国美金融科技
GOME FINTECH

國美金融科技有限公司
Gome Finance Technology Co., Ltd.

(Incorporated in Bermuda with limited liability)

(Stock Code: 628)

Annual Report 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS *(Note)*

Executive Directors
Ms. Chen Wei
Mr. Chung Tat Fun

Non-executive Director
Ms. Wei Qiuli

Independent Non-executive Directors
Mr. Cao Dakuan
Mr. Hung Ka Hai Clement
Mr. Wan Jianhua
Mr. Zhang Liqing

COMPANY SECRETARY

Ms. Suen Yu May Sammi

AUDIT COMMITTEE *(Note)*

Mr. Hung Ka Hai Clement *(Chairman)*
Mr. Cao Dakuan
Mr. Zhang Liqing

REMUNERATION COMMITTEE *(Note)*

Mr. Cao Dakuan *(Chairman)*
Mr. Wan Jianhua
Ms. Wei Qiuli

NOMINATION COMMITTEE *(Note)*

Mr. Zhang Liqing *(Chairman)*
Ms. Chen Wei
Mr. Hung Ka Hai, Clement

STRATEGY COMMITTEE *(Note)*

Mr. Wan Jianhua *(Chairman)*
Ms. Chen Wei
Mr. Zhang Liqing

AUDITOR

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

BANKERS

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

LEGAL ADVISERS

As to Hong Kong Law
Sidley Austin

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
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
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

Note:

The composition of the board of directors and the board committees with effect from 29 August 2019 is shown. Please refer to the Company's announcements dated 27 May 2019 and 28 August 2019 for details of changes in composition of the board of directors and the board committees during the year ended 31 December 2019.

EXECUTIVE DIRECTOR'S STATEMENT

Dear Shareholders,

On behalf of GOME Finance Technology Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group"), I would like to present the results of the Group for the year ended 31 December 2019.

In the past year, the global political and economic environments experienced increasing turbulence. Rising tensions in the Middle East and continuous trade conflicts between the US and China further increased the volatility of exchange rates, international bulk commodities, and rare metals, bringing massive uncertainties to the growth of the global economy. In 2019, the trade conflicts between the US and China gradually alleviated from intense hostility, bringing cautious optimism to reducing the expectation of a global economic slowdown. Domestically, the annual GDP recorded a growth rate of 6.1%, a year-on-year decrease of 0.5%, reflecting the downward pressure on China's economy. Although there had been persistent upgrading of consumption structure, as indicated by a falling Engel's coefficient compared to 2018, the overall growth rate of physical consumption decreased. Internet financial industry was subject to further regulations, the competitive landscape in the industry increasingly favors leading companies. For large corporations with on-scene resources, technical capabilities and data stream advantage, along with the reduction of competitors in the existing market, this is a great time to consolidate resources and further extend their competitive advantages. Under this context, we continue to be optimistic about the future growth potential of the market, have great confidence in the Group's business operation in the future, and continue to focus on businesses including commercial factoring and financial leasing. We will also exploit and extend financial technology businesses in the area such as extended warranty services, providing professional and quality services to more customers in the market of Hong Kong and Mainland China.

Under the grim situation of the external macro environment, the Group will closely follow new industry trend and seize market opportunity, increase its exploration of the on-scene resources of the GOME system, continuously improve its services to customers and obtain economic benefits from multiple aspects by fully utilizing the accumulated data stream, striving for a better room of improvement in the ever-changing macro environment.

Looking ahead into 2020, we will continue the expansion of business scope and market share in the area of fintech services. We will materialize the deployment and expansion of our extension in the extended warranty services business on the foundation of existing business and explore new point of profit growth, so as to create greater benefits for the shareholders of the Group.

Lastly, I would like to take this opportunity to express my sincere gratitude to all the staff and the senior management, for their incessant efforts, contributions and professional services, as well as their unfailing conviction in assisting the Group to overcome difficulties and achieve success. My sincere thanks also go to the customers and shareholders of the Group, for their exceptional trusts and unrelenting supports all along.

Chen Wei
Executive Director

Beijing, 27 March 2020

OVERVIEW

In 2019, under multiple fronts of downward pressure including the prolonged trade tensions between the People's Republic of China (the "PRC") and the United States, Mainland China's economic growth slowed down which affected all industries. Due to the economic uncertainty, more laws and regulations were imposed on the financial industry in order to strengthen the compliance standard of financial institutions and also to avoid over-borrowing and economic bubbles. 2019 was a tough year to all the financial institutions in the PRC, and the Company carried out several business reforms in order to maintain market share and healthy cash flow of the Group. The Company remained committed to the vision of 'using innovation to promote the development of technology and using technology to drive financial reform', and the objective of establishing a market-leading comprehensive financial technology services group.

During the year ended 31 December 2019, the Group recorded an operating revenue of approximately RMB69,886,000 (2018: RMB69,004,000). Due to the change of economic environment in the PRC, the Group exercised a higher level of risk management in new lending and the commercial factoring business, the major income source of the Group, was affected. However, the Group placed effort in expanding its other businesses and was able to maintain its revenue from the provision of other financing services. During the year, due to the change in economic environment and operation of the Group, the Group recognized provision for impairment loss on the Group's loans and other receivables of approximately RMB33,051,000 and provision for impairment loss on the Group's other intangible assets and related prepayments of approximately RMB11,137,000, and as a result, the Group recorded a loss attributable to the owners of the Company of approximately RMB31,968,000 (2018: profit of RMB1,439,000). The Group maintained a healthy cash flow under these difficult circumstances, as at 31 December 2019, the Group had cash and cash equivalent of approximately RMB316,429,000 (2018: RMB318,521,000) and all borrowings of the Group were secured with corresponding pledged deposits.

The management of the Group believes that the Group can sustain in this tough period as it has sufficient cash and low operating costs, and when the economic environment and financial market become stable, the Group will be able to maintain its healthy development and achieve better operating results.

INDUSTRY ENVIRONMENT

In the first three quarters of 2019, tensions (including the trade conflict between the PRC and the United States) were experienced in the international trade environment while the Brexit impasse seemed impossible to resolve. These events brought a high degree of uncertainty to corporate investment and production around the globe, and the risk of a financial crisis reached an all-time high since 2008. In the fourth quarter of 2019, the initial phase of trade agreement between the PRC and the United States temporarily eased the international trade tension and the United Kingdom proceeded with Brexit. The global macroeconomic environment got a temporary opportunity to respite and the Group's business also began to make significant improvement in the fourth quarter.

Impacted by the heightened international trade tensions, the year-on-year gross domestic product (GDP) growth in the PRC decreased by 0.3 percentage point from 6.4% in the fourth quarter of 2018 to 6.1% in 2019. However, thanks to the counter-cyclical regulation and control policies launched by the government in 2018, even though the manufacturing PMI (purchasing managers' index) of the PRC was relatively low, it remained above 49%, and even made a recovery above the expansionary threshold in November. In general, the macro economy of the PRC showed a bottoming trend with sufficient strategic buffer zone.

Given the downward pressure on the economy and the cyclical nature of the financial industry, the promulgated policies and regulations had focused on the steady and stable development of the financial industry. In 2019, reshuffling in the industry continued, and the national judicial sector promulgated further interpretations to further strengthen the investigation and punishment of illegal practices and grey areas resulted from the reckless growth of the industry in the past. The illegal acts of a number of well-known enterprises were also exposed in accordance with the law, and appropriate measures were taken against them. These enterprises, including the listed company, 51 Credit Card Inc., and a number of other well-known enterprises in the industry, were involved in compliance risk exposure in areas such as data acquisition and money collection, and even incidents related to criminal liabilities. In the future, the operation of the industry will be further consolidated to become more transparent and compliant with rules and regulations.

In 2019, the financial regulatory authorities continued to closely monitor the compliance of operators in the fintech industry as well as their practical service ability. Only the internet financial institutions with sound risk control, abundant resources for business integration and products catering to the needs of the real economy will build up their competitive advantages gradually.

BUSINESS REVIEW

Benefitting from GOME's advantages in resources and industry chain, the Group was able to explore deeper into the needs of upstream and downstream customers in the industry chain during the year, and continue its work in optimizing its capabilities in front-end business support and back-office service support. Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), a wholly-owned subsidiary of the Company, further optimized its risk control system on the foundation of GOME's integrated retail logistics and warehousing databases, significantly improving the processing efficiency of its existing businesses with enhanced customer experience. In the meantime, constrained by further increased uncertainty from the external macro environment and the impact of the Sino-US trade war, the Group further strengthened its risk control in 2019, and once again tightened the approval criteria for new customers and the renewal of credit amount for regular customers. Despite the harsh external environment, the total lending volume of the commercial factoring business exceeded RMB1,800,000,000 during the year, with an increase in total lending volume as compared to 2018. The commercial factoring business recorded operating earnings (excluding impairment allowances) of approximately RMB16,773,000. The commercial factoring business is currently the main source of income for the Group. It is believed that the commercial factoring business will be the cornerstone of the future development of the Group as the business can maintain steady growth despite various negative factors in the external environment in 2019.

For the year 2019, the Group's financial leasing business recorded a lending volume of approximately RMB860,000, representing a significant decrease compared with the preceding year, mainly because the Group suspended the financial leasing business during the year. The vehicle leaseback business was terminated during the year due to its relatively high bad debt ratio and high cost in securing quality customers. Considering the relatively high uncertainty over the repayment ability of individual customers, the mobile phone leaseback business was also suspended in the second half of the year. Despite the suspension of the businesses, the lending balance in the previous years continued to generate revenue for the Group, but the financial leasing business segment still recorded an operating loss due to the impairment allowances.

Other than the commercial factoring business and financing leasing business, the Group, through Gome Wangjin (Beijing) Technology Co., Ltd. ("Gome Wangjin"), a wholly-owned subsidiary of the Company, has been dedicating to the research and development of comprehensive financial technology solutions (such as customer management solutions and risk management solutions), and has continued to explore different opportunities in other financing services with its extensive technical experience in the relevant areas. During the year, Gome Wangjin launched a new business by providing operational services to a financial service App and provide customer referral services to financial institutions through the operation of the App. The business is generating revenue and the management will continue to promote the development of the relevant business. The other financial services business recorded an operating loss (excluding impairment allowances) of approximately RMB11,829,000 during the year, mainly attributable to the fact that the Group was still planning and establishing certain new businesses, which generated costs on human resources but not revenue. The management readjusted its development direction and streamlined its manpower in the fourth quarter. As the Group began to receive customer referral information service income in the second half of the year, the management is optimistic about the future development of the relevant business.

Due to adjustment in business development plan, certain money lending businesses under the other financial services business segment, such as the real estate-backed loan and pawn loan businesses in Mainland China and the money lending business in Hong Kong have been scaled down since 2017, and no significant related operations were carried out by the Group in 2019. Since the Group has no plan to re-expand such businesses in the near future, a significant related asset impairment of approximately RMB5,448,000 was recognized during the year.

Significant changes were made to the Group's overall development plan and related personnel allocation in 2019. The Group has planned to develop different businesses since the end of 2018, and the team was expanded to 107 staff. In 2019, when the operation of the commercial factoring business had become stable, the Group started to streamline the operating team. The financial leasing business stopped issuing new loans, leading to a significant downward adjustment of the number of operating team members. With the postponement of the development programs of individual projects under the other financial services business segment, only the staff providing support for the aforementioned financial service App are kept after personnel reallocation. The total number of staff was decreased to 36 as at the end of 2019. As there are numerous uncertainties in the domestic and global economies, the management believes that downsizing and maintaining low operating costs at this stage will create maximum benefits and higher returns for the Company.

FINANCIAL REVIEW

Results highlights

During the year, the Group recorded an operating revenue of approximately RMB69,886,000, representing a slight increase of 1% as compared to RMB69,004,000 for 2018. The Group recorded RMB12,733,000 in revenue from other financing services, representing a significant increase of 61% as compared to that of the last year as the Group started to provide information services in relation to customer referral to other financial institutions.

However, income from commercial factoring services decreased by approximately RMB2,379,000 or 5% which was mainly due to the domestic economy. Most of the companies heightened caution towards new investments starting from 2018, which affected the demands for funding and reduced the number of loan applications. Starting from 2018, the Group also tightened its approval criteria for new commercial factoring customers, resulting in a decline in new lending in 2018 and the first half of 2019. Although the number and amount of new lending increased in the second half of 2019 such that the total new lending for 2019 was higher than 2018, as interest income would be recognized over the loan period, revenue from commercial factoring in 2019 still dropped.

During the year, the Company recorded a loss attributable to the owners of the Company of approximately RMB31,968,000 (2018: profit of RMB1,439,000) and a loss before taxation of approximately RMB35,196,000 (2018: RMB2,148,000). The significant loss was mainly attributable to the provision for impairment loss on the Group's loans and other receivables of approximately RMB33,051,000 (2018: RMB14,202,000) and the provision for impairment loss on the Group's other intangible assets and related prepayments of approximately RMB11,137,000 (2018: Nil). Due to the change of economic environment in the PRC and the change in business development plan of the Group, significant provision was made in 2019. Part of the loss was also due to the exchange loss of approximately RMB5,620,000 (2018: exchange gain of approximately RMB3,816,000) on United States dollars ("USD") fixed deposits maintained by the Group.

Basic loss per share for the year was RMB1.18 cents (2018: earnings of RMB0.05 cents). The board of directors of the Company did not recommend the payment of a final dividend for the year (2018: Nil).

Commercial factoring business

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

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**43,794**	46,173
Effect of applying the new standard in relation to financial instruments	**–**	5,959
Operating expenses	**(27,021)**	(40,190)
Operating earnings	**16,773**	11,942
Provision for impairment of loans receivables	**(19,857)**	(4,789)
Provision for impairment of other intangible assets and financial assets	**(8,560)**	–
Segment results	**(11,644)**	7,153

The revenue from the commercial factoring business during the year decreased by approximately RMB2,379,000 as compared with 2018, mainly due to the aforementioned reasons relating to the overall economic environment. The decline in income was mainly due to the decrease in new lending in 2018 and first half of 2019. Even though overall new lending in 2019 exceeded that of 2018 and interest rate maintained at similar level as compared with 2018, the total income was still being impacted as most of the interest income of new lending in second half of 2019 will be recorded in 2020.

Effect of applying the new standard in relation to financial instruments represented the application of new standard on financial instruments since 1 January 2018, under which some loan receivables were classified as measured at fair value based on their contractual cash flow characteristics, and interest income from financial assets measured at fair value should be correspondingly recognized as gains or changes in financial assets at fair value through profit or loss. No factoring loan was classified as measured at fair value during 2019.

During the year, the operating expenses of the commercial factoring business decreased by approximately RMB13,169,000 as compared with the preceding year, which was mainly contributed by the decrease in headcount and staff cost. Due to the uncertainty of economic environment, management started to control headcount by stopping replacement and simplifying operation structure.

During the year, impairment provision on loans receivables for commercial factoring business significantly increased to approximately RMB19,857,000. Additional provision for impairment of loan receivables from two customers of approximately RMB8,517,000 was recorded in 2019 in respect to gross loan receivables amounted to approximately RMB65,377,000 as at 31 December 2019. Although each of these customers had a confirmed repayment schedule as at 31 December 2018, due to the economic downturn, both of them failed to follow their original repayment schedule and the respective balances were currently pending judgement from court or execution of judgement. Furthermore, one of the customer was declared bankrupt in 2019 and additional provision of RMB4,459,000 was made in order to cover the non-recoverable balance.

During the year, the Group recorded impairment provision on other intangible assets and financial assets amounted to approximately RMB8,560,000, which mainly included impairment provision on (i) other receivables of RMB4,923,000 the recoverability of which was considered by management to be doubtful; and (ii) computer software under other intangible assets for the commercial factoring business and related prepayments which were wholly impaired in 2019 as the software was no longer in use after the operation structure had been simplified.

Due to the combined effect of the above factors, the operating profit dropped as compared with last year and resulted in a segment loss.

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 analyzing 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.

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

	31 December 2019		31 December 2018	
	Gross balance RMB'000	**Impairment provision RMB'000**	Gross balance RMB'000	Impairment provision RMB'000
Normal	**662,260**	**2,768**	239,698	93
Special mention	**4,930**	**730**	234,794	2,677
Substandard	**65,377**	**10,970**	20,464	2,526
Doubtful	**–**	**–**	–	–
Loss	**4,855**	**4,855**	5,105	5,105
	737,422	**19,323**	500,061	10,401

Included in the substandard category, RMB65,377,000 was loan receivables from two individual customers with impairment provision of RMB10,970,000, and as mentioned above, the balances were currently pending judgement from court or execution of judgement and provision had been made according to the estimated recoverable amount. Apart from these two balances, over 98% of loan receivables were categorized as normal as a result of increased internal control over releasing new lending.

The management and risk management department of the Group closely monitor the substandard and doubtful loans, including regular communication with borrowers and setting up repayment schedules, in addition to making impairment provision for the relevant amounts according to the regulations.

Financial leasing business

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

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**13,359**	14,906
Operating expenses	**(10,782)**	(17,845)
Operating profit/(loss)	**2,577**	(2,939)
Provision for impairment of loans receivables	**(5,933)**	(9,749)
Provision for impairment of other intangible assets and financial assets	**(4,746)**	–
Segment results	**(8,102)**	(12,688)

Financial leasing business turned around from operating loss to an operating profit of approximately RMB2,577,000 in 2019. Financial leasing business include the vehicle leaseback business and the mobile phone leaseback business. During the year, the vehicle leaseback business was stopped and the mobile phone leaseback business was also suspended, the decision was made as these operations involved relatively high bad debt ratio and high channel promotional fees. In addition, when domestic economy was uncertain, both purchasing power and repayment ability of individuals would drop such that future development of the business would become more difficult and risk of the business also increased. For risk control and to reserve resources for business with higher potential, management decided to suspend this business.

Although the business was suspended during the year with no new lending made after July 2019, revenue only slightly decreased by 10% as compared with last year as interest income was still generated from the loan balances. Interest from the existing balances will be continued until 2021 even though no more new lending is expected to be made. Operating expenses decreased as a combined result of decrease in staff cost and channel promotional fees. Upon suspension of the business, only a minimal number of staff was kept to manage the loan receivables and no more promotion was carried out, therefore operating cost dropped.

As mentioned above, deterioration in the repayment ability of individual borrowers had resulted in a larger proportion of loans becoming overdue, therefore, additional impairment provision on loans receivable for the financial leasing business was recorded in 2019. The overall amount decreased as compared with 2018 because the operation was scaled down and significant provision was already recognized in 2018.

During the year, the Group recorded impairment provision on other intangible assets and financial assets of approximately RMB4,746,000. The computer software under other intangible assets for financial leasing business and related prepayments of approximately RMB2,500,000 in total were wholly impaired in 2019 as a result of suspension of the business. Impairment for other receivables made up the remaining portion of the impairment provision made.

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

	31 December 2019		31 December 2018	
	Gross balance RMB'000	**Impairment provision RMB'000**	Gross balance RMB'000	Impairment provision RMB'000
Normal	**44,236**	**1,362**	112,063	2,637
Special mention	**538**	**243**	1,930	739
Substandard	**861**	**487**	3,647	1,700
Doubtful	**1,625**	**1,113**	5,158	2,973
Loss	**20,219**	**16,689**	8,395	6,968
	67,479	**19,894**	131,193	15,017

As mentioned above, many individuals failed to repay timely causing the balance under the doubtful and loss categories to increase and the making of additional provision of approximately RMB5,933,000 during the year.

Other financing services business

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

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**12,733**	7,925
Operating expenses	**(24,562)**	(17,471)
Operating loss	**(11,829)**	(9,546)
Reversal of impairment on loans receivables	**356**	336
Provision for impairment of other intangible assets and financial assets	**(5,448)**	–
Segment results	**(16,921)**	(9,210)

The revenue of the other financing services business for the year mainly represents financial information service fee collected by Gome Wangjin by providing customer referral services to financial institutions through financial services App, which mainly involved referring the App users to other financial institutions for borrowing, obtaining credit record and applying for credit card, etc. Revenue in 2018 consisted of consultation service fee from a related party, which was one off in nature and no such kind of consultation services was provided in 2019.

In the past, the other financing services business was mainly referring to the real estate-backed loan and pawn loan businesses in the PRC and the money lending business in Hong Kong. These businesses slowed down starting from 2018 and the Group planned for several new businesses including prepaid card business, the third party internet payment service, extended warranty service, consultation service, and operation and information services. The Group increased headcount started from the last quarter of 2018 for these new business plan and resulted in significant increase in staff cost. In September 2019, the management decided to postpone certain new businesses and focus on operation of the information services related to financial services App first, however, operating expense for 2019 still increased by approximately RMB7,091,000 as compared with 2018 due to the staff cost.

Reversal of impairments represented settlement of loan receivables in relation to pawn loan business which was previously written off. Due to the slow down of the real estate-backed loan and pawn loan businesses and some other business, the Group recorded impairment provision on other intangible assets and financial assets which amounted to approximately RMB5,448,000, of which approximately RMB5,000,000 was for the computer software under other intangible assets and related prepayments for the related businesses.

Key operating data of the Group

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Net trade and loan receivables	**771,817**	614,236
– Net loan balance	**765,687**	605,836
Gross trade and loans receivable balance	**814,894**	643,870
– Gross loan balance	**808,764**	635,470

	For the year ended 31 December 2019	For the year ended 31 December 2018
Total return on loans (interest income/average gross loan balance)	**8.59%**	10.77%
Allowance to loans ratio (impairment allowance as % of gross loan balance)	**5.33%**	4.66%
Non-performing loan ratio (gross non-performing loan balance as % of gross loan balance)	**11.88%**	7.39%
Allowance coverage ratio (impairment allowance as % of gross non-performing loan balance)	**44.50%**	63.07%

As at 31 December 2019, the Group's net loan balance and gross loan balance increased by approximately RMB159,851,000 (26.39%) and approximately RMB173,294,000 (27.27%) respectively as compared with those as at 31 December 2018. Such increase was primarily due to significant new lending release in the last quarter of 2019, which amounted to approximately RMB697 million.

Overall interest rate charged to customers in 2019 in relation to commercial factoring loans and financial leasing loans maintained at a similar level as 2018. However, total return on loans still dropped slightly by 2.18% because no interest was generated from balance of the two individual customers with significant overdue balances while the amount was still counted as loan balance, which affected the total return.

Compared with 2018, the allowance to loans ratio and non-performing loan ratio increased for the year, which was mainly attributable to the increase in default rates in upstream and downstream of the supply chain and overdue of certain customers of commercial factoring business arising from tightening domestic funds and RMB25,434,000 additional provision on loan receivable recognized in 2019. In particular, the balance of RMB65,377,000 from the two customers mentioned above was classified as non-performing in 2019. This significant increase in non-performing balances led to decrease in the allowance coverage ratio.

Loan quality analysis and impairment allowances

During the year, net amount for the provision for impairment loss on trade and loans receivables was approximately RMB25,434,000 (2018: RMB14,202,000). Additional provision was made for the commercial factoring and financial leasing businesses as aforesaid. Furthermore, since one of the borrowers was bankrupt and the relevant loan receivable was written off, impairment loss write-off increased as compared with 2018.

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
At the beginning of the period	**29,634**	15,844
Impact of HKFRS 9	**–**	(397)
Impairment allowances recognized	**28,104**	16,088
Impairment loss reversed	**(2,670)**	(1,886)
Impairment loss write-off and transferred out	**(11,991)**	(15)
At the end of the period	**43,077**	29,634

Other gains

The Group had significant USD bank deposit during 2019 and 2018 and recorded significant exchange loss in 2019 as USD depreciated against RMB significantly in December 2019 while it appreciated against RMB in 2018.

Other balance sheet items

Due to the application of HKFRS 16 "Leases", the Group recognized the right-of-use assets as at 31 December 2019, which amounted to RMB4.2 million. For details please refer to Notes 2.2.1 and 14 of the consolidated financial statements. The Group has used the elective practical expedients when applying HKFRS 16 at 1 January 2019, thus, no such assets was recognized as at 31 December 2018.

The Group has been investing in certain principal guaranteed structured deposit products offered by a bank from time to time for the purpose of better utilizing the surplus cash of the Group arising in the ordinary and usual course of business. Such investments have been accounted for as "financial assets at fair value through profit or loss" in the Company's consolidated financial statements. During the year, more surplus cash was placed in bank as pledged deposits, therefore, as at 31 December 2019, amount of these investments dropped to RMB105.7 million (31 December 2018: RMB131.7 million).

PROSPECTS

In 2020, the turbulence in the domestic and international economic environment will further aggravate. Coupled with the immense impact of the coronavirus disease 2019 ("COVID-19"), the operation of enterprises in the secondary and tertiary industries will face serious challenges during the year. It is expected that many enterprises will encounter various levels of operational difficulties and survival issues. In the area of real economy, under the dual influence of the Sino-US "trade war" and the COVID-19 pandemic, the demands in the real economy, both at home and abroad, will wither in varying degrees, posing a greater challenge to the operation of enterprises in the real economy. As for the financial sector, with the issue of financial compliance becoming more prominent, compliance costs for financial enterprises will further increase, giving rise to further elimination of small enterprises with further expansion of the market share of large enterprises. Since its establishment, the Group has placed operational compliance as the top priority of its operation. After a year of compliance rectification, the Group will position itself as a business entity adapted to market environment, capable of getting more long-term and high-quality development opportunities. Meanwhile, with the accumulation of technical skills and knowledge in the area of fintech, the Group will proactively extend its operating model in the insurance industry, in order to provide shareholders with diversified income sources and superior investment returns.

In this extremely competitive environment, the Group will continue to adhere to its strategic theme of focusing on fintech, integrate the advantages of GOME's abundant on-scene resources, upgrade and optimize the risk control service system based on big data and artificial intelligence, with an aim to improve its operational stability, enrich its product portfolio, and build up a comprehensive financial services platform driven by technology. In face of an external environment with increasingly rampant changes, the Group will continue to increase its effort in monitoring its business and tightening the risk management standards, further optimizing its business composition and improving its corporate governance, so as to promote the sustainable and healthy development of the Group and to create greater value for all shareholders.

In addition to the continued dedication in its existing businesses, the Group plans to further expand its coverage in the financial technology business in the area of "retail + finance", in order to achieve continuous income growth. By utilizing existing resources such as technology systems, information resources, risk management techniques and talent reserves, the Group will launch the extended warranty services business according to its plan. As for the extended warranty services business, the Group will cooperate with insurance companies by way of reinsuring the risks, completing an industry chain of sales, pricing, reinsurance, after-sales service platform and referral, and provide a convenient, prompt and competitive intermediary service platform to end customers. By expanding into the extended warranty services business, the Group aims at realizing income sources from areas such as risk spread, platform commission income and sharing of financial incomes.

In 2020, the outbreak of COVID-19 epidemic began in Wuhan, the PRC, and spread rapidly to major economies in the world including the US, Europe, Japan and Korea. As at the date of publication of this annual report, it has become a public health emergency of international concern. This global public health event is considered as a once-in-a-century epidemic which causes major impacts to both the macro and micro economies.

At the same time, the epidemic has put immense pressure on a large number of enterprises which are facing difficulties in operation, lockdown and suspension of business, and as a result, the number of operating enterprises fell sharply, leading to a sluggish demand for loans. The Group expects there to be a significant reduction of potential customers as compared to the past. Meanwhile, traffic control due to the epidemic has limited business travelling activities between enterprises, and thus also limited the Group's offline expansion of business. In addition, the credit risks for new and existing customers who are maintaining active lending relationship with the Group are expected to increase under the circumstances of exacerbated pressure from the external economic environment, which may bring negative impact on the Group's asset portfolio.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position is sound with strong equity and working capital bases. As at 31 December 2019, the Group's total equity amounted to approximately RMB1,747,374,000, representing a slight decrease of 0.6% as compared with that as at 31 December 2018. As at 31 December 2019, the Group's cash and cash equivalents amounted to approximately RMB316,429,000 (2018: RMB318,521,000) which was at a level similar to that as at 31 December 2018.

During the year, the Group incurred cash outflow from its operating activities of approximately RMB169,883,000 (2018: RMB243,490,000). Due to the significant new lending in the last quarter of 2019, gross loan receivables increased by RMB173,294,000 and resulted in an operating cash outflow. The Group recorded an inflow from investing activities of approximately RMB60,177,000 (2018: outflow of RMB106,604,000) as a result of decrease in financial assets comprising primarily of the structured deposit products. The Group incurred additional borrowings in 2019 and recorded an inflow from financing activities of approximately RMB110,556,000 (2018: outflow of RMB41,412,000).

The Group's current ratio as at 31 December 2019 was 2.84 (2018: 3.10). The Group's gearing ratio, expressed as percentage of total liabilities except tax payable over the Group's total equity was 55.6% (as at 31 December 2018: 46.5%). The decrease in current ratio and increase in gearing ratio was due to additional short term bank borrowing in 2019.

The Group has issued an 8-year corporate bond with total principal amount of HK$35 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 will be repaid at par upon maturity.

The Group had no particular seasonal pattern of borrowing. As at 31 December 2019, the Group's borrowings (including current borrowings (which are due within one year) and non-current borrowings (which are due after one year)) amounted to approximately RMB956,495,000 (2018: RMB802,364,000). The Group's current borrowings of approximately RMB155,000,000 were made at floating interest rates. The weighted average effective interest rates on secured current borrowings for the year were 4.15% to 5.22% per annum.

As at 31 December 2019, the Group's borrowings were denominated in RMB and HKD, amounting to approximately RMB927,000,000 and approximately HKD32,926,000 (equivalent to approximately RMB29,495,000), respectively.

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

CAPITAL STRUCTURE

During the year, there was no change in the issued capital of the Company and the Company's number of issued ordinary shares remained at 2,701,123,120 as at 31 December 2019 and 2018.

GROUP STRUCTURE

The Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2019.

For details relating to the acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited, please refer to the section headed "Connected transactions and disclosure pursuant Rule 13.20 of the Listing Rules – (1) Acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited" in the "Report of the Directors" of this annual report.

As at 31 December 2019, the Group had no future plans for material investments or capital assets.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group's bank deposits in the amount of approximately RMB922,865,000 (2018: RMB889,470,000) were pledged to secure banking facilities of the Group. The Group did not have any material contingent liabilities as at 31 December 2019 and 2018.

COMMITMENTS

As at 31 December 2019, the Group had loans commitment in the amount of RMB144,000,000 (2018: RMB144,000,000), which are contracted but not provided for. As at 31 December 2018, the Group had rental payment under non-cancellable leases amounted to approximately RMB8,191,000, and as at 31 December 2019, obligations under non-cancellable leases were recorded as lease liabilities in the consolidated statement of financial position.

TREASURY POLICIES AND FOREIGN EXCHANGE EXPOSURE

The Group has continued to adopt a conservative treasury policy, with all bank deposits held in HKD, RMB, and USD. The board and management has 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 been investing in certain principal guaranteed structured deposit products offered by a bank with the surplus cash arising in the ordinary and usual course of business of the Group from time to time. The principal amount invested by the Group in these products was determined by the Group having regard to the surplus cash position of the Group from time to time and after taking into account the highly liquid nature of such investments and nearly no financial risks involved. The Group has not adopted any hedging policy or entered into any derivative products. However, the board and the management will continue to monitor the foreign currency exchange exposure and will consider adopting certain hedging measures against the currency risk when necessary.

EMPLOYEES AND EMOLUMENT POLICY

The Group had 36 employees in total as at 31 December 2019 (2018: 107). The Group pays for social insurance for its PRC employees in accordance with the applicable laws in the PRC. The Group also maintains insurance coverage and contributes to mandatory provident fund schemes for its employees in Hong Kong in accordance with the applicable laws in Hong Kong. The overall aim of the Group's employee and remuneration policy is to retain and motivate staff members to contribute to the continuing success of the Group.

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

USE OF NET PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES

The net proceeds from the subscription of new shares of the Company completed on 5 September 2016 amounted to HK$1,574.5 million. Details of the share subscription and the proposed use of net proceeds are set out in the Company's circular dated 5 August 2016. The use of net proceeds was subsequently revised in the Company's announcement dated 29 August 2018. The below table sets out the revised application of net proceeds and their usage up to 31 December 2019:

	Proposed application of net proceeds HKD million	**Actual usage up to 31 December 2019** HKD 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
General working capital (Note)	144.5	144.5
	1,574.5	1,574.5

Note: With reference to the Company's announcement dated 29 August 2018, net proceeds in the amount of HK$100 million originally intended for marketing and promotion of the Group's financial service business and payment of additional sales personnel costs were wholly re-allocated for general working capital and other general corporate purposes.

EXECUTIVE DIRECTORS

Ms. Chen Wei

Ms. Chen Wei ("Ms. Chen"), aged 60, was appointed as an executive director of the Company on 27 December 2017. Ms. Chen is currently a member of the Nomination Committee and the Strategy Committee of the Company. Ms. Chen formerly served as president of treasury management office of Shenzhen branch, People's Bank of China (中國人民銀行深圳特區分行), executive director, vice president and chief financial officer of China Merchants Bank Co., Ltd. (招商銀行股份有限公司), and Shenzhen Development Bank Co., Ltd. (深圳發展銀行股份有限公司), executive director and general vice president of Ping An Bank Co., Ltd. (平安銀行股份有限公司), consultant and general vice president of Shanghai Lujiazui International Financial Asset Exchange Co., Ltd. (上海陸家嘴國際金融資產交易市場股份有限公司) and president of Gome Finance. Ms. Chen possesses more than 35 years of working experience in banking institutions and has extensive working and management experience in various operations of financial institutions. Ms. Chen received a doctoral degree in management from Harbin Institute of Technology and is a qualified senior economist in China.

Mr. Chung Tat Fun

Mr. Chung Tat Fun ("Mr. Chung"), aged 59, was appointed as an executive director of the Company in February 2014. Mr. Chung is also a director of certain subsidiaries of the Company. Mr. Chung has extensive operation and management experience in businesses of various industries, including financing services, assets management, equity investment and property investment for over 20 years. Mr. Chung is a vice president of China Federation of Overseas Chinese Entrepreneurs (中國僑商聯合會), a member of the standing committee of Guangdong Province Returned Overseas Chinese Association (廣東省歸國華僑聯合會), a standing executive vice president of Guangdong International Overseas Chinese Chamber of Commerce (廣東省國際華商會), a standing committee member of the Guangzhou Yuexiu District Committee of Chinese People's Political Consultative Conference of Yuexiu (廣州市越秀區政協委員會) and a member of the Guangzhou Committee of Chinese People's Political Consultative Conference (廣州市政協委員會).

NON-EXECUTIVE DIRECTOR

Ms. Wei Qiuli

Ms. Wei Qiuli ("Ms. Wei"), aged 52, was appointed as a non-executive director of the Company on 5 September 2016. Ms. Wei is currently a member of the Remuneration Committee of the Company. Ms. Wei has been acting as vice president and senior vice president of GOME Retail Holdings Limited (國美零售控股有限公司) ("GOME Retail") (stock code: 0493) responsible for administrative and brand management matters since November 2006 and 2012, respectively, and as an executive director of GOME Retail between January 2009 and June 2011. She was appointed as chairman of decision-making committee of GOME Retail in March 2018 and responsible for the medium- to long-term strategic planning, group organizational planning as well as planning and implementation of human resources training. Ms. Wei obtained a Bachelor of Philosophy degree from Capital Normal University in 1990 and a Master of Business Administration degree from the China Europe International Business School in 2013. Ms. Wei is a director of Gome Telecom Equipment Co., Ltd. (國美通訊設備股份有限公司) (formerly known as Sanlian Trading Company Holding Limited (三聯商社股份有限公司)) which is listed on the Shanghai Stock Exchange (stock code: 600898).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cao Dakuan

Mr. Cao Dakuan ("Mr. Cao"), aged 61, was appointed as an independent non-executive director of the Company on 29 August 2019. He is currently the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Cao is currently an executive partner of Beijing GuangTian Capital Management Center (Limited Partnership) (北京廣田資本管理中心(有限合夥)) and co-operate guidance teacher of Master Degree student in Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan University of Economics) (中南財經大學).

Mr. Cao had served Beijing RuiFeng I&M Co., Ltd (北京瑞豐投資管理有限公司) for over 12 years where he had assumed various leadership roles before he took up the chairman role from 2014 to 2018. Before joining Beijing RuiFengI&M Co., Ltd, he was an associate professor of Zhongnan University of Economics and Law and also served China Great Wall Securities Co., Ltd. (長城證券有限責任公司) as President. Mr. Cao obtained his Doctor degree and Master degree in Accountancy from Zhongnan University of Economics and Law in June 2010 and July 1987 respectively.

Mr. Cao was a director of Baolingbao Biology Co., Ltd. (保齡寶生物股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002286), from October 2007 to January 2011; and a director of Beijing Strong Biotechnologies, Inc. (北京九强生物技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300406), from March 2011 to August 2017.

Mr. Hung Ka Hai Clement

Mr. Hung Ka Hai Clement ("Mr. Hung"), aged 64, was appointed as an independent non-executive director of the Company on 31 October 2016. He is currently the chairman of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before he took up the chairman role of Deloitte China from 2014 to 2016. He retired from the chairman role of Deloitte China with effect from June 2016. When Mr. Hung was working with Deloitte China, he had assumed various leadership roles, including, the office managing partner of Deloitte Shenzhen Office and Guangzhou Office. He was also a member of the China Management Team of Deloitte China. Later on, Mr. Hung assumed the role of the southern audit leader and the deputy managing partner of the southern region (including the regions of Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global.

Mr. Hung served as the Guangzhou Institute of Certified Public Accountants consultant from 2004 to 2014. During the period between 2006 to 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. He has also been appointed by the Ministry of Finance of People's Republic of China as an expert consultant. Mr. Hung is a life member of The Institute of Chartered Accountants in England and Wales. Mr. Hung graduated from UK Huddersfield University with a Bachelor degree in Accountancy.

Mr. Hung has been appointed as 1) as an independent non-executive director of Sheng Ye Capital Limited (stock code: 8469, the listing of the shares of which has been transferred to the Main Board (stock code: 6069) from the GEM of the Stock Exchange with effect from 24 October 2019) since 19 June 2017; 2) as a non-executive director of High Fashion International Limited (stock code: 0608) since 1 December 2017: 3) as an independent non-executive director of Zhongchang International Holdings Group Limited (previously known as Henry Group Holdings Limited) (stock code: 0859) since 12 January 2018; 4) as an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019; 5) as an independent non-executive director of China East Education Holdings Limited (stock code: 0667) since 12 June 2019; 6) as an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 0993) since 13 December 2019; 7) as an independent non-executive director of Tibet Water Resources Limited (stock code: 1115) since 31 December 2019; 8) an independent non-executive director of Skyworth Group Limited (stock code: 0751) since 18 March 2020; 9) as an independent non-executive director of SMI Holdings Group Limited (stock code: 0198) on 16 January 2017, re-designated as non-executive director thereof with effect from 15 March 2017 and subsequently resigned on 28 February 2019; and 10) as an independent non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (stock code: 0112) on 24 February 2017, re-designated as non-executive director with effect from 3 March 2017, re-designated as an independent non-executive director thereof with effect from 30 June 2017 and subsequently resigned on 30 September 2018.

Mr. Wan Jianhua

Mr. Wan Jianhua ("Mr. Wan"), aged 64, was appointed as an independent non-executive director of the Company on 26 August 2017. He is currently the chairman of the Strategy Committee and a member of the Remuneration Committee of the Company. Mr. Wan is currently a director of All-in-pay Network Services Co., Ltd. (通聯支付網絡服務股份有限公司), the chairman of the Association of Shanghai Finance Industry (上海市互聯網金融行業協會), a director of China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行股份有限公司) and Great Wall Fund Management Company Limited (長城基金管理有限公司). Mr. Wan formerly served as senior management of various well-known enterprises and organizations including director of treasury management and office of macro-economic analysis of The People's Bank of China (中國人民銀行), vice president of China Merchants Bank Co., Ltd. (招商銀行股份有限公司), president and the first chairman of China UnionPay Co., Ltd. (中國銀聯股份有限公司), president of Shanghai International Group (上海國際集團) and chairman of Guotai Junan Securities Co. Ltd. (國泰君安證券股份有限公司). Mr. Wan has extensive working and management experience in banking, securities, payment and corporate management. Mr. Wan obtained a bachelor degree in the Department of Economics of The Xiamen University, a master degree in Economics from The People's Bank of China Institute of Finance (now known as Tsinghua University PBC School of Finance) and the qualification of doctoral degree candidate in Economics from The Australian National University.

Mr. Wan has been appointed an independent non-executive director of Bank of Shanghai Co., Ltd. (上海銀行股份有限公司) (Shanghai A share stock code: 601229) and Shanghai Xinnanyang Only Education & Technology Co., Ltd. (上海新南洋昂立教育科技股份有限公司)(Shanghai A share stock code: 600661) since September 2015 and September 2017 respectively.

Mr. Zhang Liqing

Mr. Zhang Liqing ("Mr. Zhang"), aged 56, was appointed as an independent non-executive director of the Company on 5 September 2016. He is currently the chairman of the Nomination Committee and a member of the Audit Committee and the Strategy Committee of the Company. Mr. Zhang joined Central University of Finance and Economics in 1987 and is a professor of Central University of Finance and Economics. Mr. Zhang is the author and editor of numerous publications on international economics and finance issues. Mr. Zhang is a member of the fifth executive council of the China International Finance Society (中國國際金融學會), China Urban Financial Society (中國城市金融學會) and the current vice president of China Society of World Economics (中國世界經濟學會). Mr. Zhang served as the member of the 12th Main Board Market Issuance Examination Committee of the China Securities Regulatory Commission in 2010. Mr. Zhang was an independent director of Poly Real Estate Group Co., Ltd (保利房地產(集團)股份有限公司) (Shanghai A share stock code: 600048) from May 2015 to September 2018. Mr. Zhang obtained a doctoral degree in Global Economics at Renmin University of China in 2003 and a Master of Economics degree from the Finance Graduate School of People's Bank of China in 1987.

SENIOR MANAGEMENT

Mr. Lei Jian

Mr. Lei Jian ("Mr. Lei"), aged 46, was appointed as Vice-President of Finance of the Group on 1 September 2019. Before joining the Group, Mr. Lei had served AWP Business Services (Beijing) Co., Ltd. (a member of Allianz) as Chief Financial Officer of Greater China and Baidu Inc. as finance department head of financial service sector. Mr. Lei has over 20 years of experience in financial management and served several multi-national financial institutions. Mr. Lei obtained his Master degree in Business Administration (Finance) from University of Ottawa in March 2002 and he is also a member of American Institute of Certified Public Accountants since 2005.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of Gome Finance Technology Co., Ltd. (the "Company") is pleased to present its report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise commercial factoring, financial leasing and other financial services in the People's Republic of China (the "PRC"), details of which are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A review of the business of the Group during the year, discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Management Discussion and Analysis section from pages 4 to 20 of this Annual Report.

Details of the risks associated with the operation of the Group are set out in the Risk Factors section on page 50 of this Annual Report and the financial risk management objectives and policies of the Group are shown in note 33 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is provided in the Management Discussion and Analysis section from pages 7 to 15 of this Annual Report.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided in the Environmental, Social, and Governance Report from pages 64 to 81 of this Annual Report.

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

ENVIRONMENTAL PROTECTION

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

RELATIONSHIP WITH EMPLOYEES

The employees of the Group are one of the most important assets and stakeholders of the Group and their contribution and support are valued at all times. As at 31 December 2019, Group employed a total of 36 employees. The Group regularly reviews compensation and benefits policies according to industry benchmark as well as the individual performance of employees. Other fringe benefits are provided to employees. The Group pays for social insurance for its PRC employees in accordance with the applicable laws in the PRC. The Group also maintains insurance coverage and contributes to mandatory provident fund schemes for its employees in Hong Kong in accordance with the applicable laws in Hong Kong. The overall aim of the Group's employee and remuneration policy is to retain and motivate the management and staff members to contribute to the continuing success of the Group.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 90 to 91 of this Annual Report.

The Directors did not recommend the payment of a final dividend for the years ended 31 December 2019 and 2018.

DIVIDEND POLICY

Any declaration of dividends will be determined at the Board's full discretion depending upon a number of factors including, without limitation, the distributable profit of the Company, the working capital requirement of the Group, business environment and availability of investment opportunities and will be subject to the approval of the shareholders of the Company. Pursuant to the Bye-laws of the Company, the Board may also pay interim dividends from time to time if justified by the profits of the Company. There can be no assurance that dividends of any amount will be declared or distributed in any given year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years/period, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 176 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 24 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2019, there were no equity-linked agreements entered into during the year or subsisting at 31 December 2019 that would or may result in the Company issuing Shares or that requires the Company to enter into any agreements that would or may result in the Company issuing Shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

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

On 5 September 2014, the 10% limit on the Scheme was refreshed by the shareholders of the Company at a special general meeting. Following the refreshment, the Company may grant options to eligible participants under the Scheme to subscribe for up to 60,157,078 shares, being 10% of the shares of the Company in issue as at such date.

During the year ended 31 December 2019, 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, share options carrying the right to subscribe for 60,157,078 shares, representing 2.23% of the issued share capital of the Company, may be granted under the Scheme.

PRE-EMPTIVE RIGHTS

As at 31 December 2019, there are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to shareholders, calculated in accordance with the provision of the Companies Act 1981 of Bermuda (as amended), amounted to nil (as at 31 December 2018: nil).

DONATION

No charitable donation was made by the Group for the year ended 31 December 2019 (for the year ended 31 December 2018: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, revenue generated from the Group's top five customers accounted for 27.5% of the total revenue of the Group with the top customer contributing 6.4% of the Group's revenue. The Group is principally engaged in financial business and there was no major supplier to the Group during the year.

One of the top five customers of the Group for the year ended 31 December 2019 is Dazhong Putaoyuan E-Commerce Co., Ltd. (大眾葡萄園電子商務有限公司) which is wholly-owned by the mother of Mr. Wong Kwong Yu ("Mr. Wong"). Mr. Wong is the spouse of Ms. Du Juan ("Ms. Du"), the controlling shareholder of the Company.

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

RELATED PARTY TRANSACTIONS

Except certain transactions disclosed under "Connected transactions and disclosure pursuant to Rule 13.20 of the Listing Rules" and "Continuing connected transactions" below, the other related party transactions set out in note 29 to the consolidated financial statements either did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), or fell within the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules but were exempted from the connected transaction requirements under Rules 14A.73 or 14A.90 of the Listing Rules.

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

The information required for disclosure under Rule 14A.71 of the Listing Rules in relation to the Group's connected transactions conducted during the year and/or under Rule 13.20 of the Listing Rules in relation to the Group's advance to an entity as at 31 December 2019 (as the case may be) is as follows:

(1) Acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited

On 7 June 2017, Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with Beijing Bosheng Huifeng Business Consulting Co., Limited (北京博盛匯豐商業諮詢有限公司) ("Bosheng Huifeng"), a company incorporated in the PRC with limited liability and owned as to 90% by Ms. Du (the controlling shareholder of the Company) and 10% by Mr. Ding Donghua (an executive Director of the Company who has retired from such role with effect from 27 May 2019), pursuant to which Xinda Factoring agreed to provide an unsecured non-interest 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"). As at 31 December 2019, an aggregate amount of RMB576 million, representing 80% of the Consideration, was advanced to Bosheng Huifeng to pay for the Consideration. Bosheng Huifeng will use 90% of the dividends arising from its interest in Tianjin Guanchuang Mei Tong Electronic Commerce Limited to repay the loan and Bosheng Huifeng undertakes that if the completion of the Acquisition does not take place, Bosheng Huifeng shall refund the loan (with accrued interest) to Xinda Factoring in full.

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

The Acquisition was not yet completed up to 27 March 2020 and the Group's management has been communicating with the relevant authorities to speed up the Acquisition.

As at 31 December 2019, the aggregate amount of RMB576 million advanced to Bosheng Huifeng exceeded 8% under the assets ratio defined under Rule 14.07(1) of the Listing Rules, thereby giving rise to the Company's disclosure obligation under Rule 13.20 of the Listing Rules.

(2) Assignment of Factoring Loans

On 25 October 2019, Xinda Factoring entered into a re-factoring agreement with Qianhai Zhongrong International Commercial Factoring (Shenzhen) Co., Ltd ("Qianhai Zhongrong"), a company established in the PRC with limited liability which is a connected person of the Company by virtue of it being ultimately wholly-owned by Mr. Wong, the spouse of Ms. Du who is the controlling shareholder of the Company. Pursuant to such agreement, Xinda Factoring agreed to assign and transfer, and Qianhai Zhongrong agreed to accept the assignment and transfer of, Xinda Factoring's rights and obligations under the original factoring agreements (the "Original Factoring Agreements") entered into between Xinda Factoring and Beijing Sochen Technology Co., Ltd. (the "Borrower") dated 2 August 2019 and 26 August 2019 in respect of the commercial factoring loans with total principal amount of RMB6 million in aggregate advanced by Xinda Factoring to the Borrower pursuant to the terms and conditions of the Original Factoring Agreements (the "Factoring Loans"). The Factoring Loans were advanced by Xinda Factoring to the Borrower subject to the transfer of the trade receivables of the Borrower (the "Assignment"). The total consideration for the Assignment is RMB6.136 million (equivalent to approximately HK$6.811 million), representing the total outstanding principal amount plus accrued interest of the Factoring Loans up to the date of Assignment.

Other details of the transaction have been disclosed in the announcement of the Company dated 25 October 2019.

CONTINUING CONNECTED TRANSACTIONS

The information required for disclosure under Rule 14A.71 of the Listing Rules in relation to the Group's continuing connected transactions conducted during the year ended 31 December 2019 is as follows:

(1) Factoring Service Framework Agreement

Date:	5 August 2016
Parties:	(i) The Company (ii) Swiree Capital Limited ("Swiree"), a company incorporated in the British Virgin Islands with limited liability and a connected person of the Company by virtue of it being a substantial shareholder of the Company
Term:	From 5 September 2016 and to 31 March 2019 (both dates inclusive)
Subject:	Commercial factoring loans were granted by the Group to the suppliers (the "GOME Suppliers") of GOME Retail Holdings Limited ("GOME") and its subsidiaries (the "GOME Group") (the "Connected Factoring Loans") and relevant accounts receivable of GOME Suppliers were transferred to the Group. GOME Suppliers should pay interest and/or other charges (if applicable) to the relevant members of the Group for the factoring services.

Guiding principles for providing Connected Factoring Loans:

(i) The Group entered into separate factoring agreements with the GOME Suppliers ("Individual Factoring Agreements") in accordance with the terms and conditions as set out in the Factoring Service Framework Agreement.

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

For the year ended 31 March		
2017	**2018**	**2019**
RMB600 million	RMB600 million	RMB600 million

The largest outstanding principal amount for the Connected Factoring Loans from 1 January 2019 to 31 March 2019 amounted to nil. Other details of the Factoring Service Framework Agreement have been disclosed in the circular of the Company dated 5 August 2016.

(2) Financial Leasing Service Framework Agreement

Date: 5 August 2016

Parties:

(i) The Company

(ii) Swiree

Term: From 5 September 2016 to 31 March 2019 (both dates inclusive)

Subject: Financial leasing loans were granted by the Group to the customers of GOME Group ("GOME Customers") (the "Connected Financial Leasing") where the proceeds from the relevant loans were used by GOME Customers to purchase goods by wholesale from the GOME Group or purchase goods from GOME Group's designated outlets through which such retail customers could get access to the Group's financial leasing service and products.

Guiding principles for providing Connected Financial Leasing:

(i) The Group entered into separate financial leasing agreements with the GOME Customers ("Individual Financial Leasing Agreements") in accordance with the terms and conditions as set out in the Financial Leasing Service Framework Agreement.

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

For the financial year ended 31 March		
2017	**2018**	**2019**
RMB100 million	RMB120 million	RMB120 million

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

The largest outstanding principal amount for the Connected Financing Leasing from 1 January 2019 to 31 March 2019 amounted to approximately RMB8,330,000. Other details of the Financing Leasing Service Framework Agreement have been disclosed in the circular of the Company dated 5 August 2016.

(3) New Financial Leasing Service Framework Agreement

As the Financial Leasing Service Framework Agreement expired on 31 March 2019, the Company and Swiree entered into the New Financial Leasing Service Framework Agreement on 29 March 2019 to renew the framework for the provision of financial leasing loans by the Group to the GOME Customers. The principal terms of the New Financial Leasing Service Framework Agreement are as follows:

Date: 29 March 2019

Parties: (i) The Company

(ii) Swiree

Term: From 1 April 2019 to 31 December 2021 (both days inclusive)

Subject:	Members of the Group may grant financial leasing loans to GOME Customers (the "Connected Financial Leasing") from time to time where the proceeds from the relevant loans are used by GOME Customers to purchase goods by wholesale from the GOME Group or purchase goods from GOME Group's designated outlets through which such retail customers can get access to the Group's financial leasing service and products.
Guiding principles for providing Connected Financial Leasing:	(i) The members of the Group may from time to time and in view of their business demand enter into separate financial leasing agreements with the GOME Customers (the "Individual Financial Leasing Agreement(s)"), which shall comply with the terms and conditions as set out in the New Financial Leasing Service Framework Agreement.
	(ii) The aggregate principal amount of any outstanding GOME Connected Financial Leasing which may be granted by the Group under the Individual Financial Leasing Agreements entered/to be entered into pursuant to the New Financial Leasing Service Framework Agreement are subject to the following annual caps:

For the nine months ended 31 December 2019	For the year ending 31 December 2020	2021
RMB7,500,000	RMB7,500,000	RMB7,500,000

The largest outstanding principal amount for the Connected Financing Leasing during the nine months ended 31 December 2019 amounted to approximately RMB6,175,000. Other details of the New Financing Leasing Service Framework Agreement have been disclosed in the announcement of the Company dated 29 March 2019.

(4) Revised Factoring Service Framework Agreement

As the Factoring Service Framework Agreement would expire on 31 March 2019, the Company and Swiree entered into the New Factoring Service Framework Agreement on 15 March 2019 to renew the framework for the provision of connected commercial factoring loans by the Group to the GOME Suppliers. On 15 April 2019, the Company and Swiree entered into the Supplemental Agreement to expand the scope of the New Factoring Service Framework Agreement (as amended and supplemented by the Supplemental Agreement, the "Revised Factoring Service Framework Agreement") so as to provide an expanded framework to regulate the provision of commercial factoring loans by the Group to the GOME Suppliers who are deemed connected persons of the Company as well as other connected persons of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du. The principal terms of the Revised Factoring Service Framework Agreement are as follows:

Parties:	(i) The Company (ii) Swiree
Term:	From 27 May 2019 to 31 December 2021 (both days inclusive)
Subject:	Pursuant to the Revised Factoring Service Framework Agreement, members of the Group may grant commercial factoring loans to the GOME Suppliers and/or connected persons of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du (the "Connected Factoring Loan Borrowers") from time to time, which are conditional upon transfer of the relevant accounts receivable of such GOME Suppliers (being trade payables of the GOME Group) and/or the relevant accounts receivable of such connected persons to the Group. The Connected Factoring Loan Borrowers shall pay interest and/or other charges (such as penalty interest, early repayment charge and costs incurred in relation to debt collection, if applicable) to the relevant members of the Group for the factoring services.
Guiding principles for providing Connected Factoring Loans:	(i) The members of the Group may from time to time and in view of their business demand enter into separate factoring agreements with the Connected Factoring Loan Borrowers (the "Individual Factoring Agreement(s)"), which shall comply with the terms and conditions as set out in the Revised Factoring Service Framework Agreement.

(ii) The Company will limit the aggregate revenue generated from the Connected Factoring Loans (including the DZPTY Factoring Loan (as defined below)) to not more than RMB9,000,000, for each of the years ended/ending 31 December 2019 (Note: From 1 April 2019 to 31 December 2019, both days inclusive.), 2020 and 2021, respectively.

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

For the nine months ended 31 December	For the year ending 31 December	
2019	2020	2021
RMB290,000,000	RMB230,000,000	RMB230,000,000

The largest outstanding principal amount for the Connected Factoring Loans and the aggregate revenue generated from the Connected Factoring Loans (including the DZPTY Factoring Loan) during the nine months ended 31 December 2019 amounted to approximately RMB110,000,000 and RMB5,791,000, respectively. Other details of the Revised Factoring Service Framework Agreement have been disclosed in the circular of the Company dated 8 May 2019.

(5) DZPTY Factoring Service Agreement

On 15 March 2019, Xinda Factoring and Dazhong Putaoyuan E-Commerce Co., Ltd. ("DZPTY"), a company established in the PRC which is a connected person of the Company by virtue of it being wholly-owned by Ms. Zeng Chanzhen ("Ms. Zeng"), the mother of Mr. Wong, and an associate of Ms. Du, a controlling shareholder of the Company, entered into the DZPTY Factoring Service Agreement. Pursuant to the DZPTY Factoring Service Agreement, the Group agreed to provide commercial factoring loan(s) to DZPTY subject to the terms and conditions thereunder. The principal terms of the DZPTY Factoring Service Agreement are as follows:

Parties:	(i) Xinda Factoring (as factor); and (ii) DZPTY (as transferor of accounts receivable).
Subject:	Pursuant to the DZPTY Factoring Service Agreement, Xinda Factoring may grant commercial factoring loan(s) to DZPTY from time to time (the "DZPTY Factoring Loan"), subject to transfer of the relevant accounts receivable of DZPTY (being receivables of DZPTY due from DZPTY's customer(s) arising from the relevant underlying commercial contract(s)) (the "Accounts Receivable") to the Group. DZPTY should pay interest and/or other charges (if applicable) to Xinda Factoring for the factoring services.
Term:	From 15 March 2019 to the earlier of (i) six months after the disbursement of funds under the DZPTY Factoring Service Agreement and (ii) 31 December 2019.
Guarantee:	The obligations of DZPTY under the DZPTY Factoring Service Agreement and the DZPTY Factoring Loan(s) thereunder were guaranteed by Ms. Zeng by way of a personal guarantee.
Guiding principles for providing the DZPTY Factoring Loan	(i) Details of the terms of the DZPTY Factoring Loan should be determined in accordance with the conditions and principles set out in the DZPTY Factoring Service Agreement. (ii) The aggregate principal amount of any outstanding DZPTY Factoring Loans which may be granted by Xinda Factoring under the DZPTY Factoring Service Agreement during the year ended 31 December 2019 was subject to the cap amount of RMB60,000,000. The above cap amount has been determined with reference to the principal amount of the one-off DZPTY Factoring Loan granted to DZPTY as described below.

On 15 March 2019, DZPTY submitted an application under the DZPTY Factoring Service Agreement and requested for a DZPTY Factoring Loan to be provided by Xinda Factoring. In response, Xinda Factoring has granted a one-off DZPTY Factoring Loan to DZPTY with the following terms:

Principal amount of the factoring loan:	RMB60,000,000
Scope of Accounts Receivable:	Accounts receivable of DZPTY in the total amount of RMB60,000,000, representing the amount payable by a DZPTY Customer to DZPTY on or before 13 September 2019 pursuant to a commercial contract dated 1 August 2018, were transferred to Xinda Factoring pursuant to the terms and conditions of the DZPTY Factoring Service Agreement.
Term:	The outstanding principal and interests on the factoring loan were due and payable in one lump sum on or before 13 September 2019.
Factoring interest:	Interest should accrue on the outstanding principal amount of the factoring loan from the date on which the relevant loan amount was made available to DZPTY to the date of full repayment at 12% per annum, subject to default interest on any overdue principal amount accruing on a daily basis at 18% per annum.

As at 31 December 2019, the principal amount and respective interest under the DZPTY Factoring Service Agreement was fully repaid.

Other details of the DZPTY Factoring Service Agreement have been disclosed in the announcement of the Company dated 15 March 2019.

Reasons for the continuing connected transactions

The revenue generated from the provision of financial leasing services to the GOME Customers and commercial factoring loans to the Connected Factoring Loan Borrowers can provide a source of income for the Group. The demand for factoring loans from connected persons of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du represent an opportunity for the Group to expand its commercial factoring business and achieve better economies of scale.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed the aforementioned continuing connected transactions and confirmed that the transactions were entered into:

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

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

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

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

CONTRACTUAL ARRANGEMENTS

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

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

As at 31 December 2019, no relevant rules and regulations had been announced by MOFCOM or The Economic & Information Commission of Guangdong Province (廣東省經濟和信息化委員會). According to the Administrative Licensing Law of the PRC (中華人民共和國行政許可法), administrative licensing regimes may only be set up and implemented where there are established laws setting out relevant procedures, parameters, conditions and scope of administrative power. As the approval of investment in pawn loans financing business by foreign invested companies in the PRC falls under an administrative act, no approval can be granted and no licence can be issued to a foreign invested company if there are no established laws governing the investments by foreign invested companies in pawn loans financing business.

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

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

Major terms of the Structural Agreements

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

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

There was no material change in the Contractual Agreements and/or the circumstances in which they were adopted during the year ended 31 December 2019.

Services agreement

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

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

Equity charge

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

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

Equity transfer agreement

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

Directors' undertaking

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

Registered Owners' undertaking

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

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

Powers of Attorney of directors

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

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

Powers of Attorney of the Registered Owners

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

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

Risk relating to the Structural Agreements

The following risks are associated with the Structural Agreements:

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

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

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

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

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

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

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

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

Mitigation actions taken by the Company

In light of the risks set out above, the Company would work closely with its external legal advisers and consultants as well as the Registered Owners to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Agreements. In addition, it is the intention of the Company to unwind or partially unwind the Contractual Agreements when the foreign ownership restriction in respect of the businesses of Lido Pawnshop is lifted or relaxed, to the extent reasonably practicable or advisable for the Company to do so under the then applicable laws and the Group's prevailing circumstances. However, as at 31 December 2019, such foreign ownership restriction remained subsisting in the PRC and therefore the Contractual Agreements were still subsisting as at 31 December 2019.

Lido Pawnshop's business activities

Lido Pawnshop is a company established in the PRC with limited liability which is principally engaged in the provision of pawn loans relating to movable and immovable properties (other than immovable properties located in autonomous regions, municipalities directly under the central government, or those under construction without permission for sale) (which may involve realization of overdue pawned items); valuation and consultancy services and other approved pawn-related business; and other pawn loans related businesses permitted under the relevant PRC rules. Lido Pawnshop holds the Pawn Operations Business Licence (典當經營許可證) and the Special Industry Licence (特種行業許可證).

Under the Pawn Operations Business Licence (典當經營許可證) dated 23 February 2014 issued to Lido Pawnshop by The Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會), Lido Pawnshop is allowed to engage in the provision of pawn loans relating to movable and immovable properties (other than immovable properties located in autonomous regions, municipalities directly under the central government, or those under construction without permission for sale) (which may involve realization of overdue pawned items); valuation and consultancy services and other approved pawn-related business; and other pawn loans related businesses permitted under the relevant PRC rules for a period of six years. Under the Special Industry Licence (特種行業許可證) dated 30 March 2018 issued to Lido Pawnshop by Guangzhou Public Security Bureau (廣州市公安局), Lido Pawnshop is allowed to engage in pawning industry.

For the year ended 31 December 2019, the revenue subject to the Structured Agreements are nil (2018: Nil). As at 31 December 2019, the total assets and the loans receivable (net off provision of impairment loss) subject to the Structured Agreements are approximately RMB100,741,000 and RMB3,000 (2018: approximately RMB101,239,000 and nil).

DIRECTORS

The Directors for the year ended 31 December 2019 and up to the date of this report of the directors were:

Executive Directors:

Ms. Chen Wei
Mr. Chung Tat Fun
Mr. Ding Donghua (retired with effect from 27 May 2019)

Non-executive Director:

Ms. Wei Qiuli

Independent Non-executive Directors:

Mr. Cao Dakuan (appointed with effect from 29 August 2019)
Mr. Hung Ka Hai Clement
Mr. Wan Jianhua
Mr. Zhang Liqing
Mr. Li Liangwen (retired with effect from 27 May 2019)

Pursuant to Bye-law 86(2) of the Bye-laws of the Company, Mr. Cao Dakuan who was newly appointed on 29 August 2019 shall retire from office at the forthcoming annual general meeting. Pursuant to Bye-law 87(1) of the Bye-laws of the Company, Mr. Chung Tat Fun and Mr. Hung Ka Hai Clement shall retire from office by rotation at the forthcoming annual general meeting. Mr. Cao Dakuan and Mr. Hung Ka Hai Clement, being eligible, will offer themselves for re-election at the forthcoming annual general meeting, while Mr. Chung Tat Fun will not seek for re-election as director. Please refer to the announcement of the Company dated 15 April 2020 for details on Mr. Chung Tat Fun's retirement as executive director which will take effect from the conclusion of the forthcoming annual general meeting of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

During the year, Ms. Chen Wei and Mr. Ding Donghua each entered into an employment contract with Xinda Factoring. Each of Ms. Chen and Mr. Ding is/was entitled to (i) an annual emolument of RMB1,440,000 and RMB580,000, respectively (comprising basic pay and employment benefits) which will be subject to review by the Board from time to time with reference to their duties, experience and responsibilities; and (ii) a discretionary bonus the computation of which is based on their respective performance and the profitability of Xinda Factoring.

Save as disclosed above and under the section headed "Connected Transactions and Disclosure Pursuant to Rule 13.20 of the Listing Rules" and "Directors' Remuneration" disclosed in note 8 to the consolidated financial statements, no contract of significance, to which the Company, its fellow subsidiaries, its subsidiaries or its holding company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2019 or at any time during the year.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

In so far as the Directors are aware, as at 31 December 2019, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

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

As at 31 December 2019, 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 Futures Ordinance (the "SFO")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in Shares and Underlying Shares in the Company

Ordinary shares of HK$0.1 each of the Company ("Shares")

Name of Director	Number of shares/underlying shares held in the Company: Personal interest	Corporate interest	Total interests	% of the issued share capital of the Company
Mr. Chung Tat Fun	6,320,000	–	6,320,000	0.23%

Notes:

1. Mr. Chung Tat Fun, an executive Director of the Company, held 6,320,000 Shares directly in the Company.

2. As at 31 December 2019, the total number of issued Shares was 2,701,123,120.

Save as disclosed above, as at 31 December 2019, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2019, so far as is known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in Shares and Underlying Shares in the Company

Ordinary shares of HK$0.1 each of the Company ("Shares")

Name of Shareholder	Nature of interests	Number of shares held in the Company	% of the issued share capital of the Company *(Note 5)*	Notes
Swiree	Beneficial owner	1,653,073,872	61.20	1
Ms. Du Juan	Corporate interest	1,653,073,872	61.20	1
Mr. Wong Kwong Yu	Spouse interest	1,653,073,872	61.20	2
Richlane Ventures Limited ("Richlane")	Beneficial owner	295,512,312	10.94	3
Mr. Ko Chun Shun, Johnson ("Mr. Ko")	Beneficial owner	5,000,000	0.19	3
	Corporate interest	297,776,312	11.02	3
Best Global Ventures Limited ("Best Global")	Beneficial owner	137,756,156	5.10	4
Gate Success Investments Limited ("Gate Success")	Corporate interest	137,756,156	5.10	4
Ms. Yu Nan	Corporate interest	137,756,156	5.10	4

Notes:

1. As Ms. Du Juan wholly and beneficially owned Swiree, she was deemed to be interested in 1,653,073,872 Shares held by Swiree by virtue of the SFO.

2. Mr. Wong Kwong Yu, being the spouse of Ms. Du Juan, was also deemed to be interested in 1,653,073,872 Shares by virtue of the SFO.

3. Mr. Ko held 5,000,000 Shares directly. He also held 297,776,312 Shares indirectly, among which he held 2,264,000 shares through Peninsula Resources Limited and 295,512,312 shares through Richlane, both of which were wholly-owned by him.

4. Best Global was wholly and beneficially owned by Gate Success, which was wholly and beneficially owned by Ms. Yu Nan. Both Gate Success and Ms. Yu Nan were deemed to be interested in 137,756,156 Shares by virtue of the SFO.

5. As at 31 December 2019, the total number of issued Shares was 2,701,123,120.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any person (other than Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

Pursuant to Bye-law number 168 of the Company's Bye-laws, every Director, other officer and auditor of the Company shall be entitled to be indemnified and secured harmless out of assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by him as a Director, auditor or other officer of the Company about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

REMUNERATION OF THE DIRECTORS

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

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

CORPORATE GOVERNANCE

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

Details of the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 51 to 63 of this Annual Report.

CHANGE OF DIRECTOR'S INFORMATION

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

CHANGE OF AUDITOR

There was no change in auditor of the Company during the past three years.

The consolidated financial statements of the Company for the year ended 31 December 2019 were audited by Ernst & Young whose term of office will expire at the conclusion of the forthcoming annual general meeting.

On behalf of the Board

Chen Wei
Executive Director

Beijing, 27 March 2020

RISK FACTORS

The Group's businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could affect the Group's businesses, financial condition, results of operations or growth prospects. These factors are by no means exhaustive or comprehensive, and there may be other factors in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice for you to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

Credit risk and risks of money laundering

The Group is selective about its customers and will only deal with creditworthy parties. In order to minimize the credit risk and risks of money laundering, the Group has formulated policies on credit and anti-money laundering, and delegated a team to determine credit limits, approve credit, monitor progress in recovering overdue debts and implement anti-money laundering measures. For further details please refer to note 16 and note 33 to the consolidated financial statements.

Management of key customers

The Group relies on certain major customers from the factoring and finance lease businesses. During the year ended 31 December 2019, the aggregate amount of revenue attributable to the Group's five largest customers represented approximately 27% (2018: 36%) of the Group's revenue for the year. The major customers of the factoring business are PRC based distributors. The Group strived to diversify its businesses and broaden its customer base through the launching of new business area and the continuing development of its existing business. On the other hand, given our well-established business relationships, the present customers of the factoring business may continue to account for a relatively large percentage of the Group's sales in the coming year.

RISKS ASSOCIATED WITH THE PRC

Changing economic and relevant policies in the PRC

While the PRC economy has experienced significant growth in the past 20 years or more, such growth has been uneven and the PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. In addition, the PRC government also exercises significant control over PRC economic growth through contain monetary policies controlling the overall interest rate, foreign currency outflow and monetary reserve of banks. These measures may benefit or have negative effect on the Group's operations. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business, results of operations or financial condition.

Changing license requirement in the PRC

There is no specific banking or insurance license required for carrying on factoring loan and finance lease businesses in the PRC which are the major operations of the Group. However, companies operating these businesses should hold business license with the relevant business scope. The relevant members of the Group have fulfilled certain requirements included paid-up capital requirement, management personnel with relevant experience and complete and well-established internal control system in order to obtain the business licenses with the relevant business scope. There is no assurance that future changes in the PRC's law or policies will not require banking and insurance license for the existing business of the Group.

The board (the "Board") of directors (the "Directors") of Gome Finance Technology Co., Ltd. (the "Company") is committed to maintain high standard of corporate governance practices. The primary corporate governance rules applicable to the Company is the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Throughout the year ended 31 December 2019, the Company had complied with all code provisions set out in the CG Code, except for deviation disclosed below.

Code provision A.2.1 and Code provision A.2.7

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

Mr. Liu Xiaopeng ("Mr. Liu") was appointed as chief executive officer (the "CEO") and as executive Director on 7 April and 26 August 2017, respectively. After his appointment as executive Director, Mr. Liu had assumed the duties of the chairman of the Company. Mr. Liu resigned as CEO and executive Director on 30 August 2018 and Ms. Chen Wei, an executive Director, had performed the duties of the chairman and the chief executive of the Company after resignation of Mr. Liu as an interim arrangement without formal appointment of a new chairman and CEO. The Board considered that while vesting the roles of the chairman and CEO in the same person can facilitate the execution of the Company's business strategies and maximize effectiveness of its operation, the Board would nevertheless review the structure of the Board from time to time and would be considering suitable candidate to be appointed as the chairman and CEO of the Company such that the Company can comply with code provision A.2.1 of the CG Code. Although the Company did not have a chairman since Mr. Chung Tat Fun stepped down as chairman of the Board in April 2017 and therefore could not strictly comply with code provision A.2.7 of the CG Code during the year, the independent non-executive Directors had effective access to Ms. Chen Wei and other senior management of the Company at all material times to discuss any potential concerns or questions and follow-up meeting(s) could be arranged, if necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

BOARD OF DIRECTORS

During the year ended 31 December 2019 and up to the date of this report, except for Mr. Ding Donghua and Mr. Li Liangwen's retirements with effect from 27 May 2019 as executive Director and independent non-executive Director respectively and Mr. Cao Dakuan's appointment as independent non-executive Director with effect from 29 August 2019, there was no change in the structure of the Board, which currently comprises seven Directors and its composition is set out as follows:

Executive Directors

Ms. Chen Wei
Mr. Chung Tat Fun

Non-executive Director

Ms. Wei Qiuli

Independent Non-executive Directors

Mr. Cao Dakuan
Mr. Hung Ka Hai Clement
Mr. Wan Jianhua
Mr. Zhang Liqing

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

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

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

Chairman and CEO

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

Mr. Liu Xiaopeng had assumed the responsibilities of the Chairman and the CEO of the Company until his resignation on 30 August 2018. Ms. Chen Wei had performed the duties of the chairman and the chief executive of the Company after resignation of Mr. Liu as an interim arrangement without formal appointment of a new chairman and CEO. The roles and responsibilities of the Chairman and the CEO are set out as follows:

Chairman is mainly responsible for:

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

CEO is responsible for, among other things:

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

Board Diversity

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee of the Company would make recommendations to the Board with respect to the appointment or re-appointment of the Directors and other related matters for determination by the Board. New Director(s) is expected to have expertise in relevant area to make contribution to the Company, complement the diversity profile of the Board and to have sufficient time to participate in the decision making process of the Company. The non-executive Director and the independent non-executive Directors signed letters of appointment with specific terms of office with the Company. Each of Ms. Wei Qiuli, Mr. Cao Dakuan, Mr. Hung Ka Hai Clement, Mr. Wan Jianhua and Mr. Zhang Liqing has entered into an appointment letter with the Company and is subject to retirement by rotation once every three years in accordance with the Company's Bye-laws.

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

ROLES AND FUNCTIONS OF THE BOARD AND THE MANAGEMENT

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

BOARD MEETINGS

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results, as well as corporate governance, financial, capital, remuneration and mergers and acquisition matters. During the year under review, four Board meetings were held and the Company's annual general meeting ("AGM") was held on 27 May 2019. The attendance of each Director at the Board meetings and the AGM is set out as follows:

Name of Directors	Attendance of the AGM	Number of Board meetings attended/held
Executive Directors		
Ms. Chen Wei	✓	4/4
Mr. Chung Tat Fun		1/4
Mr. Ding Donghua (retired with effect from 27 May 2019)		3/3
Non-Executive Director		
Ms. Wei Qiuli	✓	4/4
Independent Non-Executive Directors		
Mr. Cao Dakuan (appointed with effect from 29 August 2019)		0/0
Mr. Hung Ka Hai Clement	✓	3/4
Mr. Wan Jianhua	✓	4/4
Mr. Zhang Liqing	✓	4/4
Mr. Li Liangwen (retired with effect from 27 May 2019)		3/3

During the year ended 31 December 2019, the Board had dealt with matters covering mainly the Group's overall strategy, annual and interim results, internal control, corporate governance, capital, financial, and acquisition matters.

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

ACCESS TO INFORMATION

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

DIRECTORS INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company provides regular updates on the business performance of the Group to the Directors. The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to Directors will be arranged whenever necessary. For newly appointed Directors, an induction will be provided so as to ensure that they have appropriate understanding of the Group's business and of their duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

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

Name of Directors	Courses/Seminars provided/accredited by professional body	Reading materials
Executive Directors		
Ms. Chen Wei	✓	✓
Mr. Chung Tat Fun	–	✓
Non-Executive Director		
Ms. Wei Qiuli	✓	✓
Independent Non-Executive Directors		
Mr. Cao Dakuan (appointed with effect from 29 August 2019)	✓	✓
Mr. Hung Ka Hai Clement	✓	✓
Mr. Wan Jianhua	✓	✓
Mr. Zhang Liqing	✓	✓

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

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

BOARD COMMITTEES

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

REMUNERATION COMMITTEE

As at 31 December 2019, the Remuneration Committee comprised three members including two independent non-executive Directors, namely Mr. Cao Dakuan (the Chairman) and Mr. Wan Jianhua, and one non-executive Director, namely Ms. Wei Qiuli.

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

For the year ended 31 December 2019, there were two meetings held by the Remuneration Committee to review the remuneration packages of the Directors for the year ended 31 December 2018 and make recommendation on the remuneration packages of the Directors and the senior management for the year ended 31 December 2019.

Details of the remuneration paid to Directors and members of senior management by band for the year 31 December 2019 are disclosed in notes 8 and 29(d) to the consolidated financial statements.

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

Members	**No. of meeting(s) attended/held**
Mr. Cao Dakuan *(Chairman)* (appointed on 29 August 2019)	0/0
Ms. Wei Quili (appointed as a member on 27 May 2019)	1/1
Mr. Wan Jianhua (appointed as a member on 27 May 2019)	1/1
Mr. Hung Ka Hai Clement (appointed as a member on 27 May 2019 and resigned as a member on 29 August 2019)	1/1
Mr. Zhang Liqing (resigned as a member on 27 May 2019)	1/1
Ms. Chen Wei (resigned as a member on 27 May 2019)	1/1
Mr. Li Liangwen (retired on 27 May 2019)	1/1

NOMINATION COMMITTEE

As at 31 December 2019, the Nomination Committee comprised three members including two independent non-executive Directors, namely Mr. Zhang Liqing (the Chairman) and Mr. Hung Ka Hai Clement, and one executive Director, namely Ms. Chen Wei.

Meetings of the Nomination Committee shall be held at least once a year.

It is responsible for, amongst others, reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the required blend of skills, knowledge and experience, reviewing the Board Diversity Policy and its measurable objectives, as well as reviewing the nomination policy for the Nomination, appointment and re-appointment of Directors.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. A circular setting out information as required pursuant to the applicable laws, rules and regulations of the proposed candidates will be sent to the shareholders. When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the financial services, banking and other related industries;

(c) commitment in respect of sufficient time and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's articles of association and other applicable rules and regulations. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

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

During the year ended 31 December 2019, two meetings were held by the Nomination Committee to (i) review the structure, size and composition of the Board; (ii) nominate the Director for re-election at the 2019 annual general meeting and nominate Mr. Cao Dakuan for appointment as independent non-executive Director; (iii) assess the independence of independent non-executive Directors with reference to the requirements under the Listing Rules; and (iv) discussed and agreed on the measurable objectives for achieving diversity of the Board.

Based on the Nomination Committee's review for the year ended 31 December 2019, the Nomination Committee considers that the measurable objectives for achieving diversity of the Board with reference to the Board Diversity Policy have been satisfactorily implemented and that there is sufficient diversity in the Board for the Company's corporate governance and business development needs.

Attendance of the Nomination Committee during the year is set out below:

Members	**No. of meeting(s) attended/ held**
Mr. Zhang Liqing *(Chairman)*	2/2
Ms. Chen Wei (appointed as a member on 27 May 2019)	1/1
Mr. Hung Ka Hai Clement (appointed as a member on 27 May 2019)	1/1
Mr. Ding Donghua (retired on 27 May 2019)	1/1
Mr. Li Liangwen (retired on 27 May 2019)	1/1

AUDIT COMMITTEE

As at 31 December 2019, the Audit Committee comprised three independent non-executive Directors, namely Mr. Hung Ka Hai Clement (the Chairman), Mr. Cao Dakuan and Mr. Zhang Liqing.

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

The Audit Committee has access to and maintains an independent communication with the external auditors and the management to ensure effective information exchange on all relevant financial accounting matters. During the year ended 31 December 2019, there were three meetings held by the Audit Committee to (i) review the work done by external auditor, the relevant fees and terms of engagement, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance; (ii) review and discuss with the auditor the audited financial statements and the unaudited interim financial statements, with recommendations to the Board for approval; (iii) review the internal control system covering financial, operational, procedural compliance and risk management functions; and (iv) consider the independence of the auditor, review the auditor's remuneration and recommend to the Board the auditor's re-appointment.

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

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

Members	**No. of meeting(s) attended/ held**
Mr. Hung Ka Hai Clement *(Chairman)*	3/3
Mr. Zhang Liqing	3/3
Mr. Cao Dakuan (appointed on 27 May 2019)	0/0
Mr. Li Liangwen (retired on 27 May 2019)	2/2
Ms. Wei Qiuli (appointed as a member on 27 May 2019 and resigned as a member on 29 August 2019)	1/1

STRATEGY COMMITTEE

As at 31 December 2019, the Strategy Committee comprised one executive Director, Ms. Chen Wei, and two independent non-executive Directors, Mr. Wan Jianhua and Mr. Zhang Liqing. The Strategy Committee is chaired by Mr. Wan Jianhua.

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

COMPANY SECRETARY

Mr. Szeto King Pui, Albert was the company secretary of the Company (the "Company Secretary") until his resignation with effective from 29 March 2019. Mr. Szeto King Pui, Albert was not an employee of the Company and was a partner of an external law firm. The primary corporate contact person at the Company for the Company Secretary during the year was Ms. Chen Wei, an executive Director of the Company. Ms. Suen Yu May Sammi was then appointed as the Company Secretary on 29 March 2019. Each Company Secretary had complied with Rule 3.29 of the Listing Rules in respect of professional training during the year under review.

EXTERNAL AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the total remuneration for the audit services and permissible non-audit services provided by Ernst & Young, the Company's external auditor, amounted to approximately RMB1,109,000 and RMB nil, respectively.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2019, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

The Directors acknowledge their responsibility to prepare the financial statements as set out on pages 90 to 175 of this Annual Report. The statement of the external auditors about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 82 to 89 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year ended 31 December 2019, the Company implemented various policies and procedures for internal audit and risk management at each aspect of its operation. The internal audit function monitors compliance with policies and procedures and the effectiveness of risk management and internal control structures across the Group and its principal divisions.

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

During the year ended 31 December 2019, the Company had in place policy and procedural guidelines for the disclosure of inside information. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information (as defined under the SFO). Also, the Company endeavours to keep Directors, senior management and employees appraised of the latest regulatory updates.

SHAREHOLDERS' RIGHTS

Procedures for convening a special general meeting

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

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

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

Procedures for shareholders to put forward proposals at general meetings

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

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

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

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

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the year ended 31 December 2019.

1 Sustainable Development Management

With a corporate vision of "technology development driven by innovations and financial reform driven by technology", Gome Finance Technology Co., Ltd. (the "Company") takes advantage of financial technology to provide supply chain financial services. While expanding its businesses, the Company and its subsidiaries (collectively, the "Group") pay a lot of attention to the issues of environmental, social and governance ("ESG"). The Company attached great importance to ESG management and is planning to establish an ESG work group in the charge of the board for the systematic implementation of various ESG projects in the near future. Currently, we have included ESG issues, such as compliance in operation, product responsibilities, green office, employees' interests and giving back to the community, into the scope of operation and management of the Company. This is to foster the sustainable development of the corporation, and when combined with its business advantages, to serve small and medium-sized enterprises, promote the development of the real economy and improve its ESG performance.

This ESG report was prepared in accordance with Appendix 27 of the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") after a complete process of exhaustive communication with stakeholders during which material ESG issues were identified. The contents of the report corresponds to the four principles required by the ESG Reporting Guide, i.e. Materiality, Quantitative, Balance and Consistency.

COMMUNICATION WITH STAKEHOLDERS

The Company believes that making progress together with stakeholders is the driving force for its development. Through the development of various communication channels, we achieved timely and effective communication with stakeholders to understand the needs of the stakeholders, address the expectations of all sectors of the society, and respond to stakeholders with concrete actions.

Stakeholders	Suggestions and Expectations	Methods of Communications and Feedback
Customers	Quality service Address customers' concerns timely Open communication channels Privacy protection	Complaint mechanism Customer feedback Satisfaction management Social media and corporate website
Government	Proper tax payment Promoting economic development Inclusive finance Promoting employment Financial risk management Performance of social responsibility	Files submission Advices and suggestions Reports on special projects Conferences Compliance with government inspection

Stakeholders	Suggestions and Expectations	Methods of Communications and Feedback
Regulatory Authorities	Compliance in operation Comprehensive risk management Performance of social responsibility Information disclosure	Regular reports Publishing reports Company announcements
Shareholders and Investors	Sustainable and stable investment return Information disclosure Compliance in operation Corporate governance Participation in decision-making process	General meetings Regular reports Company announcements Investor relations enquiry hotline and mailbox Official company website Monitoring public opinion
Employees	Legal rights Remuneration and welfare Occupational health Career development Care for employees	Internal website Internal training Staff opinion surveys Staff-caring activities Corporate internal website and corporate culture WeChat official account
Suppliers/Business Associates	Openness and fairness Integrity and honesty Contract execution	Open tender Arm's length negotiation Regular evaluation
Peer Enterprises and Industry Associations	Industry interactions Compliance with standards	Participation in industry forums and conferences Visits and inspections with industry peers
Community	Boosting regional development Supporting community welfare Poverty alleviation Caring for the underprivileged	Community communications and interactions Social welfare activities

MATERIAL ISSUES AND MATRIX

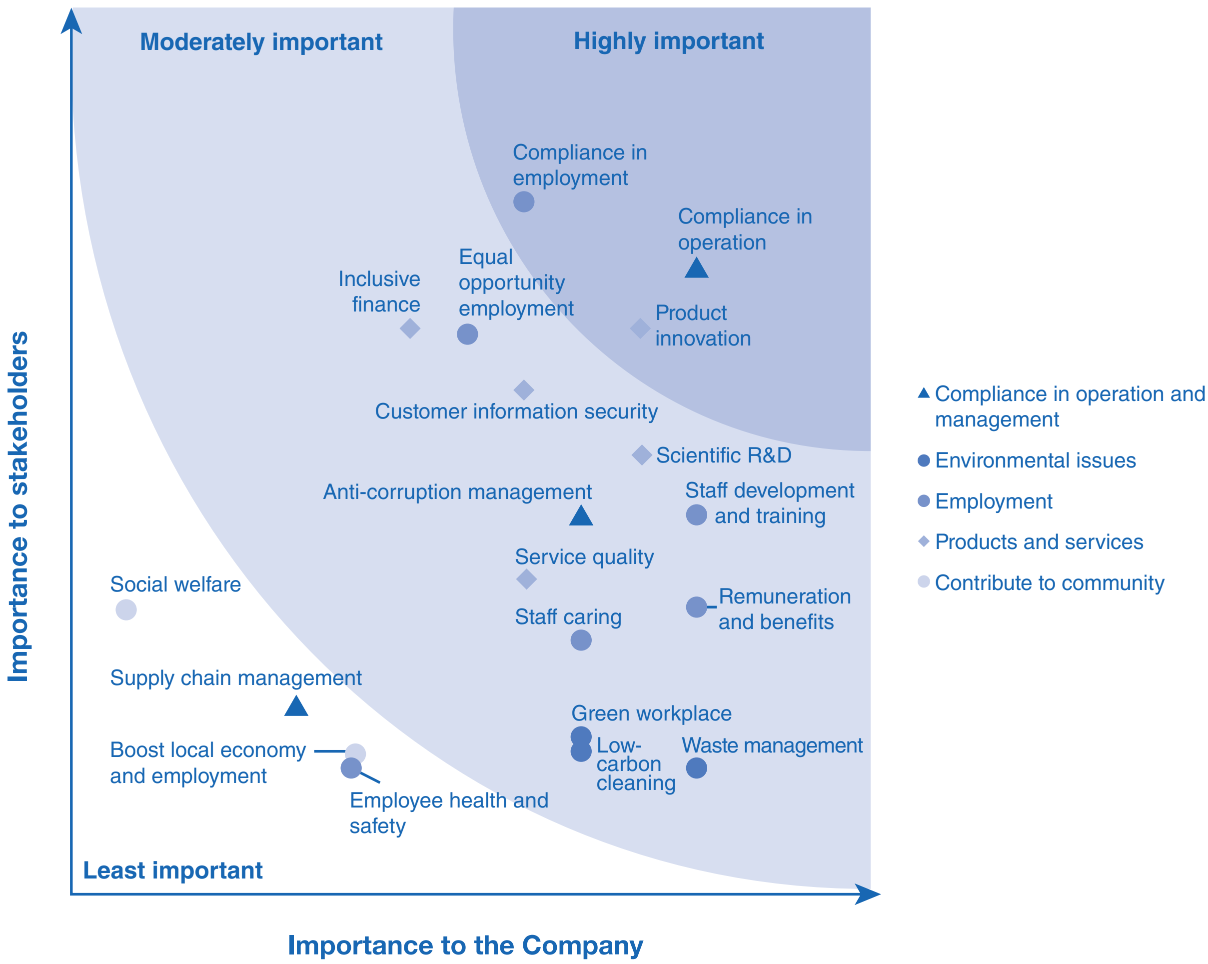
Through methods such as peer benchmark analyses and media monitoring, the Company identifies the ESG issues arising from its own operation that exert impacts on its stakeholders. ESG material issues relevant to the development of the Company in 2019 have been identified in accordance with the following selection criteria.

Identification Process for ESG Material Issues
Source of issues
— ESG Reporting Guide of the Hong Kong Stock Exchange — Analyses and suggestions made by internal and external experts — Analysis of information from the media — Benchmarking studies on peers in domestic and overseas environment — Suggestions made by the management team — Conferences of the industry leaders
Standards of identification
— Contribution to sustainable development — General issues of concern to stakeholders — Key contents from related guides on sustainable development — Alignment with the Company's strategic development needs

The Company conducted internal and external stakeholder research by engaging independent third parties. Through the preparation and distribution of online questionnaires, we invited stakeholders including regulatory authorities, community representatives, media, employees and senior management of the Company, to prioritize the relevant ESG issues and collect the stakeholders' suggestions and expectations on the ESG performance of the Company, so as to provide an important reference for the Group's ESG management in the future.

In this survey, the stakeholders assessed the importance of 19 issues falling into five categories including compliance in operation, environmental performance, employment, products and services and community contribution, with an addition of 5 issues as compared to last year. A total of 44 valid questionnaires were collected. We conducted a statistical analysis on the scores of each topic, and classified and summarized the recommendations and expectations. The results of material issues were tabulated into a matrix of ESG material issues and reported to the management for discussion. We finally differentiate the issues into categories of highly, moderately and least important for report disclosure and future sustainable development.

2019 Material ESG Issues Matrix of the Company



2 Healthy development and compliance in operation

Legal and compliance operations are the cornerstone of the healthy development of the Company. The Company continued to reinforce its compliance management, strengthen the compliance awareness of all employees, establish a multi-dimensional risk management system and internal control mechanism, in order to regulate corporate governance and eliminate all forms of illegal behaviors including bribery, corruption and money laundering.

2.1 Corporate Governance

With the Board at the core, the Company has always adhered to good corporate governance principles and has maintained excellent risk management and internal control to keep its transparency and accountability to the shareholders. In 2019, the Company strictly implemented its existing corporate governance policies. The Board ensures all decisions are made under the principle of fairness and strengthens and improves internal governance in order to regulate the Group's operation and steadily enhance the shareholder value.

The Board is the Company's highest governing body. It consists of executive directors, non-executive director(s), and independent non-executive directors. The Board is responsible for the overall governance, supervision and regular review of the Group, with the goal of bringing in long-term benefits for the Company and the stakeholders. The Board has accumulated sufficient experience to carry out its duty and possesses a balanced mix of skills and expertise which supports the continuing development of the Company.

The Board is responsible for setting the Company's strategic direction, overseeing the business performance of the Company, ensuring the effectiveness of risk management and its corresponding internal control system of the Group, and delegating the Group's management to take charge of implementing relevant policies and measures. In recent years, ESG management has been included as the responsibility of the Board. The Board of the Company will be kept informed of the Company's relevant policies and plans on sustainable development through internal trainings, meetings and relevant information such as the ESG report, and participate in the ESG risk assessment as well as express their views during Board meetings in order to promote plan adjustment and implementation. The Board is responsible for overseeing the content of the Company's ESG report to ensure it does not contain any false representations, misleading statements or material omissions.

Please refer to the section headed "Corporate Governance Report" in the 2019 Annual Report of the Company for more details relating to the Company's corporate governance practices and status, and the respective roles of the Board and the Board committees.

2.2 Internal Control and Protection from Risks

The Company abides by the *Company Law of the People's Republic of China,* the *Securities Law of the People's Republic of China* and other relevant laws, regulations and industry regulations. We adhere to compliant operation, constantly reinforce the establishment of risk management system and internal control compliance system, laying a solid foundation for the sustainable and healthy development of the enterprise.

In 2019, the Company revised and published the *Basic System of Risk Management*. Adhering to the four principles of "comprehensiveness, adaptability, independence and integrated development", the Company established three lines of defense for risk management, comprising relevant functional departments and business units, risk management center and control and audit center, to continuously optimize the risk management system. During the reporting period, the Company established a sound and complete risk management structure in comprehensive risk management, with defined responsibilities for the board of directors, board of supervisors and operating management. Operating mechanisms such as identification, evaluation, monitoring, measurement and reporting of risks has been running smoothly, effectively preventing all kinds of risks.

Pursuant to the business nature of the Company, the Company treats anti-money laundering as an important aspect of risk management. The Company abides by the regulations set in the *Anti-Money Laundering Law of the People's Republic of China* (《中華人民共和國反洗錢法》), the *Anti-Money Laundering Regulations for Financial Institutions* (《金融機構反洗錢規定》) and the *Administrative Measures for the Financial Institutions' Report of Large-Sum Transactions and Suspicious Transactions* (《金融機構大額交易和可疑交易報告管理辦法》), preventing employees from participating any anti-money laundering activity and prohibiting provision of assistance to any person or organisation that attempts to engage in criminal behaviour or illegal activity. The Company launches various forms of anti-money laundering education and trainings to watch out for moral risks, as well as to increase the employees' awareness and skills of anti-money laundering.

The Company has established an anti-money laundering management system that ranges from overall planning, assessment to investigation and handling. It integrates with the fintech big data technology to enhance the scientific nature and effectiveness of anti-money laundering. The Company has formulated the Know-Your-Customer (KYC) policy that suits the online financing services business, creating a customer digital information database, launching customer investigation and transaction review, assessing and updating risk level on a regular basis, and maintaining early risk warning to prevent criminal behaviour such as money laundering from happening from its source.

On the basis of establishing an effective risk management system, and in accordance with the relevant laws and regulations and the articles of association of the Company, the Company formulated the *Internal Control System* to establish an internal control mechanism with defined duties and effective checks and balances. In 2019, the Company adhered to the concept of "compliance value creation" and actively implemented compliance management to prevent practical compliance risk. The Company strengthened the organizational leadership, improved the compliance management organization and functions, and ensured the orderly and healthy development of the business of each department. The Company also established standardized business procedures to effectively prevent risks such as legal liabilities and regulatory penalties as a result of irregular operation and operational management. In addition, the Company reinforced the establishment of internal control system and improved various systems including internal control management, risk management and customer service to ensure compliance operation.

During the reporting period, we launched compliance education to staff by interpreting and analyzing the contents of the latest regulatory requirements, in order to ensure the full implementation of the compliance operation requirements. Employees relevant for compliance operations received an average of 12 hours compliance training throughout the year.

2.3 Anti-Corruption

The Company continued to strengthen discipline inspection and supervision, and vigorously promoted the construction of moral integrity and anti-corruption management. In 2019, the Company revised the *Internal Audit Charter of Gome Finance Technology Co., Ltd.* in accordance with the *Supervision Law of the People's Republic of China* and the relevant laws and regulations to improve the internal auditing procedures, eliminate potential malpractices. The Company also optimized the *Supply Chain Finance Non-compliance By-laws and Punishment Regulations of Gome Finance Technology Co., Ltd.* to further define staff's violations and specify the corresponding penalties, and to ensure the staff's compliance in business development. During the reporting period, the Company carried out the construction work of moral integrity, fulfilled its responsibilities and strengthened supervision and anti-corruption training.

Implementation of responsibility:

- Implement the responsibilities of moral integrity construction and anti-corruption works to each management personnel
- Finalize important documents from important meetings on moral integrity construction
- Implement the arrangements for moral integrity construction and anti-corruption works and call for full member conferences

Strengthening supervision and reporting reception: • CEO leads the heads of each business divisions and centers in supervising corrupt behaviors including treats, gifts, cards and offers • the Group oversees the audit center and seriously handles every reporting letter and by conducting prompt investigation and report
Anti-corruption training: • Adhere to the collective study once every quarter • Release new rules and regulations through OA and timely provide training to relevant operational staff • Carry out anti-corruption projects and conduct integrity and anti-corruption training for the departments involved in supervision and audit work

The Company has established an internal monitoring mechanism to provide double-guarantee for the company's compliance in operation through the establishment of supervision and anonymous reporting channels. Employees can report to the Group's supervision and audit center on non-compliance or illegal situations anonymously. Upon receipt of such reports, the audit and supervision department of the Company will promptly conduct investigations on the reported cases of non-compliance, corruption or briberies and take appropriate actions against the violating personnel in accordance with the rules and regulations after reporting to the superiors.

In 2019, the Company provided two integrity trainings for all staff per month, with an average of 48 training hours per person. During the reporting period, the Company did not have any litigation arising from corruption, bribery or money laundering.

2.4 *Supply Chain Management*

In order to regulate the procurement of materials, the Company has fully reviewed the *Materials Procurement Management System* and made revisions in compliance with relevant laws and regulations including The *Bidding Law of The People's Republic of China* and the *Implementation Regulations for Bidding Law of the People's Republic of China*. The Company implements centralized, standardized and sunlight management of procurement, and strictly reviews the professional qualifications and credibility of suppliers to optimize supplier resources, ensuring the quality of procurement.

In order to reduce the environmental and social risks of the supply chain, the Company requires suppliers and purchasers to satisfy the requirements of integrity and standardized procurement. The Company regulates the anti-corruption management and performance of the suppliers, requiring that all suppliers entering into service contracts with the Company to sign the Integrity Cooperation Agreement. The agreement states finer provisions such as "no acceptance of private banquets is allowed" and "no acceptance of gifts in kind, cash or coupons or shopping cards is allowed", and requires purchasers to strictly comply with the Company's integrity system, such that corruption, bribery and behaviors which violate operation with integrity can be rooted out.

As the Company does not engage in production and processing business and only a small amount of office supplies are purchased each year, further statistics and the distribution of suppliers are not disclosed, as long as the integrity and standardized procurement requirements are satisfied.

3 Development of Financial Technology with Innovation

Led by supply chain finance, the Company is committed to serving the real economy and promoting the development of inclusive finance by leveraging on its own business advantages, in creating a new terrain for fintech development with business innovation and quality services.

3.1 Fulfillment of Product Responsibility

The Company is committed to serving the real economy by leveraging its business advantages. Focusing on supply chain finance with Credit Cloud Loan as its core product, the Company provides liquidity for the real economy to revitalize assets. In 2019, the Company focused on serving suppliers in the Gome ecosystem, and further expanded the supply chain finance business beyond the Gome ecosystem, providing supply chain financing solutions and services for more small and micro companies with increased efforts to serve the real economy.

The Company encourages technology innovation, focusing on the protection of intellectual property rights, and regards technology innovation as the driving force for company development. In 2019, the Company applied for several software copyrights including network security monitoring, operating systems and software scheduling. In addition to enhancing innovation as a driving force, we have revised the *Regulations on Intellectual Property Rights* in accordance with relevant laws and regulations, such as *Patent Law of the People's Republic of China*, *Copyright Law of the People's Republic of China*, *Trademark Law of the People's Republic of China* and *Law of the People's Republic of China against Unfair Competition*, so as to protect and respect the intellectual property rights of our innovative parties and other companies, and maintain a fair and open market competition environment.

3.2 *Improving Customer Services*

By adhering to and implementing the service philosophy of "customer orientation", the Company attaches importance to customer needs and protects customers' personal data and privacy, as well as provides quality and satisfactory services.

Quality Customer Services

The Company continued to enhance customer management, keeping feedback channels unblocked and improving customer satisfaction. In 2019, the Company revised the *Customer Service Management System* to regulate various processes of customer services, and timely conducted staff training to ensure that employees are familiar with the industry and the Company's business conditions, so as to effectively settle various inquiries and complaints raised by customers. The Company responds to the requirements of customers immediately, and the customers can make inquiries through the customer service hotline for services including fund application, drawdown and repayment. In addition, there are clearly defined customer service standards in place, under which false publicity and marketing activities are not allowed. Also, account managers are arranged for on-site visits at appropriate times to take follow-up actions subsequent to loan drawdowns.

The Company has established a standardized customer complaint mechanism. When handling customers' complaints or inquiries, account managers are arranged to provide one-to-one service to answer the questions raised by customers and give feedback at once, providing customers with quality service experiences. In 2019, no complaints were received from customers. In addition, since all the financial services of the Company are carried out online, the operating activities do not involve quality inspection procedures and product recycling.

Protecting Customer Privacy

The Company attaches great importance to the protection of customers' personal data and privacy, and builds a comprehensive information security management system. In accordance with the *Regulations on the Protection of Computer Information Systems Security of the People's Republic of China,* the *Implementation Guidelines for the Protection and Levels of Information Systems Security in the Financial Industry* (JR/T0071–2012) and related laws and regulations, the Company formulated the *Information Technology Management System,* specifying the information security of each section at the institutional level.

In 2019, the Company strengthened network security and monitoring of the office network and guest network, and isolated internal network from external to ensure information security. It also kept users' sensitive information in the database using encryption algorithms. During the reporting period, there was no leakage of information on customers.

3.3 Supporting Inclusive Finance

The Company is committed to promoting the development of inclusive finance and small and micro enterprises, and actively assumes the social responsibility of a financial company. The Company, by leveraging its own advantages, carries out supply chain finance business, and applies the digital technology to track the business conditions of SMEs in real time, thereby providing a reliable guarantee for cash flows of the SMEs.

Case: The Company provides financing services for SMEs

Credit Cloud Loan is a factoring product within the Company's internal ecosystem, which has full access of the operating conditions of SMEs in the ecosystem through the use of technologies, and applies the technologies such as big data and cloud computing to grant credit facilities in advance and make dynamic adjustments to the SMEs in the ecosystem, so that they may use the facilities as needed. This improvement of financing efficiency tackles the difficulties of SMEs in obtaining financing due to low credit ratings.

4 Green Innovation to Protect the Earth

As a financial technology enterprise, the Company does not involve the discharge of hazardous waste or waste water and gas, nor does its operation have a significant impact on the environment and natural resources. However, it still strictly abides by the *Environmental Protection Law of the People's Republic of China* and the relevant laws and regulations, actively promotes green office, strengthens environment management and guides employees to implement low-carbon energy conservation in details in daily activities, as well as minimizes the impact of its operation on the environment. During the reporting period, the Company did not have any non-compliance with the environmental protection laws and regulations.

4.1 Energy Conservation and Emissions Reduction

The Company strictly abides by the *Environmental Protection Law of the People's Republic of China* and other relevant laws and regulations, actively promotes the concept of green and low-carbon office, and practises the concept of green development from small actions. By introducing the *Regulations on the Management of Green Office*, it advocates green office and low-carbon commute, encouraging employees to save water and electricity, so as to minimize the impact of daily operations on the environment.

In 2019, the Company continued to implement the concept of green and low-carbon office, by taking the following measures:

- Advocating "Paperless Office", "Recycling of Paper", "Environment-friendly Printing" and etc. to reduce the consumption of paper. All documents of the Company were submitted for approval through the OA office system and circulated via electronic means. Electronically stored documents were no longer printed. For documents that did need to be printed, recycled paper or double-sided printing was recommended, and for the documents of no significance, used paper was recommended.

- Advocating the "Reuse of Office Supplies". It is advisable to replace the internal consumed parts to extend the normal consumption of office supplies. Replaced consumption parts, such as toner cartridges, printer ink cartridges, batteries, plastic products and paper cartons, were required to be placed in designated cabinets, and dealt with by cleaning personnel on a daily basis, and then recycled and reused periodically through special channels.

- Advocating "Water and Electricity Saving". Energy-saving lights were used in the offices and environmental protection signs were posted to encourage employees to reduce the use of elevators and save energy.

- Advocating "Green Dining". The Company prepared microwave ovens for employees, and encouraged them to bring their own lunch boxes to minimize the use of disposable lunch boxes.

- Advocating "Green Commute". Employees were encouraged to commute or go on a business trip by public transport instead of driving or taking a taxi as much as possible when not urgent, without carrying important documents.

The carbon emission of the Company mainly arose from indirect emission generated by the purchased electricity and purchased heat of the office. In 2019, the Company generated 46.23 tonnes of carbon dioxide equivalent. The consumption of other resources is as follows:

The Consumption and Intensity of Resources of the Company in 2019

	Total resource consumption	**Resource consumption intensity**
Paper	200kg	6.25 kg/person
Municipal water use	320 tonnes	10 tonnes/person
Purchased electricity	24452.73kWh	764.15 kWh/person
Purchased heat	205.07 GJ	6.41 GJ/person

Note The data above have not accounted for the Company's Hong Kong office where only 4 employees are hired responsible for a relatively more independent operation management and consume a low amount of resources during the year.

4.2 Waste Management

The Company has always emphasized on waste management, by classifying and recycling hazardous wastes, electronic wastes and domestic wastes, and striving to create environment-friendly and comfortable office space.

The Company designated specific collection area and set up specific recycling processes for hazardous wastes such as printer ink cartridges and waste light tubes pursuant to the *Law of The People's Republic of China on Prevention of Environmental Pollution by Solid Wastes*. For electronic wastes, the Company provided specialized treatment pursuant to the *Management Measures on Prevention of Environmental Pollution by Electronic Wastes*, disposing electronic wastes such as discarded magnetic disks, computer accessories and used batteries collectively according to their categories in such a way to minimize their environmental impacts. During the reporting period, only a very small amount of hazardous wastes were generated from the Company's office operations, which had been properly disposed of according to the above mentioned process.

For domestic wastes, we set up different kinds of dustbins in the office area to separate kitchen wastes, recyclable wastes and other wastes and guide the employees to classify wastes properly. In addition, cleaning staff is arranged to clear the wastes at regular intervals every day and carry out disinfection of the dustbins.

Due to the characteristics of the Company's business, the operating activities will not have material impact on natural resources, or involve the use of packaging materials.

5 Working with the Employees to Benefit the Community

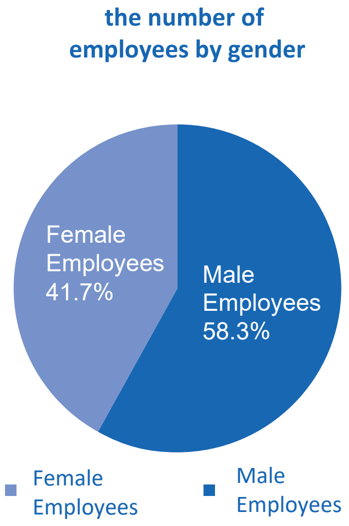
The Company always views "people" as the most precious wealth of a Company. Internally, we adopt the human management concept and properly protects the legal rights and interests of employees. We take good care of employees and pay attention to their trainings to create a cohesive corporate culture. At the same time, we are devoted to give back to the community, fostering a harmonious relationship with the community through community care, support work.

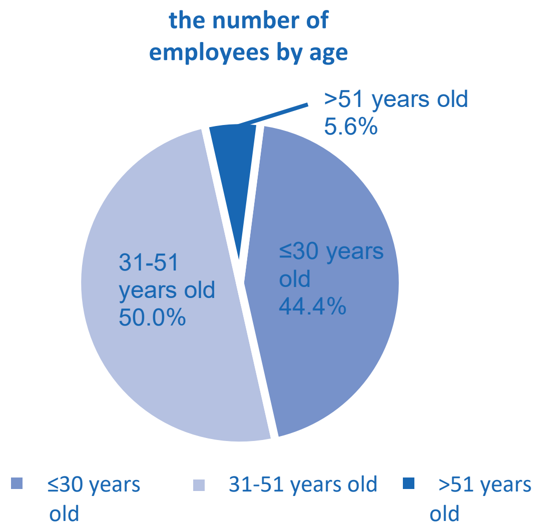
5.1 Protecting Employee's Interests

The Company is in strict accordance with the laws and regulations such as *the Labor Law of the People's Republic of China,* the *Labor Contract Law,* the *Regulation on the Prohibition of Child Labor,* sticks to legitimate employment and prevents child labor and forced labor from happening at all costs. There has been no incident nor any complaints of violations related in human rights or labor codes in 2019. The Company employs people through fair and open channels, adhering to equal opportunity employment and the principle of matching positions with the right people. Any forms of discrimination such as gender, ethnicity, marital status, and religion is strictly prohibited in employment process, remuneration system, training, and promotion mechanism.

During the reporting period, the Company continuously improves the management system of human resources, adding a new avoidance of nepotism policy whereby employees shall abstain from appointment or business dealings relating to families or relatives, safe-guarding the equal development opportunity of employees and providing a development platform for diversified talents. Our remuneration packages are competitive and not lower than our peer level. The Group makes contributions to the "Five Social Insurances and One Housing Fund" and supplementary medical insurance for all our contract employees, with their coverage rate reaching 100%.

As at December 31, 2019, the Group had 36 employees in total with 15 female employees, representing 41.7% of the whole staff.





5.2 *Facilitate Employee's Growth*

Talents are the core competitiveness of the Company. As always, the Company develops the ability of every employee and facilitates their growth by identifying key positions, establishing a talent echelon, regulating the management process, sustaining improvement of employees' professional development path, refining the system of employee training and development and creating a comprehensive award colligation mechanism.

In order to perfect the talent development path, the Company refines its job ranking system in 2019. The positions in non-technical hierarchy and technical hierarchy were reorganized. According to employees' work experience, knowledge, skills and other factors, the Company identified the hierarchy and rank which the employees positioned in, as well as the corresponding salary standard. Since 2019, to further identify talents and create a sound employee promotion path, the Company has adjusted its appraisal interval from a half-yearly basis to a monthly basis. The monthly performance bonus will be reviewed with reference to the employees' appraisal results, so as to ensure that all employees have enjoyed fair and smooth promotion opportunities.

The Company provides diverse professional training courses to employees on different tiers, raising competence in their current positions. Through these courses, knowledge, skills, working methods of the employees are improved and raised, realizing their personal values in the process of common development with the Company. The Company divides its employees' development requirements through *GOME Finance Technology Training Management Measures*, matching the resources required for development in accordance to the actual needs of employees. Training works can be proceeded in an orderly manner, thus effectively raises the professional quality of our employees and increases the corporation's soft power.

2019 Training Programs of the Company

Leadership Training	Specifically designed for the leadership development of mid- and high-level managerial personnel, with courses including sandbox deduction in operation management, high performance team, and innovative decoding, to comprehensively enhance the leadership capability of the managers. 
Experts' sharing meeting	Influential experts from relevant areas were invited both internally and externally to share on specific topics, with contents including financial knowledge, technological languages, cutting-edge science and technology, to comprehensively improve the employees' professional development. 

Percentage of Employees Trained by Rank and Average Hours of Training of the Company in 2019

	Percentage of Employees Trained	Average Hours of Training
Senior Level	100%	16.2
Middle Level	100%	29.5
General	100%	31.3

Note It has not accounted for the 4 employees located in the Company's Hong Kong office responsible for a relatively more independent operation management.

5.3 Employee Cares

We provided a comfortable working environment for our employees and set up a special activity room for our employees as a place for rest, where shoulder and neck massages were provided to employees from time to time for the relieve of fatigue. Moreover, we also provided employees with diversified welfare policies such as holiday gifts, employees' birthday parties and afternoon tea.

Throwing a birthday party for our employees

Organizing after-work badminton for interested employees

At the same time, the Company cares for the employees' physical and mental health. We provided medical examination for the employees every year, constantly caring for employees' health. To facilitate employees in achieving work-life balance, we organized a variety of recreation and sports activities, such as interest activities and courses during lunch breaks, events for special holidays and after-work badminton club.

5.4 *Giving Back to Community Development*

As a member of the community, we are enthusiastic about social welfare and proactive in assuming corporate social responsibility, and giving back to the community with love. The Company actively responded to Gome Group's advocacy of promoting public welfare and encouraged employees to participate in all kinds of welfare activities such as community assistance, caring visits and donation of books activities, facilitating the harmonious development of community.

Building a better
working world

To the shareholders of Gome Finance Technology Co., Ltd.
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Gome Finance Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 90 to 175, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade and loans receivables	
HKFRS 9 *Financial Instruments* has been adopted by the Group on 1 January 2018 which requires the impairment assessment of trade and loans receivables to be changed from an "Incurred Credit Loss Model" to an "Expected Credit Loss Model". The Group uses complex models and assumptions in the measurement of credit losses. These models and assumptions relate to future macroeconomic conditions and the creditworthiness of borrowers. The Group uses judgements, assumptions and estimates in the measurement of expected credit losses in accordance with the requirements of HKFRS 9, for example: • The selection of criteria for identifying significant increases in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses of loans with longer remaining maturities; • Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions; and • Individual impairment assessments are dependent upon estimates of future cash flows.	We assessed the design, implementation and operating effectiveness of key controls relating to trade and loans receivables, including relevant data quality. We selected samples of trade and loans receivables based on credit risk characteristics and performed loan review procedures. We assessed the debtors' repayment ability and evaluated the Group's trade and loans receivable grading. We examined the forecasts of future cash flows prepared by management on the individually significant trade and loans receivable portfolios and assessed related assumptions. We evaluated and tested the key parameters of the expected credit loss models, management's major judgements and related assumptions. We checked relevant disclosures in the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade and loans receivables (continued)	
Since trade and loans receivable impairment assessment involved judgements and assumptions, and the amounts of gross trade and loans receivables of approximately RMB814,894,000, and impairment of trade and loans receivables of approximately RMB43,077,000 were significant, we consider it as a key audit matter. Relevant disclosures are included in note 3 and note 16.	
Existence and recoverability of prepayment for acquisition of a third-party payment company	
In connection with a proposed acquisition of a third-party payment company, in a circular dated 29 June 2017, the Group announced that Gome Xinda Commercial Factoring Limited (the "Xinda Factoring"), a wholly-owned subsidiary of the Group, entered into a loan agreement with Beijing Bosheng Huifeng Business Consulting Co., Limited (the "OPCO"), pursuant to which Xinda Factoring agreed to provide a non-interest bearing loan of a maximum amount of RMB720,000,000 to the OPCO solely for the purpose of acquiring the entire equity interest in Tianjin Guanchuang Mei Tong Electronic Commerce Limited (the "Target Company") from Tibet Yang Guan LLP and Mr. Mao Deyi (together the "Sellers"). Pursuant to the loan agreement, the loan shall be repayable within 10 working days if the abovementioned equity acquisition transaction has been cancelled.	We discussed with the Group about the progress of the acquisition and enquired why the transaction has not been completed. We reviewed the working memo prepared by the Group's project task force which has been following up on the acquisition. We reviewed the loan agreement and the equity share transfer agreement. We checked the payment for the loan drawn by the OPCO. We sent confirmation to the OPCO to check the existence of the balance of the prepayment. We performed search of company background information on the OPCO. We reviewed the recent management accounts of a key component of the Target Company. We checked relevant disclosures in the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Existence and recoverability of prepayment for acquisition of a third-party payment company (continued)	
The OPCO and the Sellers entered into an equity share transfer agreement dated 25 July 2017, pursuant to which the OPCO agreed to buy and the Sellers agreed to sell the entire equity interest of the Target Company. Pursuant to the agreement, after 24 months of the date of signing of the agreement, if the transaction has not been completed, the OPCO is entitled to notify the Sellers for cancelling the transaction and all prepayment made for the acquisition shall be refunded to the OPCO. The OPCO is a PRC incorporated limited company 90% owned by Ms. Du Juan, a controlling shareholder of the Group. As at 31 December 2019, the transaction has not yet been completed and RMB576,000,000 had been paid to the OPCO according to the aforesaid loan agreement and was recorded as a prepayment by the Group. Since the amount of the prepayment involved was significant and more than 24 months has lapsed since the signing of the loan agreement, we considered that the existence and recoverability of the amount of prepayment is a key audit matter. Relevant disclosures are included in note 17 and note 29(b).	

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Related party transactions and disclosures	
The Group has undertaken a number of transactions with related parties, including providing commercial factoring services to companies indirectly controlled by close members of the beneficial controlling person of the Group. Related party relationships, particularly those not on arm's length terms, may affect the financial performance of the Group. During the year ended 31 December 2019, a significant amount of interest income was derived from commercial factoring loans to related parties, which amounted to RMB5,978,000 approximately, representing 9% of the Group's total revenue. As at 31 December 2019, the carrying amount of trade and loans receivables included an amount of approximately RMB111,618,000 of commercial factoring loans receivables due from related companies, representing 14% of the Group's total trade and loans receivables. Relevant disclosures are included in note 29.	We discussed with the Group's management and evaluated the management's process for identifying and recording related party transactions. We read contracts and agreements with related parties to obtain an understanding of the nature of the transactions, compared the terms of related party transactions to terms of arm's length transactions and performed revenue cut-off testing at the year-end. We kept professional scepticism on revenue from related party transactions. We checked related party disclosures in the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Derecognition of financial assets	
The Group entered into transfer agreements of creditor's rights and transferred certain trade and loans receivables to certain companies, which involved management's assessment upon whether derecognition should be applied to part of a financial asset or the financial asset in its entirety, as well as the evaluation of whether, and to what extent, derecognition is appropriate. Considering the significant impact and the usage of judgement and subjective estimation by the management in relation to the accounting treatment, we treated the derecognition of financial assets as a key audit matter. During the year ended 31 December 2019, the trade and loans receivables amounting to approximately RMB118,836,000 had been derecognised by the Group (for the year ended 31 December 2018: RMB892,030,000). Relevant disclosures are included in note 29(c) and note 30.	Our audit procedures included obtaining and reviewing related contracts and agreements, mainly with regard to the nature and purpose of the financial assets transferred, the Group's exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows of the transferred assets, and reviewing whether the Group had retained the control of the transferred assets. We checked relevant disclosures in the consolidated financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2020

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	**69,886**	69,004
Other income and gains	5	**29,363**	33,952
Administrative expenses		**(73,204)**	(61,504)
Provision for impairment loss on trade and loans receivables	16	**(25,434)**	(14,202)
Finance costs	7	**(40,806)**	(37,339)
Gains on financial assets at fair value through profit or loss	6	**4,999**	7,941
Loss before tax	6	**(35,196)**	(2,148)
Income tax credit	10	**3,228**	3,587
(Loss)/profit for the year		**(31,968)**	1,439
Attributable to:			
Owners of the Company		**(31,968)**	1,439
(Loss)/earnings per share attributable to ordinary equity holders of the Company	12		
Basic and diluted			
For (loss)/earnings for the year		**RMB(1.18) cents**	RMB0.05 cents

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

	2019 RMB'000	2018 RMB'000
(Loss)/earnings for the year	**(31,968)**	1,439
Other comprehensive income:		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**21,695**	36,865
Other comprehensive income for the year, net of tax	**21,695**	36,865
Total comprehensive (expense)/income for the year	**(10,273)**	38,304
Attributable to:		
Owners of the Company	**(10,273)**	38,304

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Non-current assets			
Trade and loans receivables	16	**33,851**	106,752
Right-of-use assets	14	**4,190**	–
Property, plant and equipment	13	**723**	1,257
Other intangible assets	15	**–**	12,600
Deferred tax assets	23	**8,469**	4,219
Total non-current assets		**47,233**	124,828
Current assets			
Trade and loans receivables	16	**737,966**	507,484
Prepayments, other receivables and other assets	17	**592,844**	606,804
Financial assets at fair value through profit or loss	32	**105,657**	131,719
Pledged deposits for bank loans	18	**922,865**	889,470
Cash and cash equivalents	18	**316,429**	318,521
Total current assets		**2,675,761**	2,453,998

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

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
Current liabilities			
Trade payables	19	**2,249**	2,690
Other payables and accruals	20	**8,459**	12,930
Tax payables		**4,292**	3,195
Interest-bearing bank and other borrowings	21	**927,000**	774,000
Total current liabilities		**942,000**	792,815
Net current assets		**1,733,761**	1,661,183
Total assets less current liabilities		**1,780,994**	1,786,011
Non-current liabilities			
Bonds issued	22	**29,495**	28,364
Lease liabilities	14	**4,125**	–
Total non-current liabilities		**33,620**	28,364
Net assets		**1,747,374**	1,757,647
Equity			
Equity attributable to owners of the Company			
Share capital	24	**230,159**	230,159
Reserves	26	**1,517,215**	1,527,488
Total equity		**1,747,374**	1,757,647

Approved and authorised for issue by the board of directors on 27 March 2020.

Chen Wei	**Wei Qiuli**
Director	*Director*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the Company								
		Reserves							
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserves RMB'000	Revaluation reserves RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total reserves RMB'000	Total equity RMB'000
At 1 January 2019	230,159	1,944,601	520,838	87,072	603	(40,705)	(984,921)	1,527,488	1,757,647
Loss for the year	–	–	–	–	–	–	(31,968)	(31,968)	(31,968)
Exchange differences on translation of overseas operations	–	–	–	–	–	21,695	–	21,695	21,695
Total comprehensive income/(expense) for the year	–	–	–	–	–	21,695	(31,968)	(10,273)	(10,273)
At 31 December 2019	**230,159**	**1,944,601**	**520,838**	**87,072**	**603**	**(19,010)**	**(1,016,889)**	**1,517,215**	**1,747,374**

	Attributable to owners of the Company								
		Reserves							
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserves RMB'000	Revaluation reserves RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total reserves RMB'000	Total equity RMB'000
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 year	–	–	–	–	–	–	1,439	1,439	1,439
Exchange differences on translation of overseas operations	–	–	–	–	–	36,865	–	36,865	36,865
Total comprehensive income for the year	–	–	–	–	–	36,865	1,439	38,304	38,304
At 31 December 2018	230,159	1,944,601	520,838	87,072	603	(40,705)	(984,921)	1,527,488	1,757,647

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Loss before tax:		**(35,196)**	(2,148)
Adjustments for:			
Bank interest income	5	**(33,787)**	(29,856)
Finance costs	7	**40,806**	37,339
Gains on financial assets at fair value through profit or loss	6	**(4,999)**	(7,941)
Provision for impairment loss on trade and loans receivables	16	**25,434**	14,202
Depreciation	13	**443**	1,631
Depreciation of right-of-use assets	14	**1,764**	–
Amortisation of intangible assets	15	**5,100**	5,102
Software maintenance	6	**2,590**	2,900
Impairment of prepayments, other receivables and other assets	6	**11,254**	–
Impairment of Intangible assets	6	**7,500**	–
Exchange losses/(gains)	5	**5,620**	(3,816)
Disposal of property, plant and equipment		**165**	–
		26,694	17,413
Increase in trade and loans receivables		**(183,015)**	(430,302)
Decrease in prepayments, other receivables and other assets		**4,257**	960
Decrease in financial assets at fair value through profit or loss		**–**	215,998
Increase in pledged deposits for bank loans	18	**(13,315)**	(17,321)
Decrease in trade payables		**(365)**	(6,585)
Decrease in other payables and accruals		**(4,470)**	(22,309)
Cash used in operations		**(170,214)**	(242,146)
Income tax refunded/(paid)		**331**	(1,344)
Net cash used in operating activities		**(169,883)**	(243,490)

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

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from investing activities			
Interest received		**29,125**	24,096
Purchases of property, plant and equipment	13	**(9)**	(990)
Gains on financial assets at fair value through profit or loss		**5,061**	1,290
Proceeds from disposal of financial assets at fair value through profit or loss		**605,000**	786,000
Purchases of financial assets at fair value through profit or loss		**(579,000)**	(917,000)
Net cash generated from/(used in) investing activities		**60,177**	(106,604)
Cash flows from financing activities			
New borrowings		**1,082,000**	774,000
Repayment of borrowings		**(929,000)**	(776,000)
Principal portion of lease payments		**(1,539)**	–
Interest and other finance charges paid		**(40,905)**	(39,412)
Net cash generated from/(used in) financing activities		**110,556**	(41,412)
Effect of foreign exchange rate changes		**(2,942)**	1,626
Net decrease in cash and cash equivalents		**(2,092)**	(389,880)
Cash and cash equivalents at beginning of year		**318,521**	708,401
Cash and cash equivalents at end of year	18	**316,429**	318,521
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**316,429**	318,521

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

1 CORPORATE AND GROUP INFORMATION

Gome Finance Technology Co., Ltd. (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 and other financial services in Mainland China.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct (%)	Indirect (%)	Principal activities
Ability Wealth Holdings Limited*	British Virgin Islands	HKD390,000 Ordinary	100	–	Investment holding
Pure Profit Holdings Limited	Hong Kong	HKD1 Ordinary	–	100	Money lending
Guangdong Lido Pawnshop Co., Ltd.(Note)*@	Mainland China	RMB100,000,000 Registered capital	–	100	Pawn business
Guangzhou City Yuenqian Investment Consultancy Limited Liability Company*@	Mainland China	HKD750,000 Registered capital	–	100	Consultation service
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
Gome Wangjin (Beijing) Technology Co., Ltd.*@	Mainland China	RMB50,000,000 Registered capital	–	100	Technical advisory service

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

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

1 CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

For the year ended 31 December 2019, the revenue subject to contractual arrangements was nil (for the year ended 31 December 2018: nil). As at 31 December 2019, the total assets and the trade and loans receivables (net of provision of impairment loss) subject to the contractual arrangements amounted to approximately RMB100,741,000 and RMB3,000 (as at 31 December 2018: approximately RMB101,239,000 and nil).

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year ended 31 December 2019 or formed a substantial portion of the net assets of the Group as at 31 December 2019. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 16	*Leases*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.2.1 HKFRS 16 – *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 HKFRS 16 – *Leases* (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 HKFRS 16 – *Leases* (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	5,948
Decrease in prepayments, other receivables and other assets	(291)
Increase in total assets	5,657
Liabilities	
Increase in lease liabilities	5,657
Increase in total liabilities	5,657

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2.1 HKFRS 16 – Leases (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	8,191
Weighted average incremental borrowing rate as at 1 January 2019	4.858%
Discounted operating lease commitments as at 1 January 2019	7,309
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	1,652
Lease liabilities as at 1 January 2019	5,657

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

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

3 No mandatory effective date yet determined but available for adoption

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. The Group has assessed the impact of this standard and expects that the standard will not have significant impact, when applied, on the consolidated financial statements of the Group.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

Investment properties

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

Licences

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

Leases (applicable from 1 January 2019)

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

Right-of-use assets

The Group mainly leases office premises as right-of-use assets. Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Leases (applicable before 1 January 2019)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable before 1 January 2019) (continued)

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

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

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the consolidated statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months

- Stage 2: 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 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments

- Stage 3: Financial assets with objective evidence of impairment at the reporting date are included in Stage 3, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(b) Consultation service fee income and financial information service income are recognised when the services are provided.

(c) Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Dividend income is recognised when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment (continued)

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

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

Other employee benefits

Retirement benefit schemes

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year ended 31 December 2019.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of trade and loans receivables and prepayments

The policy for provision for impairment of trade and loans receivables and prepayments of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables and prepayments, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Further details are included in note 16 and note 17.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 23.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the internal reports reviewed and used by executive directors for strategic decision making. The executive directors consider the business from a product and service perspective. Due to increasing focus on commercial factoring and finance lease services in the current year, the Group's business is divided into three operating segments, namely commercial factoring services, finance lease services and other financing services segments to provide better assessment of segment performance. 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, financial information services and consultation service in Mainland China and money lending services in Hong Kong

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

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

4 OPERATING SEGMENT INFORMATION (continued)

	Year ended 31 December 2019			
	Commercial factoring services RMB'000	Finance lease services RMB'000	Other financing services RMB'000	Total RMB'000
Segment revenue:				
Revenue from external customers	43,794	13,359	12,733	69,886
Segment results	(11,644)	(8,102)	(16,921)	(36,667)
Reconciliation:				
Bank interest income				33,787
Finance costs				(17,034)
Exchange loss				(5,620)
Unallocated expenses				(9,662)
Loss before taxation				(35,196)
Taxation				3,228
Loss for the year				(31,968)

4 OPERATING SEGMENT INFORMATION (continued)

	At 31 December 2019			
	Commercial factoring services RMB'000	Finance lease services RMB'000	Other financing services RMB'000	Total RMB'000
Segment assets	1,267,205	312,510	113,938	1,693,653
Reconciliation:				
Unallocated assets				1,029,341
Total assets				2,722,994
Segment liabilities	830,360	106,623	7,547	944,530
Reconciliation:				
Unallocated liabilities				31,090
Total liabilities				975,620

	Year ended 31 December 2019				
	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	2,743	1,405	3,159	–	7,307
Provision for/(reversal of) impairment loss on trade and loans receivables	19,857	5,933	(356)	–	25,434
Impairment of intangible assets	2,667	1,500	3,333	–	7,500
Impairment of prepayments, other receivables and other assets	5,893	3,246	2,115	–	11,254
Additions to non-current assets*	–	–	9	–	9

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

4 OPERATING SEGMENT INFORMATION (continued)

	Year ended 31 December 2018			
	Commercial factoring services RMB'000	Finance lease services RMB'000	Other financing services RMB'000	Total RMB'000
Segment revenue:				
Revenue from external customers	46,173	14,906	7,925	69,004
Segment results	7,153	(12,688)	(9,210)	(14,745)
Reconciliation:				
Bank interest income				29,856
Finance costs				(16,210)
Exchange gain				3,816
Unallocated expenses				(4,865)
Loss before taxation				(2,148)
Taxation				3,587
Profit for the year				1,439

	At 31 December 2018			
	Commercial factoring services RMB'000	Finance lease services RMB'000	Other financing services RMB'000	Total RMB'000
Segment assets	987,413	444,336	158,745	1,590,494
Reconciliation:				
Unallocated assets				988,332
Total assets				2,578,826
Segment liabilities	778,144	6,739	6,458	791,341
Reconciliation:				
Unallocated liabilities				29,838
Total liabilities				821,179

4 OPERATING SEGMENT INFORMATION (continued)

	Year ended 31 December 2018				
	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	2,849	1,203	2,681	–	6,733
Provision for/(reversal of) impairment loss on trade and loans receivables	4,789	9,749	(336)	–	14,202
Additions to non-current assets*	947	–	43	–	990

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

Geographical information

(a) Revenue from external customers

	2019 RMB'000	2018 RMB'000
Hong Kong	**–**	–
Mainland China	**69,886**	69,004
	69,886	69,004

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

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	31 December 2019 RMB'000	31 December 2018 RMB'000
Hong Kong	**562**	659
Mainland China	**4,351**	13,198
	4,913	13,857

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

Interest income derived from commercial factoring loans receivables of approximately RMB4,503,000 for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB7,925,000) was from a major customer.

5 REVENUE, OTHER INCOME AND GAINS

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

	2019 RMB'000	2018 RMB'000
Revenue		
Interest income		
Commercial factoring loans	43,794	42,941
Finance lease receivables	13,359	14,906
	57,153	57,847
Consultation service income	–	7,925
Financial information service income	12,733	–
Management fee income	–	3,232
	69,886	69,004
Other income		
Bank interest income	33,787	29,856
Others	1,196	280
	34,983	30,136
Other (losses)/gains		
Exchange (losses)/gains	(5,620)	3,816
	(5,620)	3,816
	29,363	33,952

6 LOSS BEFORE TAX

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

	2019 RMB'000	2018 RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 8)):		
Wages and salaries	**25,044**	26,977
Retirement benefit scheme contributions	**2,400**	3,125
	27,444	30,102
Gains on financial assets at fair value through profit or loss	**4,999**	7,941
Provision for impairment loss on trade and loans receivables (Note 16)	**25,434**	14,202
Impairment of prepayments, other receivables and other assets (Note 17)	**11,254**	–
Impairment of intangible assets (Note 15)	**7,500**	–
Amortisation of intangible assets (Note 15)	**5,100**	5,102
Minimum lease payments under operating leases	**–**	4,988
Auditor's remuneration	**1,109**	1,044
Depreciation of property, plant and equipment (Note 13)	**443**	1,631
Depreciation of right-of-use assets	**1,764**	–
Lease payments not included in the measurement of lease liabilities	**2,222**	–

7 FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest expenses on:		
Bank and other borrowings	**37,919**	34,836
Bonds issued	**2,643**	2,503
Lease liabilities	**244**	–
	40,806	37,339

8 DIRECTORS' REMUNERATION

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

	2019 RMB'000	2018 RMB'000
Fees	**1,309**	1,744
Other emoluments:		
Salaries, allowances and benefits in kind	**1,705**	2,406
Pension scheme contributions	**24**	100
	1,729	2,506
	3,038	4,250

In prior years, certain directors were granted share options, in respect of their services to the Group under the share option schemes of the Company, further details are included in note 25. The fair value of such options, which was recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current period was included in the above directors' remuneration disclosures.

8 DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2019 RMB'000	2018 RMB'000
Mr. Hung Ka Hai, Clement	**282**	271
Mr. Li Liangwen (Note i)	**114**	271
Mr. Zhang Liqing	**282**	271
Mr. Wan Jianhua	**282**	271
Mr. Cao Dakuan (Note ii)	**95**	–
	1,055	1,084

8 DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2019				
Executive directors				
Ms. Chen Wei	**106**	**1,434**	**–**	**1,540**
Mr. Ding Donghua (Note iii)	**43**	**271**	**24**	**338**
Mr. Chung Tat Fun	**–**	**–**	**–**	**–**
Non-executive director				
Ms. Wei Qiuli	**105**	**–**	**–**	**105**
	254	**1,705**	**24**	**1,983**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2018				
Executive directors				
Ms. Chen Wei	103	1,440	–	1,543
Mr. Ding Donghua (Note iii)	102	647	57	806
Mr. Liu Xiaopeng (Note iv)	353	319	43	715
Mr. Chung Tat Fun	–	–	–	–
Non-executive director				
Ms. Wei Qiuli	102	–	–	102
	660	2,406	100	3,166

8 DIRECTORS' REMUNERATION (continued)

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

Notes:

(i) Mr. Li Liangwen retired as an independent non-executive director on 27 May 2019.

(ii) Mr. Cao Dakuan was appointed as an independent non-executive director on 29 August 2019.

(iii) Mr. Ding Donghua retired as an executive director on 27 May 2019.

(iv) Mr. Liu Xiaopeng resigned as an executive director on 30 August 2018.

For the year ended 31 December 2019 and the year ended 31 December 2018, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2019, included 1 director (for the year ended 31 December 2018: 2), details of whose remuneration are included in note 8 above. Details of the remuneration for the year of the remaining 4 (for the year ended 31 December 2018: 3) non-director, highest paid employees are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries, allowances and benefits in kind	**2,750**	2,235
Pension scheme contributions	**140**	75
	2,890	2,310

9 FIVE HIGHEST PAID EMPLOYEES (continued)

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

	2019	2018
Nil to RMB1,000,000	**4**	3
	4	3

In prior years, share options were granted to certain non-director, highest paid employees in respect of their services to the Group, further details of which are included in note 25. The fair value of such options, which is recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

For the year ended 31 December 2019 and for the year ended 31 December 2018, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

10 INCOME TAX

No provision of Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year ended 31 December 2019 and for the year ended 31 December 2018. Mainland China income tax has been provided at the rate of 25% for the year ended 31 December 2019 (for the year ended 31 December 2018: 25%) on the estimated assessable profits arising in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2019 **RMB'000**	2018 RMB'000
Current income tax		
—Mainland China	**1,022**	143
Total current tax	**1,022**	143
Deferred tax (Note 23)	**(4,250)**	(3,730)
Total tax credit for the year	**(3,228)**	(3,587)

10 INCOME TAX (continued)

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

	2019 RMB'000	2018 RMB'000
Loss before tax	**(35,196)**	(2,148)
Tax at the statutory tax rates	**(9,579)**	(2,193)
Income not subject to tax	**(3,958)**	(4,725)
Expenses not deductible for tax	**2,161**	445
Tax losses not recognised	**3,948**	3,489
Temporary differences not recognised	**4,791**	716
Utilisation of previously unrecognised tax losses	**(147)**	(591)
Utilisation of previously unrecognised temporary differences	**(427)**	(85)
Adjustments in respect of current tax of previous periods	**(17)**	(643)
Tax credit at the Group's effective rates	**(3,228)**	(3,587)

11 DIVIDENDS

The directors did not recommend the payment of any dividend for the year ended 31 December 2019 and the year ended 31 December 2018.

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

The calculation of the basic (loss)/earnings per share amount is based on the profit or loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,701,123,120 (for the year ended 31 December 2018: 2,701,123,120) in issue during the year.

The calculation of the diluted (loss)/earnings per share amount is based on the profit or loss for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/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.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue for the years ended 31 December 2019 and 2018. The basic (loss)/earnings per share equals to the diluted (loss)/earnings per share.

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

	2019 **RMB'000**	2018 RMB'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(31,968)**	1,439

	2019 **'000**	2018 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/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

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Motor vehicle RMB'000	Total RMB'000
Cost:				
At 1 January 2018	4,865	2,775	1,571	9,211
Additions	861	87	42	990
Exchange difference	97	44	–	141
At 31 December 2018 and 1 January 2019	5,823	2,906	1,613	10,342
Additions	–	9	–	9
Disposal	(2,155)	(1,065)	–	(3,220)
Exchange difference	47	22	16	85
At 31 December 2019	**3,715**	**1,872**	**1,629**	**7,216**
Accumulated depreciation:				
At 1 January 2018	4,803	2,119	396	7,318
Additions	924	387	320	1,631
Exchange difference	96	40	–	136
At 31 December 2018 and 1 January 2019	5,823	2,546	716	9,085
Additions	–	122	321	443
Disposal	(2,117)	(938)	–	(3,055)
Exchange difference	9	4	7	20
At 31 December 2019	**3,715**	**1,734**	**1,044**	**6,493**
Net book value:				
At 1 January 2018	62	656	1,175	1,893
At 31 December 2018 and 1 January 2019	–	360	897	1,257
At 31 December 2019	**–**	**138**	**585**	**723**

14 LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year is as follows:

	Office premises RMB'000
As at 1 January 2019	5,948
Depreciation charge	(1,764)
Exchange difference	6
As at 31 December 2019	4,190

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 **RMB'000**
Carrying amount at 1 January	**5,657**
Accretion of interest recognised during the year	**244**
Payments	**(1,782)**
Exchange difference	**6**
Carrying amount at 31 December	**4,125**

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 **RMB'000**
Interest on lease liabilities	**244**
Depreciation charge of right-of-use assets	**1,764**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	**2,222**
Total amount recognised in profit or loss	**4,230**

15 OTHER INTANGIBLE ASSETS

	Pawn shop licence RMB'000	Computer software RMB'000	Total RMB'000
Cost:			
At 1 January 2018	4,656	25,541	30,197
At 31 December 2018 and 1 January 2019	4,656	25,541	30,197
At 31 December 2019	**4,656**	**25,541**	**30,197**
Accumulated amortisation:			
At 1 January 2018	–	7,839	7,839
Additions	–	5,102	5,102
At 31 December 2018 and 1 January 2019	–	12,941	12,941
Additions	–	5,100	5,100
At 31 December 2019	**–**	**18,041**	**18,041**
Accumulated impairment losses:			
At 1 January 2018	4,656	–	4,656
At 31 December 2018 and 1 January 2019	4,656	–	4,656
Additions	–	7,500	7,500
At 31 December 2019	**4,656**	**7,500**	**12,156**
Net carrying value:			
At 1 January 2018	–	17,702	17,702
At 31 December 2018 and 1 January 2019	–	12,600	12,600
At 31 December 2019	**–**	**–**	**–**

16 TRADE AND LOANS RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade and loans receivables		
Commercial factoring loans (Note (a))	**737,422**	500,061
Finance lease receivables (Note (b))	**67,479**	131,193
Personal property pawn loans (Note (c))	**3,863**	4,216
Other trade receivables (Note (d))	**6,130**	8,400
	814,894	643,870
Impairment	**(43,077)**	(29,634)
	771,817	614,236
Carrying amount analysed for reporting purpose:		
Current assets	**737,966**	507,484
Non-current assets	**33,851**	106,752
	771,817	614,236

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) For commercial factoring loans arising from the Group's commercial factoring business, 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) For finance lease receivables arising from the Group's leasing business, 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 1,095 days.

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

(d) For other trade receivables arising from the money lending business and other financial services, customers are obligated to settle the amounts according to the terms set out in the relevant contracts.

16 TRADE AND LOANS RECEIVABLES (continued)

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 3 months	**542,301**	226,833
3 to 6 months	**131,466**	1,826
6 to 12 months	**519**	355,918
Over 12 months	**140,608**	59,293
	814,894	643,870
Impairment	**(43,077)**	(29,634)
	771,817	614,236

(2) The ageing analysis of the trade and loans receivables that are not individually considered to be impaired is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Neither past due nor impaired	**666,037**	363,755
Less than 30 days past due	**49,697**	32,827
30 to 60 days past due	**861**	3,922
61 to 120 days past due	**1,625**	3,991
More than 120 days past due	**19,143**	12,769
	737,363	417,264

16 TRADE AND LOANS RECEIVABLES (continued)

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

	Year ended 31 December 2019			
	Stage 1 (expected credit loss of 12 months) RMB'000	Stage 2 (expected credit loss of whole period) RMB'000	Stage 3 (impaired expected credit loss of whole period) RMB'000	Total RMB'000
As at 1 January 2019	1,560	1,348	26,726	29,634
Transfer to Stage 1	31	(31)	–	–
Transfer to Stage 2	(333)	363	(30)	–
Transfer to Stage 3	(45)	(354)	399	–
Charge for the year	2,768	731	19,844	23,343
Release for the year	(505)	(596)	(846)	(1,947)
Stage transfer	(23)	28	4,033	4,038
Write-offs and transfer out	–	–	(11,991)	(11,991)
As at 31 December 2019	3,453	1,489	38,135	43,077

	Year ended 31 December 2018			
	Stage 1 (expected credit loss of 12 months) RMB'000	Stage 2 (expected credit loss of whole period) RMB'000	Stage 3 (impaired expected credit loss of whole period) RMB'000	Total RMB'000
As at 1 January 2018	1,823	144	13,480	15,447
Transfer to Stage 1	20	(20)	–	–
Transfer to Stage 2	(211)	211	–	–
Transfer to Stage 3	(100)	(31)	131	–
Charge for the year	1,157	987	10,992	13,136
Release for the year	(1,114)	(60)	(705)	(1,879)
Stage transfer	(15)	117	2,843	2,945
Write-offs and transfer out	–	–	(15)	(15)
As at 31 December 2018	1,560	1,348	26,726	29,634

16 TRADE AND LOANS RECEIVABLES (continued)

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
At beginning of year	**29,634**	15,844
Effect of adoption of HKFRS 9	**–**	(397)
At beginning of year (restated)	**29,634**	15,447
Impairment loss recognised (Note 6)	**28,104**	16,088
Impairment loss reversed* (Note 6)	**(2,670)**	(1,886)
Bad debt allowance written off and transferred out	**(11,991)**	(15)
	43,077	29,634

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

16 TRADE AND LOANS RECEIVABLES (continued)

Included in the above provision for impairment of trade and loans receivables is a provision for individually impaired trade and loans receivables of approximately RMB23,124,000 (as at 31 December 2018: approximately RMB17,894,000) with a carrying amount before provision of approximately RMB77,531,000 (as at 31 December 2018: approximately RMB226,606,000).

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

Trade and loans receivables from the Group's related parties are included in note 29.

The Group has a certain concentration risk on trade and loans receivables as it has total outstanding balances as at 31 December 2019 of approximately RMB437,743,000 (as at 31 December 2018: approximately RMB292,378,000) from the top five customers, and one (as at 31 December 2018: two) of them contributes more than 10% of trade and loans receivables of the Group with an outstanding balance of approximately RMB211,773,000.

The Group also has a certain concentration risk on trade and loans receivables from the value-chain perspective. Some of the borrowers are involved in the value-chain of some related parties of the Group and therefore they could share similar risk characteristics.

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

17 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Prepayment for acquisition of a third-party payment company (Note 29(b))	**576,000**	576,000
Deposits	**330**	1,172
Other prepayments	**4,447**	7,762
Other receivables	**23,321**	21,870
	604,098	606,804
Impairment	**(11,254)**	–
	592,844	606,804

The financial assets included in the above balances relate to prepayments, other receivables and other assets for which there was no recent history of default and past due amounts.

18 PLEDGED DEPOSITS FOR BANK LOANS AND CASH AND CASH EQUIVALENTS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Cash and bank balances	**1,239,294**	1,207,991
Less: Pledged deposits for bank loans	**922,865**	889,470
Cash and cash equivalents	**316,429**	318,521

	31 December 2019		
	Original currency '000	**Exchange rate**	**RMB'000**
RMB	**220,005**	**1.0000**	**220,005**
HKD	**29,529**	**0.8958**	**26,452**
USD	**142,318**	**6.9762**	**992,837**
			1,239,294

	31 December 2018		
	Original currency '000	Exchange rate	RMB'000
RMB	222,423	1.0000	222,423
HKD	41,214	0.8762	36,112
USD	138,340	6.8632	949,456
			1,207,991

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and twelve 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.

19 TRADE PAYABLES

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 1 month	**1,803**	2,244
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**446**	446
	2,249	2,690

As at 31 December 2019, the trade payables due to related parties were nil (as at 31 December 2018: RMB30,000).

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 amounts of trade payables approximate to their fair values.

20 OTHER PAYABLES AND ACCRUALS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Deposit received	**1,950**	3,505
Accruals	**2,093**	3,919
Receipt in advance	**1,513**	627
Other payables	**2,903**	4,879
	8,459	12,930

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

21 INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current borrowings						
Bank loans – secured	4.1500%-4.3500%	2020/1/8-2020/12/29	927,000	4.7850%-5.2200%	2019/7/4-2019/12/27	774,000
			927,000			774,000

Note:

The Group's bank loans of RMB827,000,000 at 31 December 2019 (as at 31 December 2018: RMB774,000,000) were secured by the Group's fixed deposits. Relevant disclosures are included in note 18.

The Group's bank loans of RMB100,000,000 at 31 December 2019 (as at 31 December 2018: Nil) were secured by Group's structured deposit, which had a fair value measurement at the end of the reporting period of approximately RMB105,657,000.

22 BONDS ISSUED

	31 December 2019 RMB'000	31 December 2018 RMB'000
Unlisted corporate bonds	29,495	28,364

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

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

23 DEFERRED TAX

As at 31 December 2019 and 31 December 2018, the Group had no deferred tax liabilities.

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Impairment of trade and loans receivables RMB'000	Fair value change of financial assets at fair value through profit or loss RMB'000	Lease liabilities RMB'000	Loss available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2018	496	(7)	–	–	489
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the year (Note 10)	3,723	7	–	–	3,730
At 31 December 2018 and 1 January 2019	4,219	–	–	–	4,219
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the year (Note 10)	**3,513**	**–**	**3**	**734**	**4,250**
At 31 December 2019	**7,732**	**–**	**3**	**734**	**8,469**

23 DEFERRED TAX (continued)

Deferred tax assets (continued)

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Tax losses	**108,624**	90,588
Deductible temporary differences	**37,094**	20,200

As at 31 December 2019, the Group had tax losses arising from the operation in Hong Kong of approximately equivalent RMB77,391,000 (as at 31 December 2018: approximately RMB72,317,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Tax losses as at 31 December 2019 and 31 December 2018 are subject to approval of the Hong Kong Inland Revenue Department.

As at 31 December 2019, the Group also had tax losses arising from the operation in Mainland China of approximately RMB31,233,000 (as at 31 December 2018: approximately RMB18,271,000) that will expire in one to five years for offsetting against future taxable profits.

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

24 SHARE CAPITAL

Shares

	31 December 2019 HKD'000	31 December 2018 HKD'000
Authorised:		
6,000,000,000 (at 31 December 2018: 6,000,000,000) ordinary shares of HKD0.1 each	**600,000**	600,000

	31 December 2019 RMB'000	31 December 2018 RMB'000
Issued and fully paid:		
2,701,123,120 (at 31 December 2018: 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 2018	2,701,123	230,159
At 31 December 2018 and 31 December 2019	2,701,123	230,159

25 SHARE OPTION SCHEME

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

The maximum number of unexercised share options currently permitted to be granted under the Scheme and any other share option schemes of the Company 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 Scheme must not in aggregate exceed 60,157,078 shares, after the refreshment of the limit of the Scheme effected on 5 September 2014, representing 10% of the issued share capital of the Company, as at the date on which the shareholders passed the relevant resolution approving such refreshment. 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 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 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.

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; and (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.

25 SHARE OPTION SCHEME (continued)

No share options were exercised during the year ended 31 December 2019 and the year ended 31 December 2018.

26 RESERVES

The amounts of the Group's reserves and the movements therein for the current year and prior years are presented in the consolidated statement of changes in equity on page 94 of the consolidated financial statements.

Share premium

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

Contributed surplus

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

Capital reserves

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

27 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019 and 31 December 2018.

28 COMMITMENTS

(a) The Group had the following capital commitment at the end of the reporting period:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Contracted, but not provided for:		
Loan commitment	**144,000**	144,000

Details of the loan commitment are included in note 29.

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its offices under operating lease arrangements, which were negotiated for terms ranging from one to seven years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2018 RMB'000
Within one year, inclusive	3,402
In the second to fifth years, inclusive	4,487
After five years	302
	8,191

29 RELATED PARTY TRANSACTIONS

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

	2019 RMB'000	2018 RMB'000
Transactions with related parties which are significantly influenced by a close member of the beneficial controlling person of the Group:		
Consultation service fee	–	7,925
Rental expense	1,047	2,240
Property management fee	527	1,250
Interest income from commercial factoring loans	5,978	–

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

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Balances with related parties which are significantly influenced by a close member of the beneficial controlling person of the Group:		
Trade and loans receivables	111,618	8,400
Prepayments, other receivables and other assets	528	630
Trade payables	–	30
Other payables and accruals	1	19
Prepayments 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

29 RELATED PARTY TRANSACTIONS (continued)

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

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

According to the Loan and the sale and purchase agreement, the Loan would be granted based on progress of the above acquisition. As at 31 December 2019, the transaction was subject to approval of the People's Bank of China (the "PBOC") or its affiliated institutions. As at 31 December 2019, RMB576 million (as at 31 December 2018: RMB576 million) was paid to the OPCO according to the aforesaid agreements and was recorded as a prepayment. The remaining amount of RMB144 million, disclosed as a loan commitment in note 28, 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 RMB6,136,000 of a debt portfolio were transferred to a related party which is ultimately wholly owned by a close member of the beneficial controlling person of the Group during the year ended 31 December 2019 (for the year ended 31 December 2018: Nil).

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

	2019 **RMB'000**	2018 RMB'000
Salaries, other allowances and benefits in kind	**3,156**	4,530
Pension scheme contributions	**40**	137
	3,196	4,667

30 TRANSFERS OF FINANCIAL ASSETS

In addition to the transfers of financial assets to a related party detailed in note 29(c), as part of its normal business, the Group entered into an agreement on transfer of creditor's rights and transferred certain trade and loans receivables to a certain company. The Group assesses whether to derecognise the relevant assets or not based on the extent of risks and rewards retained. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets. During the year ended 31 December 2019, the trade and loans receivables amounting to approximately RMB118,836,000 had been derecognised by the Group (for the year ended 31 December 2018: RMB892,030,000).

31 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:

	31 December 2019		31 December 2018	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial assets:				
Trade and loans receivables	**771,817**	**771,817**	614,236	614,236
Prepayments, other receivables and other assets	**592,844**	**592,844**	606,804	606,804
Financial assets at fair value through profit or loss	**105,657**	**105,657**	131,719	131,719
Pledged deposits for bank loans	**922,865**	**922,865**	889,470	889,470
Cash and cash equivalents	**316,429**	**316,429**	318,521	318,521
	2,709,612	**2,709,612**	2,560,750	2,560,750
Financial liabilities:				
At amortised cost				
Trade payables	**2,249**	**2,249**	2,690	2,690
Other payables and accruals	**8,459**	**8,459**	12,930	12,930
Bonds issued	**29,495**	**29,495**	28,364	28,364
Interest-bearing bank and other borrowings	**927,000**	**927,000**	774,000	774,000
	967,203	**967,203**	817,984	817,984

32 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, other receivables and other assets, 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 31.

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.

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

(b) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the statement 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 follows:

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

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 the over-the-counter (OTC) derivative contracts. Input parameters like ChinaBond interbank yield curves or London interbank offered rate (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 with reference to another instrument that is substantially the same.

Assets measured at fair value

	31 December 2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss	–	–	105,657	105,657

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

(b) Fair value hierarchy (continued)

Asset measured at fair value (continued)

The movements during the year ended 31 December 2019 in the balance of Level 3 fair value measurements are as follows:

	Financial assets at fair value through profit or loss RMB'000
At 1 January 2019	**131,719**
Total gains or losses in profit or loss for the current year	**4,999**
Purchases	**579,000**
Disposals or settlements	**(610,061)**
Transfers out of Level 3, net	**–**
At 31 December 2019	**105,657**
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	**657**

(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 the cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2019 and 31 December 2018, the carrying amounts of financial instruments valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

33 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 31 December 2019, if interest rates had been 50 basis points higher/lower and all other variables had been held constant, the Group's operating results before tax for the year would have increased/decreased by RMB775,000 (for year ended 31 December 2018: RMB3,870,000). This is mainly attributed to the Group's exposure to the risk of changes in 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 Hong Kong dollars and United States dollars, which expose the Group to foreign currency risk. The Group has not used any financial instruments to hedge against currency risk.

As at 31 December 2019, if Hong Kong dollar exchange rates had been 50 basis points higher/lower and all other variables had been held constant, the Group's operating results before tax for the year would have decreased/increased by approximately RMB4,964,000 (for the year ended 31 December 2018: RMB4,747,000), and the Group's equity as at 31 December 2019 would have decreased/increased by approximately RMB4,964,000 (as at 31 December 2018: approximately RMB4,747,000).

33 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. The Group reviews the recoverable amount of each individually significant trade and loans receivables 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 loan arrangements as appropriate. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the Group will proceed with the 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 the sale of the leased assets. Moreover, the Group receives financial guarantees from financial institutions or individuals to secure the other loan arrangements.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and loans receivables are included in note 16.

The Group has a significant amount of prepayment made in connection with a proposed acquisition of a third-party payment company (note 17 and note 29(b)). The Group is making effort to complete the acquisition in the next 12 months. The Group is entitled to receive the refund of the prepayment if the proposed acquisition cannot be completed.

Credit risk measurement

Measurement of ECL

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 reporting date of the current year, if the financial instrument is no longer in the situation of there being a significant increase in credit risk since the initial recognition, the Group will measure the impairment allowance of the financial instruments on the reporting date of the current year according to the ECL in the next 12 months.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

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:

- Criteria for judging significant increases in credit risk
- Parameters of ECL measurement
- Forward-looking information
- Modification of contractual cash flows

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

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 reporting 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 reporting 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 the five-tier loan classification or the debtor's contractual payments (including principal and interest) are past due for certain days.

Parameters of ECL measurement

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 collateral, repayments) and forward-looking information in order to establish the model of PD, LGD and EAD.

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 ratings, 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.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

Parameters of ECL measurement (continued)

- 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 collateral, the LGD varies.

- 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 the statistic model with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage 1) or lifetime (Stage 2 and Stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

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 therefore 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 the current profit or 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.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

Modification of contractual cash flows (continued)

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 31 December 2019, 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.

33 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 31 December 2019

	On demand RMB'000	Less than 3 months RMB'000	3 to 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	409	8,050	–	–	–	8,459
Trade payables	50	1,803	–	396	–	2,249
Bonds issued	–	–	2,195	35,991	–	38,186
Interest-bearing bank and other borrowings	–	163,735	793,980	–	–	957,715
	459	173,588	796,175	36,387	–	1,006,609

At 31 December 2018

	On demand RMB'000	Less than 3 months RMB'000	3 to 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	1,162	11,768	–	–	–	12,930
Trade payables	80	2,610	–	–	–	2,690
Bonds issued	–	–	2,147	37,357	–	39,504
Interest-bearing bank and other borrowings	–	9,533	795,965	–	–	805,498
	1,242	23,911	798,112	37,357	–	860,622

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2019 and year ended 31 December 2018.

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

The debt-to-equity ratios as at the end of the reporting periods were as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Total debt	**975,620**	821,179
Equity attributable to owners of the Company	**1,747,374**	1,757,647
Debt-to-equity ratio	**55.83%**	46.72%

34 EVENT AFTER THE REPORTING PERIOD

Since the outbreak of the Coronavirus Disease 2019 ("COVID-19") pandemic in January 2020, the Company has been closely following up the development. COVID-19 will affect the economic outlook and the operations of enterprises both globally and domestically. The degree of impact will depend on the duration and extent of the pandemic as well as the implementation of related prevention measures and controls and various regulatory policies, hence it is difficult to estimate the full extent of the financial effects on the Group at this stage. The Company will continue to pay close attention to the development of the situation, and evaluate and take follow up actions regarding the impact on the Group's business, financial position and operations where appropriate.

35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Non-current assets		
Interests in subsidiaries	**31,568**	30,878
Total non-current assets	**31,568**	30,878
Current assets		
Amounts due from subsidiaries	**939,644**	949,771
Prepayments, other receivables and other assets	**5,872**	6,471
Pledged deposits for bank loans	**920,858**	889,470
Cash and cash equivalents	**93,721**	59,280
Total current assets	**1,960,095**	1,904,992
Current liabilities		
Amounts due to subsidiaries	**216,722**	211,985
Other payables and accruals	**1,594**	1,473
Total current liabilities	**218,316**	213,458
Net current assets	**1,741,779**	1,691,534
Total assets less current liabilities	**1,773,347**	1,722,412
Non-current liabilities		
Bonds issued	**29,495**	28,364
Total non-current liabilities	**29,495**	28,364
Net assets	**1,743,852**	1,694,048

35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	31 December 2019 RMB'000	31 December 2018 RMB'000
Equity		
Equity attributable to owners of the Company		
Share capital	**230,159**	230,159
Reserves	**1,513,693**	1,463,889
Total equity	**1,743,852**	1,694,048

Note:

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

	Share premium RMB'000	Contributed surplus RMB'000	Capital reserves RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
At 1 January 2018	1,944,601	520,838	87,072	(66,875)	(1,120,765)	1,364,871
Profit for the year	–	–	–	–	21,387	21,387
Exchange differences on translation of foreign operations	–	–	–	77,631	–	77,631
At 31 December 2018 and 1 January 2019	1,944,601	520,838	87,072	10,756	(1,099,378)	1,463,889
Profit for the year	–	–	–	–	11,738	11,738
Exchange differences on translation of foreign operations	–	–	–	38,066	–	38,066
At 31 December 2019	1,944,601	520,838	87,072	48,822	(1,087,640)	1,513,693

36 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2020.

FIVE YEAR/PERIOD FINANCIAL SUMMARY

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

Results

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000	Nine months period ended 31 December 2016 RMB'000 (Restated)	Year ended 31 March 2016 RMB'000 (Restated)
Continuing operations					
Revenue	**69,886**	69,004	73,807	35,500	26,197
(Loss)/profit for the year/ period attributable to – Owners of the Company	**(31,968)**	1,439	21,724	(31,528)	1,861

Assets and liabilities

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000 (Restated)	As at 31 March 2016 RMB'000 (Restated)
Total assets	**2,722,994**	2,578,826	2,575,486	2,500,325	465,641
Total liabilities	**(975,620)**	(821,179)	(856,461)	(710,276)	(51,702)
Total equity	**1,747,374**	1,757,647	1,719,025	1,790,049	413,939