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)

INTERIM REPORT 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

Mr. Wan Jianhua *(Chairman)*
Mr. Li Liangwen
Ms. Chen Wei
Mr. Liu Xiaopeng

AUDITORS

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

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

OVERVIEW

For the six months ended 30 June 2018 (the "Reporting Period"), Gome Finance Technology Co., Ltd. (the "Company") and its subsidiaries (together, the "Group"), in light of the development of the industry and the regulatory requirements, has been committed to the vision of 'using innovation to promoting the development of technology and driving for financial reforms with technology', and to the objective of establishing a market-leading integrated financial technology services group. The Group has been actively improving the industry and service system, so as to provide users with high-quality financial services efficiently, accurately and securely.

The Group remains positive with the growth potential of the market under China's industrial structure optimisation and upgrade strategy. Continuing its focus on the commercial factoring and financial leasing businesses, the Group has also placed greater effort in expanding its businesses, and integrated innovative products and services by leveraging on GOME Group's brand and industry chain resources. During the Reporting Period, the Group has proactively responded to the tightening regulatory environment in Mainland China, continued to optimise its business structure, and adjusted its pace in launching new businesses. The factoring business recorded an operating revenue of approximately RMB20,114,000. The operating revenue generated from the financial leasing business was approximately RMB6,691,000.

During the Reporting Period, the Group recorded an operating revenue of approximately RMB26,805,000, while the profit attributable to the owners of the Company was approximately RMB3,930,000, remaining stable as compared with the six months period ended 30 June 2017 (the "Corresponding Period").

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY ENVIRONMENT

In the first half of 2018, the global economy continued to grow yet the paces of recovery varied. The growth in US economy remained strong while the recovery in Europe was slow and Japan demonstrated an unexpected rebound. Influenced by the trade protectionism initiated by the US, conflicts in global trading intensified. The global economy is facing a downturn as major economies are having different views on monetary easing strategies. Under the backdrop of the Federal Reserve's interest rate hike and the government's tax cut to simulate the economy, capital flow to the US will intensify. The pressure will be on the emerging markets, causing an increase in fragility of in the global financial market and adding financial risks to the emerging economies.

In the first half of 2018, China's overall economy maintained a steady growth. GDP growth rate for the first half of the year was 6.8%, maintaining within the medium to high range between 6.6% and 6.9% for 12 consecutive quarters. Affected by internal and external factors including the China-US trade war, financial deleveraging, real estate market regulatory controls and supply-side structural reform, the economic growth experienced a relatively strong downward pressure. GDP growth in the second quarter dropped slightly by 0.1 percentage point as compared with the previous quarter to 6.7%; export is facing a downward trend and RMB experienced a rapid and relatively substantial depreciation; fixed assets investment growth reached record low with more substantial downward trend in manufacturing, service industry and infrastructure; growth in the total retail sales of consumer goods reached record low, demonstrating a lack of momentum; the growth of both social financing size and M2 reached record low, and liquidity in the financial market is becoming tight. The economic development and the financial market are faced with a complicated situation with both internal and external difficulties. With the above impacts, we will witness structural liberalisation in economic policies, more proactive financial policies and the implementation of monetary policies with appropriate flexibility in the second half of the year, so as to accommodate the economic cycle and the financial cycle.

In the first half of 2018, while the financial technology industry was developing rapidly, the regulatory environment had become even more stringent. The relentless stepping up of compliance requirements by the financial regulatory authorities will lead to the robust and healthy development of the financial technology sector, and quality companies with the advantages of scene, technology, traffic and licence will stand out from the competition in the future.

BUSINESS REVIEW

During the Reporting Period, the Group continued to give full play to GOME's resources and brand advantages, and proactively upgraded its business and expanded its scale. Relying on the business scene and channels of GOME Group and facing the market, Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), a subsidiary of the Company, continued to consolidate relevant businesses and resources on the foundation of the integration between the logistics at GOME's retail end and warehousing databases, with strengthened data analysis, data mining and application capabilities, and provided the upstream customers in the supply chain with better services. Meanwhile, with constant accumulation of experience in the relevant data, Xinda Factoring continued to actively explore the businesses outside of the GOME ecosystem while targeting mainly the core enterprises of listed companies, and provide factoring services for the upstream and downstream enterprises along its industry chain. During the Reporting Period, there was tight liquidity in the market due to factors such as the economic downturn and further tightening of regulatory policies in Mainland China. For the mitigation of risks, Xinda Factoring reduced the number of its loan disbursements which resulted in a decrease in revenue. The factoring business recorded an operating revenue of approximately RMB20,114,000 for the current period, representing a decrease of 42.78% as compared with the Corresponding Period. The financial leasing business was not affected by the policies. The Group continued to speed up its market deployment and business expansion, increasing its business scale substantially. During the Reporting Period, the financial leasing business recorded an operating revenue of approximately RMB6,691,000, representing an increase of 330.29% as compared with the corresponding period last year.

FINANCIAL REVIEW

Results highlights

During the Reporting Period, the Group recorded an operating revenue of approximately RMB26,805,000, representing a decrease of approximately RMB13,201,000 or 33.00% as compared with the operating revenue of RMB40,006,000 for the Corresponding Period. The decrease in revenue was mainly attributable to: (1) the Group's application of Hong Kong Financial Reporting Standard 9 in relation to new standard on financial instruments since 1 January 2018, under which some loan receivables were classified as measured at fair value based on their business model, and interest income from financial assets measured at fair value should be correspondingly recognised as gains or changes in financial assets at fair value through profit or loss; the above reclassification resulted in a decrease of approximately RMB6,295,000 in the operating revenue from the commercial factoring business segment; (2) the decrease of revenue from other financing services business by approximately RMB3,299,000 as the Group strategically placed emphasis on commercial factoring and financial leasing during the Reporting Period; and (3) the reduced number of loan disbursements and decreased average balance of outstanding loans to mitigate risks, in response to a downturn in the domestic economy and tight market liquidity during the Reporting Period.

During the Reporting Period, the Group recorded an aggregate amount of approximately RMB19,700,000 in bank interest income and exchange gains on financial assets, representing an increase of approximately RMB8,620,000 as compared with RMB11,080,000 for the Corresponding Period, which was mainly attributable to the changes in contractual cash flows expected from pledged deposits.

During the Reporting Period, the profit attributable to owners of the Company was approximately RMB3,930,000 (period ended 30 June 2017: RMB4,015,000), which had remained stable as compared to the same period last year.

Basic earnings per share for the Reporting Period were RMB0.15 cents (six months period ended 30 June 2017: RMB0.15 cents). The board of directors of the Company did not recommend the payment of an interim dividend for the Reporting Period (for the six months period ended 30 June 2017: Nil).

Commercial factoring business

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

	For the six months ended 30 June 2018 *RMB'000*	For the six months ended 30 June 2017 *RMB'000*
Revenue	**20,114**	35,152
Effect of applying the new standard in relation to financial instruments	**6,295**	–
Operating expenses	**(22,105)**	(33,472)
Operating earnings	**4,304**	1,680
(Provision for)/reversal of impairment on loans receivables	**(1,173)**	112
Segment results	**3,131**	1,792

The revenue from the commercial factoring business during the Reporting Period (taking into account the effect of the application of the new standard in relation to financial instruments in revenue reclassification) decreased by approximately RMB8,743,000 as compared with the Corresponding Period, mainly attributable to the Group's consideration of high external market risks, which resulted in reduced number of loan disbursements and decreased average balance of outstanding loans.

During the Reporting Period, the operating expenses of the commercial factoring business decreased by RMB11,367,000 as compared with the Corresponding Period, mainly attributable to the significant decrease in interest expenses on borrowings as the Group reduced the use of external funds by the commercial factoring business.

Due to the combined effect of changes both in revenue from and operating expenses of the commercial factoring business, the operating profit and segment results both improved as compared with the same period last year.

The Group has applied the new standard in relation to financial instruments since 1 January 2018. The new standard requires the impairment of financial assets to be measured in an "expected credit loss model" as opposed to an "incurred credit loss model". The Group takes a consistent and objective approach in analysing loan qualities so as to assess whether there will be impairment losses on 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 as well as three stages based on expected credit losses as required by the new standard in relation to financial instrument, and applies a consistent policy to each loan category in providing for the impairment of loans receivables with reference to the balances of loans receivable of various categories of loans, net of any settlement amounts subsequent to the reporting period. At the end of 2017, as loans receivables have not been classified into three stages based on the expected credit losses according to the new standard in relation to financial instrument, they are presented only in five loan categories.

The following table sets forth the distribution of loans receivables of the Group's commercial factoring business in five loan categories.

	30 June 2018		31 December 2017	
	Gross balance	**Impairment provision**	Gross balance	Impairment provision
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Normal	**426,698**	**1,382**	347,146	1,696
Special mention	**148,700**	**130**	–	–
Substandard	**–**	**–**	–	–
Doubtful	**–**	**–**	–	–
Loss	**5,274**	**5,274**	5,274	5,274
	580,672	**6,786**	352,420	6,970

Financial leasing business

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

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
	RMB'000	*RMB'000*
Revenue	**6,691**	1,555
Operating expenses	**(10,074)**	(3,064)
Operating loss	**(3,383)**	(1,509)
(Provision for)/reversal of impairment on loans receivables	**(4,436)**	237
Segment results	**(7,819)**	(1,272)

The substantial increase in revenue and operating expenses of the financial leasing business for the Reporting Period as compared with the Corresponding Period was mainly due to the launch of the vehicle leaseback business "Mei Yi Che" ("美易車") and the mobile phone leaseback business "Guo Mei Zu Zu" ("國美租租") in the second half year of 2017. Launching of such businesses did not happen in the Corresponding Period.

The segment results of financial leasing business during the Reporting Period were less favourable as compared with the Corresponding Period, mainly because of a more prudent impairment provision method that the Group adopted for the increased total loan scale due to the launch of new businesses, which resulted in the increase of impairment provision.

The following table sets forth the distribution of loans receivables of the Group's financial leasing business in five loan categories.

	30 June 2018		31 December 2017	
	Gross balance	**Impairment provision**	Gross balance	Impairment provision
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Normal	**157,722**	**3,045**	65,484	652
Special mention	**2,014**	**127**	80	16
Substandard	**1,166**	**705**	34	20
Doubtful	**1,275**	**1,148**	–	–
Loss	**4,679**	**4,679**	3,635	3,635
	166,856	**9,704**	69,233	4,323

Other financing services business

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

	For the six months ended 30 June 2018 *RMB'000*	For the six months ended 30 June 2017 *RMB'000*
Revenue	**–**	3,299
Operating expenses	**(2,935)**	(3,460)
Operating loss	**(2,935)**	(161)
Reversal of/(provision for) impairment on loans receivables	**131**	(2,464)
Segment results	**(2,804)**	(2,625)

The significant decrease in revenue and operating expenses of the other financing services business for the Reporting Period as compared with the Corresponding Period was mainly due to the strategic adjustment of the Group's core businesses as mentioned above.

Interest income from other financing services business

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

	For the six months ended 30 June 2018 *RMB'000*	For the six months ended 30 June 2017 *RMB'000*
Real estate-backed loans	**–**	847
Personal property pawn loans	**–**	302
Other loans receivables	**–**	2,150
Total	**–**	3,299

The following table sets forth the distribution of loans receivables of the Group's other financing services business in five loan categories.

	30 June 2018		31 December 2017	
	Gross balance	**Impairment provision**	Gross balance	Impairment provision
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Normal	**–**	**–**	–	–
Special mention	**–**	**–**	–	–
Substandard	**–**	**–**	–	–
Doubtful	**–**	**–**	–	–
Loss	**4,420**	**4,420**	4,551	4,551
	4,420	**4,420**	4,551	4,551

Key operating data of the Group

	For the six months ended 30 June 2018	For the year ended 31 December 2017
	RMB'000	*RMB'000*
Net loan balance	**731,038**	410,360
Gross loan balance	**751,948**	426,204
– Hong Kong	**–**	–
– PRC	**751,948**	426,204
Total return on loans (revenue/average gross loan balance)		
– Hong Kong	**–**	10.89%
– PRC	**10.99%**	9.49%
Allowance to loans ratio (impairment allowance as % of gross loan balance)	**2.78%**	3.72%
Non-performing loan ratio (gross non-performing loan balance as % of gross loan balance)	**2.24%**	3.17%
Allowance coverage ratio (impairment allowance as % of gross non-performing loan balance)	**124.36%**	117.43%

As at the end of the Reporting Period, the Group's net loan receivables and gross loan receivables increased by approximately RMB320,678,000 (78.15%) and approximately RMB325,744,000 (76.43%) respectively as compared with those at the end of 2017. Such increase was primarily due to the fact that: (1) the increased capital of Xinda Factoring as at the end of March 2018 was mainly used for money lending business, resulting in a significant increase in net loan receivables and gross loan receivables at the end of the Reporting Period; and (2) the opening balance of the Group's internal funds was used for money lending business during the Reporting Period, resulting in an increase in net loan receivables and gross loan receivables at the end of the period.

Compared with the end of 2017, the allowance to loans ratio and non-performing loan ratio decreased while allowance coverage ratio increased for the Reporting Period, reflecting the improvement of the Group's loan quality at the end of the period.

Loan quality analysis and impairment allowances

During the Reporting Period, net provision for impairment loss on loans receivable was approximately RMB5,478,000 (period ended 30 June 2017: RMB2,116,000). This included charges for impairment allowance on loans receivable of approximately RMB6,942,000 (for the period ended 30 June 2017: RMB10,459,000) and the reversal of impairment loss of RMB1,464,000 (period ended 30 June 2017: RMB8,343,000).

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
	RMB'000	*RMB'000*
At beginning of the period	**15,447**	28,728
Impairment allowances recognised	**6,942**	10,459
Impairment loss reversed	**(1,464)**	(8,343)
Impairment loss write-off	**(15)**	(245)
Exchange difference	**–**	(307)
At end of the period	**20,910**	30,292

Other gains

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

	For the six months ended 30 June 2018 RMB'000	For the six months ended 30 June 2017 RMB'000
Exchange gains	**4,196**	8,123
Investment income	**–**	1,555
	4,196	9,678

PROSPECTS

To cope with the challenges from within the country and overseas, China will speed up the pace of reform in the future. With further acceleration of industrial structure optimisation and industrial upgrade, companies that are technology-oriented will usher in an opportunity for rapid growth.

The Group will adhere to its strategic main theme of "promoting technological advances with innovation and driving for financial reform through technologies", follow the industrial development strategy of the nation, actively expand its strategic layout in the area of financial technology, strengthen its position as a technology company, and leverage on the advantage of GOME Group's resources to expand the risk management system which is driven by big data and artificial intelligence and enrich the portfolios of financial products. It will also optimise its business structure and actively innovate new business development models. Through continuous cultivation of new growth points, the integrated financial system of the Group will be further optimised, and contribute to the uplift of its integrated financial services capabilities and core market competitiveness.

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group is sound with strong equity and working capital bases. As at 30 June 2018, the Group's total equity amounted to approximately RMB1,725,165,000, representing a slight increase of 0.36% compared with that as at 31 December 2017. As at 30 June 2018, the Group's cash and cash equivalent totaled approximately RMB322,056,000 (31 December 2017: RMB708,401,000). During the Reporting Period, the Group recorded a total of approximately RMB351,355,000 cash outflow (for the six months ended 30 June 2017: RMB246,201,000 cash inflow) from its operating activities. The Group's current ratio as at 30 June 2018 was 3.03 (31 December 2017: 3.01). The Group's gearing ratio, expressed as percentage of total liabilities except tax payable over the Group's total equity was 46.68% as at 30 June 2018 (31 December 2017: 49.57%).

The Company 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 30 June 2018, the Group's borrowings comprised non-current portion (over 1 year) and current portion (within 1 year), which amounted to approximately RMB785,074,000 (31 December 2017: RMB802,635,000). The Group's current borrowings of RMB758,000,000 were made at fixed and floating interest rates. The weighted average effective interest rates on secured and unsecured borrowings for the Reporting Period were 4.1325% and 4.35% per annum, respectively.

As at 30 June 2018, the Group's borrowings were denominated in RMB and HKD, amounting to approximately RMB758,000,000 and approximately HKD32,113,000 (equivalent to approximately RMB27,074,000), respectively.

Taking the above 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 as they fall due 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 30 June 2018.

GROUP STRUCTURE AND DISCLOSURE PURSUANT TO RULE 13.20 OF THE RULES (THE "LISTING RULES") GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED ("STOCK EXCHANGE")

During the Reporting Period, the Group did not have any acquisitions and disposals of subsidiaries.

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 (executive Director of the Company), pursuant to which Xinda Factoring agreed to provide an unsecured non-interest bearing loan for an amount of RMB720 million (the "Consideration") 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.

As at 30 June 2018, 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 accrued interest) to Xinda Factoring in full.

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

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2018, certain Group's bank deposits in the amount of approximately RMB841,949,000 (31 December 2017: RMB831,464,000) were pledged to secure banking facilities of the Group and the Group did not have any material contingent liabilities (31 December 2017: Nil).

COMMITMENTS

As at 30 June 2018, the Group had loans commitment in the amount of RMB144,000,000 (as at 31 December 2017: RMB144,000,000), which are contracted but not provided for. Rental payment under non-cancellable operating leases amounted to approximately RMB8,430,000 (31 December 2017: RMB8,487,000).

TREASURE 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.

STAFF AND REMUNERATION

The Group employed 67 employees in total as at 30 June 2018 (31 December 2017: 76). 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 also 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 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 30 June 2018:

	Proposed application of net proceeds *HK$'million*	**Actual usage up to 30 June 2018** *HK$'million*
Provision of commercial factoring services	700.0	700.0
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	20.2
	1,574.5	1,450.2

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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)

Introduction

We have reviewed the interim financial information set out on pages 17 to 71, which comprises the condensed consolidated statement of financial position of Gome Finance Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2018 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
29 August 2018

	Notes	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	4	**26,805**	40,006
Other income and gains	4	**19,725**	12,658
Administrative expenses		**(27,663)**	(28,243)
Impairment loss on trade and loans receivables	5	**(5,478)**	(2,116)
Finance costs	6	**(17,528)**	(17,597)
Gains on financial assets at fair value through profit or loss	5	**6,158**	–
Profit before tax	5	**2,019**	4,708
Income tax expense	7	**1,911**	(693)
Profit for the period		**3,930**	4,015
Attributable to:			
Owners of the Company		**3,930**	4,015
Earnings per share attributable to ordinary equity holders of the Company	8		
Basic and diluted			
For profit for the period		**RMB0.15 cents**	RMB0.15 cents

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

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit for the period		**3,930**	4,015
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of overseas operations		**1,892**	(41,844)
Other comprehensive income for the period, net of tax		**1,892**	(41,844)
Total comprehensive income for the period		**5,822**	(37,829)
Attributable to:			
Owners of the Company		**5,822**	(37,829)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current assets			
Trade and loans receivables	12	**146,086**	56,720
Property, plant and equipment	9	**1,484**	1,893
Other intangible assets	11	**15,150**	17,702
Deferred tax assets	19	**2,593**	595
Total non-current assets		**165,313**	76,910
Current assets			
Trade and loans receivables	12	**584,952**	353,640
Prepayments, deposits and other receivables	13	**611,093**	605,071
Financial assets at fair value through profit or loss	29	**8,091**	–
Pledged deposits for bank loans	14	**841,949**	831,464
Cash and cash equivalents	14	**322,056**	708,401
Total current assets		**2,368,141**	2,498,576

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current liabilities			
Trade payables	15	**2,396**	11,730
Other payables and accruals	16	**17,891**	37,822
Tax payables		**2,928**	4,274
Interest-bearing bank and other borrowings	17	**758,000**	776,000
Total current liabilities		**781,215**	829,826
Net current assets		**1,586,926**	1,668,750
Total assets less current liabilities		**1,752,239**	1,745,660
Non-current liabilities			
Bonds issued	18	**27,074**	26,635
Total non-current liabilities		**27,074**	26,635
Net assets		**1,725,165**	1,719,025
Equity			
Equity attributable to owners of the Company			
Share capital	20	**230,159**	230,159
Reserves	22	**1,495,006**	1,488,866
Total equity		**1,725,165**	1,719,025

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

Chen Wei
Director

Liu Xiaopeng
Director

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

		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	Exchange reserves RMB'000	Accumulated losses RMB'000	Total reserves RMB'000	Total equity RMB'000
At 31 December 2017		230,159	1,944,601	520,838	87,072	603	(77,570)	(986,678)	1,488,866	1,719,025
Impact of adopting HKFRS 9	2.2.1	–	–	–	–	–	–	318	318	318
At 1 January 2018		230,159	1,944,601	520,838	87,072	603	(77,570)	(986,360)	1,489,184	1,719,343
Profit for the period		–	–	–	–	–	–	3,930	3,930	3,930
Other comprehensive income for the period:										
Exchange differences on translation of overseas operations		–	–	–	–	–	1,892	–	1,892	1,892
Total comprehensive income for the period		–	–	–	–	–	1,892	3,930	5,822	5,822
At 30 June 2018		230,159	1,944,601	520,838	87,072	603	(75,678)	(982,430)	1,495,006	1,725,165

For the six months ended 30 June 2017

		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 January 2017		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 period		–	–	–	–	–	–	–	4,015	4,015	4,015
Other comprehensive income for the period:											
Exchange differences on translation of overseas operations		–	–	–	–	–	–	(41,844)	–	(41,844)	(41,844)
Total comprehensive income/(loss) for the period		–	–	–	–	–	–	(41,844)	4,015	(37,829)	(37,829)
Equity-settled share option arrangements	21	–	–	–	–	–	(1,840)	–	1,840	–	–
At 30 June 2017		230,159	1,944,601	520,838	87,072	603	7,423	(26,666)	(1,011,810)	1,522,061	1,752,220

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash flows from operating activities			
Profit before tax:		**2,019**	4,708
Adjustments for:			
Bank interest income	*4*	**(15,504)**	(2,957)
Finance costs	*6*	**17,528**	17,597
Impairment loss on trade and loans receivables	*5*	**5,478**	2,116
Depreciation	*5*	**424**	889
Amortisation of intangible assets	*5*	**2,552**	2,556
Software maintenance	*5*	**1,450**	1,450
Exchange gain	*4*	**(4,196)**	(8,123)
Gains on financial assets at fair value through profit or loss	*5*	**(6,158)**	–
Investment income	*4*	**–**	(1,555)
Disposal of property, plant and equipment		**–**	5
		3,593	16,686
(Increase)/decrease in trade and loans receivables		**(538,380)**	187,729
Decrease in notes receivable		**–**	26,835
Increase in pledged deposit for bank loans		**(3,221)**	–
Decrease in financial assets at fair value through profit or loss		**208,133**	–
Decrease in prepayments, deposits and other receivables		**4,464**	2,762
Increase in trade payables		**8,146**	5,624
(Decrease)/increase in other payables and accruals		**(17,349)**	15,089
Cash (used in)/generated from operations		**(334,614)**	254,725
Income tax paid		**(454)**	(2,982)
Interest paid		**(16,287)**	(5,542)
Net cash (used in)/generated from operating activities		**(351,355)**	246,201

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

	Notes	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash flows from investing activities			
Interest received		**2,901**	2,957
Purchases of items of property, plant and equipment	9	**(17)**	(96)
Investment income	4	**–**	1,555
Net cash generated from investing activities		**2,884**	4,416
Cash flows from financing activities			
New borrowings		**–**	267,000
Repayment of borrowings		**(18,000)**	(251,474)
Interest and other finance charges paid		**(18,526)**	(17,399)
Net cash used in financing activities		**(36,526)**	(1,873)
Effect of foreign exchange rate changes		**(1,348)**	(18,573)
Net (decrease)/increase in cash and cash equivalents		**(386,345)**	230,171
Cash and cash equivalents at beginning of period		**708,401**	789,683
Cash and cash equivalents at end of period		**322,056**	1,019,854
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**322,056**	1,019,854

The accompanying notes form an integral part of these interim condensed 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 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.

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 (%)	Percentage of equity attributable to the Company 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

1 CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct (%)	Indirect (%)	Principal activities
Guangdong Lido Pawnshop Co., Ltd.	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

1 CORPORATE AND GROUP INFORMATION (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the six months ended 30 June 2018 or formed a substantial portion of the net assets of the Group as at 30 June 2018. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

Compliance with Hong Kong Financial Reporting Standards ("HKFRSs")

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34"), and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on HKEx, and should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

Except as described below, the principal accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those adopted the Group's annual financial statements for the year ended 31 December 2017.

Use of estimates and assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions. The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as at 1 January 2018.

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 HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 15	*Revenue from Contracts with Customers*
HK(IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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 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 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.

2.2.1 HKFRS 9 – Financial Instruments

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.

Considering the impact of these standards, and interpretations on the consolidated financial statements, the Group recorded an adjustment to 1 January 2018 retained earnings at the adoption date, but didn't restate comparative periods.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 HKFRS 9 – Financial Instruments (continued)

Classification and Measurement

In HKFRS 9, 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.

Business model

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are classified as part of 'other' business model. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Characteristics of the contractual cash flows

The assessment of the characteristics of the contractual cash flows aims to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement.

Impairment

HKFRS 9 requires that the measurement of impairment of a financial asset be changed from "incurred loss model" to "expected credit loss model" (ECL model) and this way of measurement applies to financial assets measured at amortised cost, measured at fair value with changes taken to other comprehensive income, and loan commitments and financial guarantee contracts, refer to note 30.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 HKFRS 9 – Financial Instruments (continued)

(a) A reconciliation between the carrying amounts under HKAS 39 to the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	31 December 2017	Reclassification	Remeasurement	1 January 2018
Assets				
Financial assets at fair value through profit or loss	–	211,572	(1,507)	210,066
From :				
Trade and loans receivables	–	211,572	(1,507)	210,066
Trade and loans receivables	410,360	(211,572)	(652)	198,136
To:				
Financial assets at fair value through profit or loss	–	(211,572)	(652)	(212,224)
Deferred tax assets	595	–	(106)	489
Other payables and accruals	37,822	–	(2,583)	35,239

(b) A reconciliation between the impairment allowance for financial instruments under HKAS 39 to amount reported under HKFRS 9 as at 1 January 2018 is as follows:

	31 December 2017	Reclassification	Remeasurement	1 January 2018
Trade and loans receivables	15,844	(1,049)	652	15,447

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.

HKFRS 16	*Leases*[1]
HK(IFRIC) – Interpretation 23	*Uncertainty over Income Tax Treatments*[1]
HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	*Annual Improvements to HKFRS Standards 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of assessing the impact of these new standards and amendments on the consolidated and separate financial statements of the Group and the Company respectively.

3 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. 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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank interest income, investment income, finance costs of bonds issued, exchange gain as well as items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses, are excluded from such measurement.

3 OPERATING SEGMENT INFORMATION (continued)

Segment assets include all tangible and intangible assets, current assets with the exception of 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.

There are no intersegment sales or transfers among the segments.

	For the six months ended 30 June 2018 (Unaudited)			
	Commercial factoring services *RMB'000*	**Finance lease services** *RMB'000*	**Other financing services** *RMB'000*	**Total** *RMB'000*
Segment revenue:				
Revenue from external customers	**20,114**	**6,691**	**–**	**26,805**
Segment results *(Note)*	**3,131**	**(7,819)**	**(2,804)**	**(7,492)**
Reconciliation:				
Bank interest income				**15,504**
Finance costs				**(7,307)**
Exchange gain				**4,196**
Unallocated expenses				**(2,882)**
Profit before taxation				**2,019**
Taxation				**1,911**
Profit for the period				**3,930**

	At 30 June 2018 (Unaudited)			
	Commercial factoring services *RMB'000*	**Finance lease services** *RMB'000*	**Other financing services** *RMB'000*	**Total** *RMB'000*
Segment assets	**1,022,490**	**513,211**	**47,821**	**1,583,522**
Reconciliation:				
Unallocated assets				**949,932**
Total assets				**2,533,454**
Segment liabilities	**766,637**	**10,536**	**2,275**	**779,448**
Reconciliation:				
Unallocated liabilities				**28,841**
Total liabilities				**808,289**

Note: Under HKFRS 9, certain debt instruments are classified as fair value through profit or loss based on their business model. Interest income on financial assets mandatorily required to be measured at FVPL is recognised in gains on financial assets at fair value through profit or loss. For the six months ended 30 June 2018, gains on financial assets at fair value through profit or loss of approximately RMB6,295,000 (for the six months ended 30 June 2017: Nil) was included in the result of commercial factoring segment.

3 OPERATING SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2018 (Unaudited)				
	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	990	603	1,383	–	2,976
Provision for/(reversal of) impairment loss on trade and loans receivables	1,173	4,436	(131)	–	5,478
Additions to non-current assets*	2	–	15	–	17

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

	For the six months ended 30 June 2017 (Unaudited)			
	Commercial factoring services *RMB'000*	Finance lease services *RMB'000*	Other financing services *RMB'000*	Total *RMB'000*
Segment revenue:				
Revenue from external customers	35,152	1,555	3,299	40,006
Segment results	1,792	(1,272)	(2,625)	(2,105)
Reconciliation:				
Investment income				1,555
Bank interest income				2,957
Finance costs				(1,279)
Exchange gain				8,123
Unallocated expenses				(4,543)
Profit before taxation				4,708
Taxation				(693)
Profit for the period				4,015

3 OPERATING SEGMENT INFORMATION (continued)

	At 31 December 2017 (Audited)			
	Commercial factoring services	Finance lease services	Other financing services	Total
	RMB'000	*RMB'000*	*RMB'000*	*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 six months ended 30 June 2017 (Unaudited)				
	Commercial factoring services	Finance lease services	Other financing services	Unallocated items	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other segment information:					
Depreciation and amortisation	982	631	1,830	2	3,445
(Reversal of)/provision for impairment loss on trade and loans receivables	(112)	(237)	2,465	–	2,116
Additions to non-current assets*	96	–	–	–	96

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

3 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong	**–**	1,509
Mainland China	**26,805**	38,497
	26,805	40,006

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

(b) Non-current assets

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Hong Kong	**730**	884
Mainland China	**15,904**	18,711
	16,634	19,595

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 RMB2,826,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB3,417,000) was interest income derived from commercial factoring loans receivables to a major customer.

4 REVENUE, OTHER INCOME AND GAINS

Revenue represents the interest income earned during the period.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Interest income		
– Commercial factoring loans	**18,292**	35,152
– Finance lease receivables	**6,691**	1,555
– Real estate-backed loans	**–**	847
– Personal property pawn loans	**–**	302
– Other loans receivables	**–**	2,150
	24,983	40,006
Management fee income	**1,822**	–
	26,805	40,006
Other income		
Bank interest income *(Note)*	**15,504**	2,957
Others	**25**	23
	15,529	2,980
Other gains		
Exchange gain	**4,196**	8,123
Investment income	**–**	1,555
	4,196	9,678
	19,725	12,658

Note: Bank interest income of approximately RMB12,603,000 was recognized for the six months ended 30 June 2018 due to the change of estimates in contractual cash flows with regards to the pledged deposits for bank loans (for the six months ended 30 June 2017: Nil).

5 PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**10,633**	10,405
Retirement benefit scheme contributions	**1,015**	940
	11,648	11,345
Gains on financial assets at fair value through profit or loss	**(6,158)**	–
Impairment of trade and loans receivables *(Note 12)*	**5,478**	2,116
Sales and marketing fee	**2,683**	–
Amortisation of intangible assets *(Note 11)*	**2,552**	2,556
Minimum lease payments under operating leases	**2,422**	1,994
Legal and professional fees	**1,685**	4,148
Software maintenance	**1,450**	1,450
Depreciation of property, plant and equipment *(Note 9)*	**424**	889
Auditor's remuneration	**413**	2,520
Business taxes and other levies	**335**	238

6 FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank and other borrowings	**16,336**	16,318
Bonds issued	**1,192**	1,279
	17,528	17,597

7 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 six months ended 30 June 2018 and for the six months ended 30 June 2017. Mainland China income tax has been provided at the rate of 25% for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 25%) on the estimated assessable profits arising in Mainland China during the 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 six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
—Mainland China	**193**	857
Total current tax	**193**	857
Deferred tax *(Note 19)*	**(2,104)**	(164)
Total tax charge for the period	**(1,911)**	693

7 INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit 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 six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**2,019**	4,708
Tax at the statutory tax rates	**505**	1,177
Effect of different tax rates applied by certain subsidiaries	**(1,075)**	81
Income not subject to tax	**(2,633)**	(1,835)
Expenses not deductible for tax	**570**	631
Tax losses not recognised	**1,342**	1,371
Temporary differences not recognised	**264**	1,411
Utilisation of previously unrecognised temporary differences	**(11)**	(1,368)
Utilisation of previously unrecognised tax losses	**(795)**	(821)
Adjustments in respect of current tax of previous periods	**(78)**	46
Tax charge at the Group's effective rate	**(1,911)**	693

8 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,701,123,120 (for the six months ended 30 June 2017: 2,701,123,120) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the 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 period, as used in the basic earnings 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.

8 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2018 in respect of dilution as the Group had no potential dilutive ordinary shares in issue for the six months ended 30 June 2018. The basic earnings per share equals to the diluted earnings per share.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2017 in respect of dilution as the impact of the share options outstanding had an anti-dilutive effect on the earnings per share presented.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation:	**3,930**	4,015

	For the six months ended 30 June	
	30 June 2018	30 September 2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,701,123**	2,701,123
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	–
	2,701,123	2,701,123

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *RMB'000* (Unaudited)	Furniture and fixtures *RMB'000* (Unaudited)	Motor vehicles *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Cost:				
At 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 and 1 January 2018	4,865	2,775	1,571	9,211
Additions	–	2	15	17
Exchange difference	17	8	–	25
At 30 June 2018	4,882	2,785	1,586	9,253
Accumulated depreciation:				
At 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 and 1 January 2018	4,803	2,119	396	7,318
Additions	58	208	158	424
Exchange difference	19	8	–	27
At 30 June 2018	4,880	2,335	554	7,769
Net book value:				
At 1 January 2017	1,060	1,070	670	2,800
At 31 December 2017	62	656	1,175	1,893
At 30 June 2018	2	450	1,032	1,484

10 GOODWILL

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cost	**5,697**	5,697
Impairment	**(5,697)**	(5,697)
Net book value	**–**	–

Impairment testing of goodwill

Goodwill has been allocated to a single cash-generating unit of financing services during the 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 carrying amount of approximately RMB5,697,000 and a pawn shop licence in intangible assets with carrying amount of approximately RMB4,656,000 were recognised on the acquisition of a pawn business in Guangdong. Following an adjustment of the Group's business strategy, management plans to focus on factoring business, and has no development plan for the pawn business in the next several years. Management recognised an impairment loss of approximately RMB5,697,000 for goodwill and approximately 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 2017 and 30 June 2018.

11 OTHER INTANGIBLE ASSETS

	Pawn shop licence *RMB'000* (Unaudited)	Computer software *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Cost:			
At 1 January 2017	4,656	25,541	30,197
Additions	–	–	–
At 31 December 2017 and 1 January 2018	4,656	25,541	30,197
Additions	–	–	–
At 30 June 2018	4,656	25,541	30,197
Accumulated amortisation:			
At 1 January 2017	–	2,727	2,727
Additions	–	5,112	5,112
At 31 December 2017 and 1 January 2018	–	7,839	7,839
Additions	–	2,552	2,552
At 30 June 2018	–	10,391	10,391
Accumulated impairment losses:			
At 1 January 2017	4,656	–	4,656
Additions	–	–	–
At 31 December 2017 and 30 June 2018	4,656	–	4,656
Net carrying value:			
At 1 January 2017	–	22,814	22,814
At 31 December 2017	–	17,702	17,702
At 30 June 2018	–	15,150	15,150

The balance of pawn shop licence includes 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 the impairment of pawn shop licence for the six months ended 30 June 2018 have been included in Note 10.

12 TRADE AND LOANS RECEIVABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Trade and loans receivables		
Commercial factoring loans *(Note (a))*	**580,672**	352,420
Finance lease receivables *(Note (b))*	**166,856**	69,233
Personal property pawn loans *(Note (c))*	**4,420**	4,551
	751,948	426,204
Impairment	**(20,910)**	(15,844)
	731,038	410,360
Carrying amount analysed for reporting purpose:		
Current assets	**584,952**	353,640
Non-current assets	**146,086**	56,720
	731,038	410,360

The directors consider that the fair values of trade and loans receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

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 financial 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.

12 TRADE AND LOANS RECEIVABLES (continued)

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**170,839**	398,336
3-6 months	**508,211**	9,540
6-12 months	**59,606**	4,309
Over 12 months	**13,292**	14,019
	751,948	426,204
Impairment	**(20,910)**	(15,844)
	731,038	410,360

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**733,121**	412,628
Less than 30 days past due	**2,013**	82
30 to 60 days past due	**–**	–
61 to 120 days past due	**–**	–
More than 120 days past due	**–**	–
	735,134	412,710

12 TRADE AND LOANS RECEIVABLES (continued)

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

	For the six months ended 30 June 2018 (Unaudited)			
	stage 1 (expected credit loss of 12 months)	Stage 2 (expected credit loss of whole period)	stage 3 (impaired expected credit loss of whole period)	Total
As at 1 January 2018	1,823	144	13,480	15,447
Transfer to Stage 1	36	(36)	–	–
Transfer to Stage 2	(212)	212	–	–
Transfer to Stage 3	(25)	(17)	42	–
Charge for the period	2,827	797	1,762	5,386
Release for the period	(1,020)	(44)	(332)	(1,396)
Stage transfer	(25)	157	1,356	1,488
Write-offs	–	–	(15)	(15)
As at 30 June	3,404	1,213	16,293	20,910

	For the six months ended 30 June 2017 *RMB'000* (Unaudited)
At beginning of period	28,728
Impairment loss recognised *(Note 5)*	10,459
Impairment loss reversed* *(Note 5)*	(8,343)
Bad debts write-off	(245)
Exchange difference	(307)
	30,292

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

12 TRADE AND LOANS RECEIVABLES (continued)

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 only a portion of the receivables is expected to be recovered.

Trade and loans receivables from the Group's related parties are included in Note 26.

The Group has certain concentration risk on trade and loans receivables as it has five (as at 31 December 2017: five) customers with total outstanding balances of approximately RMB502,583,000 (as at 31 December 2017: RMB310,235,000) as at 30 June 2018, and two (as at 31 December 2017: four) customer contributes more than 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.

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Prepayments	**8,600**	9,844
Deposits	**580**	974
Other receivables	**601,913**	594,253
	611,093	605,071

None of the above assets are 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 30 June 2018, included in other receivables of RMB577,000,000 are due from the Group's related parties (as at 31 December 2017: RMB577,000,000). The balances with related parties are unsecured, interest-free and have no fixed terms of repayment. Details are included in note 26.

14 PLEDGED DEPOSITS FOR BANK LOANS AND CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and bank balances	**1,164,005**	1,539,865
Less: Pledged deposits for bank loans	**841,949**	831,464
Cash and cash equivalents	**322,056**	708,401

	30 June 2018 (Unaudited)		
	Original currency'000	**Exchange rate**	***RMB'000***
RMB	**219,257**	**1.0000**	**219,257**
HKD	**45,990**	**0.8431**	**38,774**
USD	**136,924**	**6.6166**	**905,974**
			1,164,005

	31 December 2017 (Audited)		
	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

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 bank 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.

15 TRADE PAYABLES

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

	30 June 2018 **RMB'000** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 1 month	**2,186**	3,909
1 to 2 months	**–**	1,664
2 to 3 months	**–**	774
Over 3 months	**210**	5,383
	2,396	11,730

As at 30 June 2018, the Group had trade payables due to related parties of approximately RMB345,000 (as at 31 December 2017: RMB214,000).

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.

16 OTHER PAYABLES AND ACCRUALS

	30 June 2018 **RMB'000** **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Deposits received	**5,455**	3,858
Receipt in advance	**2,688**	5,396
Accruals	**2,244**	1,031
Other payables	**7,504**	27,537
	17,891	37,822

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 their fair values.

17 INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 (Unaudited)			31 December 2017(Audited)		
	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**	**758,000**	4.1325%-4.3500%	2018/7/2-2018/12/27	776,000
			758,000			776,000

The Group's bank loans of RMB758,000,000 at 30 June 2018 (as at 31 December 2017: RMB776,000,000) are secured by the Group's fixed deposits. Relevant disclosures are included in Note 14.

18 BONDS ISSUED

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Unlisted corporate bonds	**27,074**	26,635

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.

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%.

19 DEFERRED TAX

As at 30 June 2018 and 31 December 2017, the Group had no deferred tax liabilities.

The movement in deferred tax assets during the period is as follows:

Deferred tax assets

	Impairment of trade and loans receivables	Fair value change of financial assets at fair value through profit or loss	Losses available for offsetting against future taxable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017 (Audited)	781	–	–	781
Deferred tax charged to the statement of profit or loss during the period	(186)	–	–	(186)
At 31 December 2017 (Audited)	595	–	–	595
Impact of adopting HKFRS 9 *(Note 2.2.1)*	(99)	(7)	–	(106)
At 1 January 2018	496	(7)	–	489
Deferred tax credited to the statement of profit or loss during the period *(Note 7)*	1,448	34	622	2,104
At 30 June 2018 (Unaudited)	1,944	27	622	2,593

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Tax losses	**83,582**	80,406
Deductible temporary differences	**20,365**	19,322

As at 30 June 2018, the Group had tax losses arising from the operation in Hong Kong of approximately equivalent to RMB71,773,000 (as at 31 December 2017: RMB68,861,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Tax losses as at 30 June 2018 are subject to approval of the Hong Kong Inland Revenue Department.

19 DEFERRED TAX (continued)

Deferred tax assets (continued)

As at 30 June 2018, the Group also had tax losses arising from the operation in Mainland China of approximately RMB11,809,000 (as at 31 December 2017: RMB11,545,000) that will expire in one to five years for offsetting against future taxable profits.

The above deductible temporary differences include impairment of trade and loan receivables and other timing differences 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.

20 SHARE CAPITAL

Shares

	30 June 2018 ***HKD'000***	31 December 2017 *HKD'000*
Authorised:		
6,000,000,000 (31 December 2017: 6,000,000,000) ordinary shares of HKD0.1 each	**600,000**	600,000

	30 June 2018 ***RMB'000***	31 December 2017 *HKD'000*
Issued and fully paid:		
2,701,123,120 (31 December 2017: 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*	**Share capital** *RMB'000*
At 1 January 2017	2,701,123	230,159
Issue of shares *(Note)*	–	–
At 31 December 2017 and at 30 June 2018	2,701,123	230,159

20 SHARE CAPITAL (continued)

Note:

On 5 September 2016, the Company issued a total of 2,066,342,340 ordinary shares at a price of HKD0.77 per share. After deducting the transaction cost 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.

21 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, have contributed or may contribute to the Group. A share option scheme was adopted on 28 September 2012. Unless otherwise cancelled or amended, it 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.

21 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 period:

	30 June 2018		31 December 2017	
	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 period	**–**	**–**	1.25	6,000
Lapsed during the period	**–**	**–**	1.25	(6,000)
At end of period	**–**	**–**	–	–

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.

21 SHARE OPTION SCHEME (continued)

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

	30 June 2018		31 December 2017	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HKD per share	***'000***	*HKD per share*	*'000*
At beginning of period	**–**	**–**	1.23	24,000
Lapsed during the period	**–**	**–**	1.23	(24,000)
At end of period	**–**	**–**	–	–

No share options were exercised during the six months ended 30 June 2018 and the year ended 31 December 2017.

As at 30 June 2018 and 31 December 2017, the Company had no share option outstanding.

22 RESERVES

The amounts of the Group's reserves and the movements therein for the current period and prior periods are presented in the interim condensed consolidated statement of changes in equity on page 21 of the interim condensed consolidated financial statements.

Share premium

The share premium account of the Group includes shares issued at premium.

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 year.

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.

22 RESERVES (continued)

Share option reserves

Share option reserves related to share options granted under the Company's share option scheme and which 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.

Exchange reserves

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations and is dealt with in accordance with the accounting policies adopted for foreign currency translation.

23 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2018 and 31 December 2017.

24 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 seven years.

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year, inclusive	**2,845**	3,541
In the second to fifth years, inclusive	**4,819**	3,747
After five years	**766**	1,199
	8,430	8,487

25 COMMITMENTS

In addition to the operating lease commitments detailed in note 24 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Contracted, but not provided for:		
Loan commitment	**144,000**	144,000

Details of the loan commitment are included in note 26.

26 RELATED PARTY TRANSACTIONS

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

	Note	**For the six months ended 30 June 2018** *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited)
Transactions with related parties which are significantly influenced by a close member of the beneficial controlling person of the Group			
Rental expense	*(i)*	**1,137**	834
Property management fee	*(i)*	**574**	386
Finance lease interest income	*(i)*	**–**	1,078

Note:

(i) The transactions were conducted in accordance with respective contractual terms.

26 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties which are significantly influenced by a close member of the beneficial controlling person of the Group as at the end of the period:

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Balances with related parties which are significantly influenced by a close member of the beneficial controlling person of the Group:		
Trade and loans receivables	**862**	38,168
Prepayments, deposits and other receivables	**761**	825
Trade payables	**345**	214
Other payables and accruals	**369**	22,159
Other receivables due from a related party controlled by the beneficial controlling person of the Group *(Note)*	**576,000**	576,000
Other receivables due from the beneficial controlling person of the Group	**900**	900
Other receivables due from directors	**100**	100

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.

26 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties which are significantly influenced by a close member of the beneficial controlling person of the Group as at the end of the period (continued):

Note (continued):

According to the Loan and the sale and purchase agreement, the loan would be granted based on progress of the above acquisition. As at 30 June 2018, the transaction was subject to approval of the People's Bank of China (the "PBOC") or its affiliated institutions. As at 30 June 2018, RMB576 million (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 25, 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:

Trade and loans receivables of Nil 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 six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB250,540,000).

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, other allowances and benefits in kind	**2,162**	1,235
Pension scheme contributions	**71**	63
	2,233	1,298

27 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 loans receivables recorded in financial assets at fair value through profit or loss 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 six months ended 30 June 2018, the financial assets at fair value through profit or loss amounting approximately RMB749,057,000 had been derecogonised by the Group (for the six months ended 30 June 2017: Nil)

28 FINANCIAL INSTRUMENTS BY CATEGORY

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

	30 June 2018		31 December 2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Financial assets:				
Trade and loans receivables	**731,038**	**731,038**	410,360	410,360
Prepayments, deposits and other receivables	**611,093**	**611,093**	605,071	605,071
Financial assets at fair value through profit or loss	**8,091**	**8,091**	–	–
Pledged deposits for bank loans	**841,949**	**841,949**	831,464	831,464
Cash and cash equivalents	**322,056**	**322,056**	708,401	708,401
	2,514,227	**2,514,227**	2,555,296	2,555,296
Financial liabilities:				
At amortised cost				
Trade payables	**2,396**	**2,396**	11,730	11,730
Other payables and accruals	**17,891**	**17,891**	37,822	37,822
Bonds issued	**27,074**	**27,074**	26,635	26,635
Interest-bearing bank and other borrowings	**758,000**	**758,000**	776,000	776,000
	805,361	**805,361**	852,187	852,187

29 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(a) Fair value measurement

Management has assessed that the fair values of cash and cash equivalents, 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.

Financial assets at fair value through profit or loss is stated at fair value. Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period. The carrying amount and fair value of financial assets at fair value through profit or loss are disclosed in note 28.

The Group's finance department headed by the chief financial officer and risk management department headed by the risk management director are responsible for determining the policies and procedures for the fair value measurement of financial instruments. The chief financial officer reports directly to the audit committee. At each reporting date, the finance department and risk management department analyse 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 and chief executive officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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.

(b) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The definitions of three levels are as below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

(b) Fair value hierarchy (continued)

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes bonds and a majority of OTC derivative contracts. Input parameters like ChinaBond interbank yield curves or LIBOR yield curves are sourced from ChinaBond, Bloomberg and Shanghai Clearing House.

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

Asset measured at fair value

	30 June 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets				
Financial assets at fair value through profit or loss	–	–	8,091	8,091

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

(b) Fair value hierarchy(continued)

Asset measured at fair value(continued)

The movement during the period ended 30 June 2018 in the balance of Level 3 fair value measurements is as follows:

	Financial assets at fair value through profit or loss *RMB'000* **(Unaudited)**
1 January 2018	**210,066**
Total gains or losses in profit or loss for the current period	**6,158**
Purchases or originated	**583,669**
Settlements	**(791,802)**
30 June 2018	**8,091**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**217**

During the period ended 30 June 2018, there were no significant transfers into or out of Level 3.

There were no financial assets at fair value through profit or loss for the year ended 31 December 2017.

(c) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily interest derivatives. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2018 and 31 December 2017, the carrying amount 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.

30 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 financing 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 a 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 30 June 2018, 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 six months would decrease/increase by approximately RMB2,340,000 (for the six months ended 30 June 2017: RMB1,750,000). This is mainly attributed to the Group's exposure to the interest rates on its variable-rate bank borrowings.

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 and US dollars, which expose the Group to foreign currency risk. The Group has not used any financial instruments to hedge against currency risk.

As at 30 June 2018, 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 six months would decrease/increase by approximately RMB4,530,000 (for the six months ended 30 June 2017: RMB6,517,000), the Group's equity as at 30 June 2018 would decrease/increase by approximately RMB4,530,000 (as at 30 June 2017: RMB6,517,000).

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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. In addition, the customers provide leased assets as collateral for finance leases. In the event of default, the Group will proceed with sale of leased assets. Moreover, the Group receives financial guarantees 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 12. The Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Credit risk measurement

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the riskchance of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

- Stage III: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the balance sheet date of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the balance sheet date of the current period according to the ECL in the next 12 months.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL *(continued)*

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contract cash flow

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group and external credit risk rating. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when the financial instrument has been downgraded within five-tier loan classification or the debtor's contractual payments (including principal and interest) are past due for certain days.

Parameters of ECL measurements

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirements of HKFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

Parameters of ECL measurements *(continued)*

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the internal and external rating, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the difference of credit products, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure after the time of default, based on historical statistics, the loss rate may be different in various economic environments.

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of PD and therefore the calculation of ECL involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD varies according to different types of business. The Group combined statistic model and experts' judgement in this process, according to the result of model and experts' judgement, the Group predicts these economic indicators on an annually basis and determines the impact of these economic indicators on the PD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistic model with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (stage I) or life time (stage II and stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

Forward-looking information (continued)

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit and loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. As at 30 June 2018, the carrying amount of financial assets with such modified contractual cash flows was not significant.

Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

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.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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 30 June 2018	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	1,218	16,673	–	–	–	17,891
Trade payables	555	1,841	–	–	–	2,396
Bonds issued	–	–	2,066	36,987	–	39,053
Interest-bearing bank and other borrowings	–	294,704	473,025	–	–	767,729
	1,773	313,218	475,091	36,987	–	827,069

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 six months ended 30 June 2018 and the six months ended 30 June 2017.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Capital management (continued)

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as total borrowings 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:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total debt	**808,289**	856,461
Equity attributable to owners of the Company	**1,725,165**	1,719,025
Debt-to-equity ratio	**46.85%**	49.82%

31 EVENT AFTER THE REPORTING PERIOD

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

32 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2018.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future 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 in the Company

Ordinary shares of HK$0.1 each of the Company

Name of Director	Number of shares held in the Company Personal interest	Approximate percentage of the issued share capital of the Company *(Note)*
Mr. Chung Tat Fun	6,320,000	0.23%

Note: As at 30 June 2018, the issued share capital of the Company consisted of 2,701,123,120 shares.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company 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.

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

As at 30 June 2018, so far as was 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, underlying shares and debentures 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 follows:

Long positions in Shares in the Company

Ordinary shares of HKD0.1 each of the Company

Name of Shareholders	Capacity/Nature of interests	Number of shares held in the Company	Total	Approximate percentage of the issued share capital of the Company	*Notes*
Swiree Capital Limited ("Swiree")	Beneficial owner	1,653,073,872	1,653,073,872	61.20	1
Ms. Du Juan	Corporate interest	1,653,073,872	1,653,073,872	61.20	1
Mr. Wong Kwong Yu	Spouse interest	1,653,073,872	1,653,073,872	61.20	1
Richlane Ventures Limited ("Richlane")	Beneficial owner	295,512,312	295,512,312	10.94	2
Mr. Ko Chun Shun, Johnson	Beneficial owner Corporate interest	5,000,000 297,776,312	302,776,312	11.21	2
Best Global Ventures Limited ("Best Global")	Beneficial owner	137,756,156	137,756,156	5.10	3
Gate Success Investments Limited ("Gate Success")	Corporate interest	137,756,156	137,756,156	5.10	3
Ms. Yu Nan	Corporate interest	137,756,156	137,756,156	5.10	3

Notes:

1. Swiree is wholly owned by Ms. Du Juan. Therefore, Ms. Du Juan is deemed to be interested in the shares held by Swiree. Mr. Wong Kwong Yu is the husband of Ms. Du Juan and therefore is deemed to be interested in the shares held by Swiree.

2. Mr. Ko Chun Shun Johnson holds 5,000,000 shares directly and also owns the entire share capital of Richlane and Peninsula Resources Limited ("Peninsula"), which owned 2,264,000 shares as at 30 June 2018. Mr. Ko Chun Shun Johnson is deemed to be interested in the shares held by Richlane and Peninsula.

3. 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.

Save as disclosed above, as at 30 June 2018, 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.

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.

As at 30 June 2018, 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company had complied with all code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2018, except for the deviation of code provisions A.2.1 and A.6.7.

i. Code provision A.2.1

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.

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 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 meeting in order to develop a balanced view of the shareholders. Due to the various business commitments, the non-executive Director of the Company did not attend the annual general meeting of the Company held on 7 June 2018. 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 Directors can attend the general meetings in future.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all the Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2018 was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has an Audit Committee, which was established in accordance with Rule 3.21 of the Listing Rules with primary duties of reviewing and providing supervision over the Group's financial reporting process, internal controls and risk assessment. The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Hung Ka Hai Clement (Chairman), Mr. Zhang Liqing and Mr. Li Liangwen.

The Audit Committee met with the management and external auditors on 29 August 2018, to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's interim results for the six months ended 30 June 2018, which have been reviewed by the Company's external auditors, before proposing to the Board for approval.

BOARD OF DIRECTORS

As at the date hereof, the executive Directors are Mr. Liu Xiaopeng, Mr. Ding Donghua, Ms. Chen Wei and Mr. Chung Tat Fun; the non-executive Director is Ms. Wei Qiuli; and the independent non-executive Directors are Mr. Zhang Liqing, Mr. Li Liangwen, Mr. Hung Ka Hai Clement and Mr. Wan Jianhua.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to our shareholders for their continuing support, and extend our sincere appreciation to all management and staff for their ongoing dedication, commitments and contributions.

By Order of the Board
Gome Finance Technology Co., Ltd.
Chen Wei
Executive Director

Hong Kong, 29 August 2018