables due from the beneficial controlling person of the Group	**900**	–
Other receivables due from directors	**100**	–

31 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties of the Group as at the end of the year/period are as follows: (continued)

Note: As disclosed in the circular dated 29 June 2017, the Board announced that Gome Xinda Commercial Factoring Limited (the "Xinda Factoring") entered into a loan agreement (the "Loan") with Beijing Bosheng Huifeng Business Consulting Co., Limited (the "OPCO"), meanwhile the OPCO and Tibet Yang Guan LLP and Mr. Mao Deyi (together the "Sellers") entered into a framework agreement, pursuant to which Xinda Factoring agreed to provide a non-interest-bearing loan of an amount of RMB720 million to the OPCO solely for the purpose of acquiring the entire equity interest in Tianjin Guanchuang Mei Tong Electronic Commerce Limited from the Sellers. On 25 July 2017, The OPCO and the Sellers entered into a formal sale and purchase agreement when the Loan was approved by the Company's Independent Shareholders.

According to the Loan and the sale and purchase agreement, the loan would be granted based on progress of the above acquisition. As at 31 December 2017, the transaction was subject to approval of the People's Bank of China (the "PBOC") or its affiliated institutions. As at 31 December 2017, RMB576 million was paid to the OPCO according to the aforesaid agreements and was recorded as other receivables. The remaining amount of RMB144 million, disclosed as loan commitment in note 30, will be paid to the OPCO after the approval of the PBOC or its affiliated institutions, and the completion of the contemplated transactions under the aforesaid agreements and the change of registration.

(c) Other transactions with related parties:

(i) Trade and loans receivables of RMB300,340,000 of debt portfolio were transferred from a related party which is significantly influenced by a close member of the beneficial controlling person of the Group during the year ended 31 December 2017 (for the nine months ended 31 December 2016: RMB144,292,000).

(ii) During the year ended 31 December 2017, the Group obtained fund raising through an online peer-to-peer service provider, which has been a related party controlled by a close member of the beneficial controlling person of the Group, from many individuals with specific contract terms of borrowing period and interest rates. Relevant interest expenses had been paid to the individuals. No service fee had been charged by this related party for the matching service for the year ended 31 December 2017 (for the nine months ended 31 December 2016: Nil). Relevant disclosures are included in note 22.

(iii) On 19 October 2016, the Company acquired 100% interest in Xinda Factoring from a related party which are significantly influenced by a close member of the beneficial controlling person of the Group. The purchase consideration for the acquisition was RMB49,719,000.

31 RELATED PARTY TRANSACTIONS (continued)

(c) Other transactions with related parties: (continued)

(iv) On 31 January 2017, the Company acquired 100% interest in Tianjin Financial Leasing from a related party which is ultimately controlled by a close member of the beneficial controlling person of the Group at nil consideration.

(d) Compensation of key management personnel of the Group:

	For the year ended 31 December 2017 RMB'000	For the nine months ended 31 December 2016 RMB'000
Salaries, other allowances and benefits in kind	**3,323**	3,697
Pension scheme contributions	**173**	71
	3,496	3,768

32 TRANSFERRED FINANCIAL ASSETS

As part of its normal business, the Group entered into an agreement on transfer of creditor's rights (the "Agreement") and transferred certain trade and loans receivables to a factoring company. The Group assesses whether to derecognise relevant assets or not based on the extent of risks and rewards retained. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets. During the year ended 31 December 2017, the trade and loans receivables amounting approximately RMB719,960,000 had been derecognised by the Group (for the nine months ended 31 December 2016: Nil).

33 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Financial assets:		
Trade and loans receivables	**410,360**	963,966
Prepayments, deposits and other receivables	**605,071**	27,450
Notes receivable	**–**	26,835
Pledged deposits for bank loans	**831,464**	665,996
Cash and cash equivalents	**708,401**	789,683
	2,555,296	2,473,930
Financial liabilities:		
At amortised cost		
Trade payables	**11,730**	24,550
Other payables and accruals	**37,822**	16,264
Bonds issued	**26,635**	28,087
Interest-bearing bank and other borrowings	**776,000**	636,573
	852,187	705,474

34 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, notes receivable, trade and loans receivables, prepayments, deposits and other receivables, pledged deposits for bank loans, trade payables, other payables and accruals, interest-bearing bank and other borrowings, and bonds issued approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

34 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's financial liabilities mainly include interest- bearing bank and other borrowings and bonds issued. The carrying amounts of financial liabilities approximate their fair values.

As at 31 December 2017 and 31 December 2016, the carrying amounts of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as cash and bank balances, pledge deposits for bank loans, trade and loans receivables, trade payables and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings at floating interest rate. The Group has not used any interest rate swaps to hedge its interest rate risk.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in the future as may be necessary.

As at 31 December 2017, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's operating results before tax for the year would increase/decrease by RMB2,340,000 (for the nine months ended 31 December 2016: RMB1,750,000). This is mainly attributed to the Group's exposure to the interest rates on its variable-rate bank borrowings.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The Group does not have any significant exposure to the risk of changes in market interest rates in relation to bank balances as these mainly represent demand deposits in banks.

Foreign currency risk

Certain of the Group's trade and loans receivables, cash and bank balances and trade payables are denominated in HK dollars, which expose the Group to foreign currency risk. The Group has not used any financial instruments to hedge against currency risk.

As at 31 December 2017, if Hong Kong dollar exchange rates had been 50 basis points higher/lower and all other variables were held constant, the Group's operating results before tax for the year would decrease/increase by approximately RMB5,498,000 (for the nine months ended 31 December 2016: RMB74,487,000), the Group's equity as at 31 December 2017 would decrease/increase by approximately RMB5,498,000 (as at 31 December 2016: approximately RMB74,487,000).

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group reviews the recoverable amount of each individual trade debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group also requests the customers to provide collateral for real-estate-backed loans and personal property pawn loans arrangement as appropriate. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the Group will proceed with sale of collateral. Besides, customers provide leased assets as collateral for finance lease. In the event of default, the Group will proceed with sale of leased assets. Moreover, the Group receives financial guarantee from financial institutions or individuals to secure the other loans arrangement.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and loans receivables are included in note 16. The Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

At 31 December 2017

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	over 5 years RMB'000	Total RMB'000
Non-derivative financial liabilities						
Other payables and accruals	22,118	15,704	–	–	–	37,822
Trade payables	9,937	1,793	–	–	–	11,730
Bonds issued	–	–	2,048	20,707	16,976	39,731
Interest-bearing bank and other borrowings	–	8,272	795,072	–	–	803,344
	32,055	25,769	797,120	20,707	16,976	892,627

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2017 and the nine months ended 31 December 2016.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity attributable to the owners of the Company.

The debt-to-equity ratio as at the end of the respective reporting periods was as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Total debt	**856,461**	710,276
Equity attributable to owners of the Company	**1,719,025**	1,790,049
Debt-to-equity ratio	**49.82%**	39.68%

36 EVENT AFTER THE REPORTING PERIOD

There were no significate events after the reporting period of the Group.

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current assets		
Property, plant and equipment	**–**	1
Interests in subsidiaries	**29,458**	31,523
Total non-current assets	**29,458**	31,524
Current assets		
Amounts due from subsidiaries	**684,221**	497,050
Prepayments, deposits and other receivables	**95**	423
Notes receivable	**–**	26,835
Pledged deposits for bank loans	**831,464**	665,996
Cash and cash equivalents	**280,099**	716,209
Total current assets	**1,795,879**	1,906,513

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	31 December 2017 RMB'000	31 December 2016 RMB'000
Current liabilities		
Amounts due to subsidiaries	**202,237**	216,419
Other payables and accruals	**1,435**	442
Total current liabilities	**203,672**	216,861
Net current assets	**1,592,207**	1,689,652
Total assets less current liabilities	**1,621,665**	1,721,176
Non-current liabilities		
Bonds issued	**26,635**	28,087
Total non-current liabilities	**26,635**	28,087
Net assets	**1,595,030**	1,693,089
Equity		
Equity attributable to owners of the Company		
Share capital	**230,159**	230,159
Reserves	**1,364,871**	1,462,930
Total equity	**1,595,030**	1,693,089

Ding Donghua
Director

Liu Xiaopeng
Director

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Contributed surplus RMB'000	Capital reserves RMB'000	Share option reserves RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total reserve RMB'000
At 1 April 2016	765,197	520,838	87,072	7,545	(26,119)	(1,132,560)	221,973
Loss for the period	–	–	–	–	–	(9,054)	(9,054)
Issue of shares	1,193,741	–	–	–	–	–	1,193,741
Transaction costs of issuing shares	(14,337)	–	–	–	–	–	(14,337)
Equity-settled share option arrangements	–	–	–	(3,803)	–	3,803	–
Exchange differences on translation of overseas operations	–	–	–	–	70,607	–	70,607
At 31 December 2016	1,944,601	520,838	87,072	3,742	44,488	(1,137,811)	1,462,930
Profit for the year	–	–	–	–	–	13,304	13,304
Equity-settled share option arrangements	–	–	–	(3,742)	–	3,742	–
Exchange differences on translation of overseas operations	–	–	–	–	(111,363)	–	(111,363)
At 31 December 2017	1,944,601	520,838	87,072	–	(66,875)	(1,120,765)	1,364,871

38 COMPARATIVE AMOUNTS

Certain comparative amounts have been restated in the preparation of these consolidated financial statements mainly as a result of the common control combination using merger accounting (Note 2.1) and changes in segment reporting (Note 4) to the consolidated financial statements.

39 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

FIVE YEAR/PERIOD FINANCIAL SUMMARY

The consolidated results, and assets and liabilities of the Group for the last five financial years/period are summarised below.

Results

	Year ended 31 December 2017 RMB'000	Nine months period ended 31 December 2016 RMB'000 (Restated)	Year ended 31 March 2016 RMB'000 (Restated)	Year ended 31 March 2015 HK$'000	Year ended 31 March 2014 HK$'000
Continuing operations					
Revenue	**73,807**	35,500	26,197	48,932	28,304
Profit/(loss) for the year/period attributable to					
– Owners of the Company	**21,724**	(31,528)	1,861	(41,783)	(98,097)

Assets and liabilities

	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000 (Restated)	As at 31 March 2016 RMB'000 (Restated)	As at 31 March 2015 RMB'000 (Restated)	As at 31 March 2014 HK$'000
Total assets	**2,575,486**	2,500,325	465,641	738,330	499,132
Total liabilities	**(856,461)**	(710,276)	(51,702)	(342,699)	(95,009)
Total equity	**1,719,025**	1,790,049	413,939	395,631	404,123