国美金融科技
GOME FINTECH

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

(Incorporated in Bermuda with limited liability)
(Stock Code: 628)

Interim Report 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Ms. Chen Wei
Mr. Chung Tat Fun *(Note)*

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

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

AUDITORS

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

BANKERS

CWB 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:
Retired as director with effect from 29 June 2020.

OVERVIEW

In 2019, Gome Finance Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") carried out several business reforms to maintain market share and healthy cash flow of the Group under tough business environment. Although the outbreak of the Coronavirus Disease 2019 ("COVID-19") pandemic in January 2020 seriously affected the global economy and nearly all enterprises, the Group achieved a turnaround and recorded a profit of RMB9.8 million for the six months ended 30 June 2020 (the "Interim Period") (2019: loss of RMB17.1 million).

The Group recorded operating revenue of RMB46.9 million, representing a significant increase of 88.4% as compared to RMB24.9 million for the six months ended 30 June 2019 (the "Corresponding Period"). With such improvement in revenue, the Group recorded a profit. The increment was mainly contributed by the commercial factoring business. As mentioned in our 2019 Annual Report, new lending by the Group under commercial factoring dropped in 2018 and early 2019. Such downward trend was nevertheless corrected by the Group in the second half of 2019, where over RMB1.2 billion of new lending was recorded in the second half of 2019. These lending continued to generate interest income in the Interim Period. However, since the operation of the Group was slightly affected by COVID-19 during the Interim Period, new lending amounted to over RMB1 billion was recorded (2019: RMB620 million).

Apart from the increase in revenue, the Group successfully lowered its operating cost, especially staff cost, from RMB19.8 million for the Corresponding Period to RMB7.4 million for the Interim Period as a result of the business reform of the Group in 2019. After the business reform, all operating segments of the Group recorded an operating profit during the Interim Period.

The management of the Group believes that the results of the Interim Period proved that the business reform in 2019 was successful. In 2020, due to economic uncertainties under COVID-19, the Group will focus on strengthening its risk management on loan receivables and controlling its operating costs in order to improve its operating results and at the same time continue to grow by developing certain new businesses, in order to achieve the long term objective of developing into a market-leading comprehensive financial technology services group.

INDUSTRY ENVIRONMENT

In the first half of 2020, all economies over the world were affected by COVID-19 and suffered from significant recession in general. As at the date of this report, the number of COVID-19 new cases in the world is still increasing, with over 10 million people recorded to be infected with the disease. It is expected that COVID-19 will continue to create a deep impact on the global economy in the long term, which includes the second half of the year and 2021. Being affected by the pandemic, social spending, import and export trading and commerce have all been materially hindered. All major economies saw negative growth in the first quarter of 2020. Although most of the economies continued to grow negatively in the second quarter of 2020, The People's Republic of China (the "PRC") reversed its negative growth. In the first half of 2020, the gross domestic product (GDP) of the PRC went down by 1.6% as compared to the Corresponding Period and recorded a growth of 3.2% in the second quarter alone.

Due to the pandemic, year-on-year fixed assets investments of the PRC decreased by 3.1%, various small and medium sized enterprises face soaring pressure in operation. Industries which involve offline services and business travel, such as aviation, retail, import and export, are significantly impacted. The financing needs of enterprises increased as compared to last year. As at the end of the first quarter of 2020, the remaining amount of loans to small and micro enterprises (including loans to small and micro enterprises, loans to individual business proprietors and loans to owners of small and micro enterprises) of financial institutions in the banking industry amounted to RMB38.9 trillion, among which, the loans to small and micro enterprises each with a credit facility of not more than RMB10 million amounted to RMB12.6 trillion, increased by 7.6% as compared to the end of last year. The financing needs brought by the pandemic have a positive influence to the Group's commercial factoring business. The total lending amount during the Interim Period increased by 64.4% as compared to the Corresponding Period. However, the pandemic has brought negative effects to the industry at the same time. As at the end of the first quarter of 2020, the remaining amount of non-performing loans of commercial banks increased by RMB198.6 billion (0.05%), as compared with the end of the last quarter of 2019. Due to an overall increase of 65% in the default rate of assets in the financial industry in the first quarter, all financial institutions are more cautious to the approval of new loans. As a result, the growth of the industry is relatively slow even under the strong financing needs in the market.

Under the industry environment of increasing non-performing loans, it is believed that internet financial institutions with sound risk control, abundant resources for business integration and products catering to the needs of the real economy will further build up their competitive advantages.

BUSINESS REVIEW

Relying on the Group's business resources network, Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), a wholly-owned subsidiary of the Company, provided prompt and convenient supply chain financial services to high-quality customers in a prudent way of combining online and offline services. The Company actively explored high-quality customers in the upstream and downstream of the industry chain leveraging on the resources and industry advantages of GOME Retail Holdings Limited and its subsidiaries (the "Gome Group"). Under the COVID-19 pandemic, the overall financing needs increase. During the Interim Period, the Company had further improved its business relationship with certain high-quality customers. The lending amount of the Group increased from RMB620 million in the Corresponding Period to RMB1.02 billion during the Interim Period. Considering the uncertainties of the economy, apart from being more cautious in both operational and financial aspects, the management also further enhanced their efforts in risk management. The Company also actively maintained communication with customers who had overdue payments due to the pandemic and adopted various measures. Therefore, during the Interim Period, the Company recorded an impairment of loan receivables of RMB9.4 million (2019: RMB10.3 million), which was slightly lower than that in the Corresponding Period.

During the Interim Period, due to an increase in interest income, commercial factoring business recorded a segment profit of RMB22.1 million (2019: loss of RMB1.5 million). The commercial factoring business is currently the main source of income for the Group as the business can maintain steady growth despite the uncertainties of the overall economy. The management believes that it will be the cornerstone of the future development of the Group.

Gome Wangjin (Beijing) Technology Co., Ltd. ("Gome Wangjin"), another wholly-owned subsidiary of the Company, has been dedicated to exploring different opportunities in other financing services business. Last year, Gome Wangjin started to provide operational services to a financial service App and customer referral services to financial institutions through the operation of the App. The business began to generate revenue in the second half of 2019. The management continued to promote the development of the relevant business during the Interim Period. The other financing services business successfully made a turnaround from loss to profit during the Interim Period and recorded a profit of RMB1.7 million (2019: loss of RMB16.4 million). The loss recorded last year was mainly attributable to the fact that the Group was still planning and establishing certain new businesses, which generated staff costs but not revenue. The management readjusted its development direction and streamlined its manpower in the fourth quarter of last year. Therefore, the Company is optimistic about the future development of the business. Certain money lending businesses under the other financing 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. The Group has no plan to re-expand such businesses in the near future.

The vehicle leaseback business was terminated last year due to its relatively high bad debt ratio and high cost in securing high-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 last year.

Significant changes were made to the Group's overall development plan and related personnel allocation in 2019. The total number of staff was decreased to 36 as at the end of last year. During the Interim Period, as a result of natural loss of staff and streamlining operating team members, the total number of staff was decreased to 27 as at the end of June 2020. Meanwhile, other administrative expenses were also significantly decreased under cost control. Considering the pandemic, the uncertainties surrounding the overall economic environment are still high. The management believes that continuous downsizing and maintaining low operating costs will create maximum benefits and higher returns for the Company.

FINANCIAL REVIEW

Results highlights

During the Interim Period, revenue of the Group significantly increased by RMB22.0 million to RMB46.9 million, including an increment of RMB18.2 million which was contributed by commercial factoring business. Revenue of commercial factoring business in the Corresponding Period was low as externally, the domestic economy and tight market liquidity affected the funding demand and supply, and internally, the Group also tightened its approval criteria for new customers. The Group successfully overcame these difficulties from the second half of 2019 by further developing business relationship with certain high quality commercial factoring customers. As a result, both amount of new lending and interest income improved. The Group also recorded revenue of RMB5.8 million (2019: Nil) from other financing service, as the Group started to provide information services in relation to customer referral to other financial institutions.

After the business reform of the Group in 2019, the Group successfully controlled its administrative expenses and reduced such expenses by RMB11.7 million for the Interim Period, of which staff costs was decreased by RMB12.4 million. Other administrative cost such as amortization and depreciation also decreased. However, the Group recorded an impairment loss of the Group's other receivables at RMB4.7 million which set off the effect of these cost control measures.

As disclosed in the announcement of the Company dated 21 January 2020, on 17 January 2020, a wholly owned subsidiary of the Company entered into a swap contract with a bank, pursuant to which the Group agreed to exchange with the bank USD22.4 million for RMB154.0 million on 20 January 2020 and RMB154.0 million for USD22.4 million on 19 January 2021 in order to hedge the exchange risk on a RMB structured deposit product. During the Interim Period, as USD depreciated significantly against RMB, the Group recorded an exchange loss of RMB9.4 million (2019: RMB2.2 million). Since the Group also recorded a gain in financial assets for respective swap contract which amounted to RMB7.5 million, no material net impact to the Group's performance was resulted.

Combining the effects brought to the Group by its increase in revenue and decrease in administrative expenses, during the Interim Period, the Group recorded a profit attributable to owners of the Company of RMB9.8 million (2019: loss of RMB17.1 million). The board (the "Board") of directors (the "Directors") of the Company did not recommend the payment of an interim dividend for the Interim Period.

Commercial factoring business

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

	For the six months ended 30 June 2020 *RMB'000* (Unaudited)	For the six months ended 30 June 2019 *RMB'000* (Unaudited)
Revenue	**36,062**	17,823
Net operating expenses	**(3,911)**	(12,141)
Operating gain	**32,151**	5,682
Provision for impairment on loans receivables	**(10,035)**	(7,144)
Segment results	**22,116**	(1,462)

The revenue of the Group from the commercial factoring business during the Interim Period increased by RMB18.2 million as a result of an increase in new lending started from second half of 2019. As mentioned above, the Group successfully overcame the negative factors in the Corresponding Period and the commercial factoring business was not seriously affected by COVID-19. New lending for the Interim Period was satisfactory.

Interest income generated from pledged bank deposits for obtaining bank loan for the commercial factoring business was allocated to this segment started from 2020, amount of RMB7.0 million was included in net operating expenses. There was no other material change in operating expenses of commercial factoring business.

As discussed, COVID-19 affected operation and cash flow of many domestic enterprises, which also affected the recoverability of certain loan receivables and resulted in additional provision. During the Interim Period, the provision for impairment loss on loan receivables for the commercial factoring business increased to RMB10.0 million (2019: RMB7.1 million). Such an increase was in line with the increase in operating scale and the balance of loan receivables of the commercial factoring business.

As a result of the increase in revenue, the commercial factoring business turned around to record a profit of RMB22.1 million (2019: loss of RMB1.5 million).

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

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Gross balance *RMB'000*	Impairment provision *RMB'000*	Gross balance *RMB'000*	Impairment provision *RMB'000*
Normal	**835,311**	**6,120**	662,260	2,768
Special mention	**51,000**	**255**	4,930	730
Substandard	**56,305**	**5,527**	65,377	10,970
Doubtful	**14,002**	**12,601**	–	–
Loss	**4,855**	**4,855**	4,855	4,855
	961,473	**29,358**	737,422	19,323

Gross balance of special mention loan as at 30 June 2020 increased significantly to RMB51.0 million (2019: RMB4.9 million) as a result of the impact of COVID-19. The management expected that most of these loan receivable can be recovered in the second half of 2020. The management will closely monitor these balances. Gross balance of substandard loans and doubtful loans increased by RMB4.9 million compared to 31 December 2019 with additional provision of RMB7.1 million recognized during the Interim Period, which was attributed to the re-classification of the balance of a single customer to doubtful and that the management became more cautious when determining respective estimated recoverable amount. As a result, overall allowance to loan ratio increased.

Non-performing loan ratio of commercial factoring business dropped as a result of increased internal control over releasing new lending. Balance of RMB51.4 million included in substandard loans was due from a single customer, which the judgment from the court is currently pending, provision had been made according to the estimated recoverable amount. The management and risk management department of the Group will continue to closely monitor the substandard loans and doubtful loans, including maintaining regular communication with borrowers and setting up repayment schedules.

Financial leasing business

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

	For the six months ended 30 June 2020 ***RMB'000*** **(Unaudited)**	For the six months ended 30 June 2019 *RMB'000* (Unaudited)
Revenue	**5,100**	7,085
Net operating expenses	**(2,895)**	(5,960)
Operating gain	**2,205**	1,125
Reversal of/(provision for) impairment on loans receivables	**681**	(3,151)
Segment results	**2,886**	(2,026)

Financial leasing business include the vehicle leaseback business and the mobile phone leaseback business. The vehicle leaseback business was stopped and the mobile phone leaseback business was suspended during 2019 for risk control and to reserve resources for business with higher potential.

Interest income was still generated from the loan balances, however, since business was suspended and no new lending was made after July 2019, revenue decreased by RMB2.0 million as compared to the Corresponding Period. Interest from existing balance will be generated until 2021 even though no more new lending is expected to be made. Upon suspension of the business, only a minimal number of staff was kept to manage the loan receivables, and as a result operating expenses also decreased. Total balance of loan receivable decreased and resulted in a reversal of impairment of loans receivables for the Interim Period. As a combined result of the above, the financial leasing business recorded a profit of RMB2.9 million during the Interim Period.

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

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Gross balance ***RMB'000***	**Impairment provision** ***RMB'000***	Gross balance *RMB'000*	Impairment provision *RMB'000*
Normal	**21,449**	**294**	44,236	1,362
Special mention	**96**	**22**	538	243
Substandard	**197**	**88**	861	487
Doubtful	**1,345**	**747**	1,625	1,113
Loss	**23,171**	**18,062**	20,219	16,689
	46,258	**19,213**	67,479	19,894

Due to the uncertainties of the domestic economy, the purchasing power and repayment ability of individuals were affected and many individuals failed to repay timely, which resulted in the increase of the balance under the loss categories.

Other financing services business

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

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**5,774**	–
Net operating expenses	**(4,046)**	(16,390)
Operating gain/(loss)	**1,728**	(16,390)
Provision for impairment on trade receivables	**(54)**	–
Segment results	**1,674**	(16,390)

Revenue amounted to RMB5.8 million for the Interim Period mainly represents the service fee collected by Gome Wangjin by providing customer referral services to financial institutions through a financial services App, which refers the App users to other financial institutions for borrowing, obtaining credit record and applying for credit card, etc. With the above new source of income, other financing services business successfully turned around to record a profit of RMB1.7 million for the Interim Period.

In the past, the other financing services business mainly referred to the real estate-backed loan and pawn business in the Mainland China and the money lending business in Hong Kong. These businesses started to slow down from 2018 and the Group planned for several new businesses and increased headcount started from the last quarter of 2018 for these new business plan, which resulted in significant increase in staff cost in 2019. In September 2019, the management decided to postpone certain new business and first focus on the operation of the information services and financial services App. As a result, operating expense for the Interim Period decreased by RMB12.4 million, mainly due to the decrease in staff cost.

Key operating data of the Group

	For the six months ended 30 June 2020	For the year ended 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net trade and loan balance	**961,046**	771,817
– Net loan balance	**959,159**	765,687
Gross trade and loan balance	**1,013,531**	814,894
– Gross loan balance	**1,011,591**	808,764
Total return on loans (revenue/average gross loan balance)	**8.94%**	8.59%
Allowance to loans ratio (impairment allowance as % of gross loan balance)	**5.18%**	5.33%
Non-performing loan ratio (gross non-performing loan balance as % of gross loan balance)	**10.23%**	11.88%
Allowance coverage ratio (impairment allowance as % of gross non-performing loan balance)	**50.60%**	44.50%

As at the end of the Interim Period, the Group's gross loan receivables increased to RMB1,011.6 million (2019: RMB808.8 million) due to the significant increase of the amount of new loan disbursements as compared with the Corresponding Period. Although the total balances of non-performing loans increased, non-performing loan ratio nevertheless dropped due to the significant increase in the total loan balance. It is also the result of improved internal control over releasing new lending.

Annual interest rate of the commercial factoring business, which generated over 70% revenue of the Group, maintained at around 12% for both periods, the improvement in overdue and/or non-performing loan ratio slightly improved the total return on loans.

As aforesaid, the percentage of impairment provision to overall non-performing loans, especially doubtful loans, increased during the Interim Period. Thus, allowance coverage ratio increased from 44.5% to 50.6%. Taking into account the uncertainties of the economy, the management was cautious and considered that it would be appropriate to maintain a higher level of impairment provision.

Loan quality analysis and impairment allowances

During the Interim Period, the net amount for the provision for impairment loss mainly on trade and loans receivables was RMB9.4 million (2019: RMB10.3 million). Additional provision was made for the commercial factoring business as aforesaid.

	For the six months ended 30 June 2020 *RMB'000* **(Unaudited)**	For the six months ended 30 June 2019 *RMB'000* (Unaudited)
At 1 January	**43,077**	29,634
Impairment allowances recognised	**13,494**	11,952
Impairment loss reversed	**(4,086)**	(1,657)
Impairment loss write-off	**–**	–
At 30 June	**52,485**	39,929

Other balance sheet items

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 arising in the ordinary and usual course of business, details of which are set out under the section headed "Significant Investments" below. During the Interim Period, the Group also entered into a swap contract with a bank in order to hedge the exchange risk on a RMB structured deposit product. Both structured deposit products and foreign currency swap contract have been accounted for as "financial assets at fair value through profit or loss" in the Company's consolidated financial statements.

During the Interim Period, certain pledged bank loan was released and the Group entered into structured deposit products as a security for bank loan, therefore, as at 30 June 2020, amount of these investments increased to RMB268.8 million (31 December 2019: RMB105.7 million) while pledge bank deposits decreased to RMB778.0 million (31 December 2019: RMB922.9 million).

PROSPECTS

In June 2020, the International Monetary Fund forecasted in the World Economic Outlook that the global economy is expected to shrink by 4.9% this year. The trend of global recession is apparent, and the market seems pessimistic in the long term. The PRC has demonstrated capability in containing the spread of COVID-19. Various cities have resumed work and production. With the implementation of counter-cyclical regulations such as tax and fees reduction and other active fiscal policies, supply chain of the PRC took the lead in resumption, and spending is gradually recovering. However, considering the current standstill in commercial restrictions, the expansion of businesses in the industry has been affected. With the slowdown of newly-added assets, it is expected that the growth of the industry will maintain but the overall growth rate will decline.

The management of the Group is cautiously optimistic about the economic situation in the second half of the year, and is confident in the development of the Group's business. The Group plans to enhance different aspects such as fund cooperation, joint risk management and business facilitation, and hopes to leverage the recovery of Mainland China's economy and increase in the needs of corporate financing to speed up the development of business. Through the integration of industry chain and rich resources of the Gome Group, the Group will launch extended warranty service business in the second half of the year to strengthen diversity and return of overall business.

The Group will provide extended warranty services for electronic products such as mobile phones, digital cameras, computers and home appliances including air conditioners, washing machines and refrigerators, etc. sold by the Gome Group. The Group plans to adapt to the trend of consumption upgrading and continue to develop the extended warranty service business by tailoring to customers' needs, diversifying product categories and enhancing research, development and sales of profitable products. The Group will rely on scenario advantage of the Gome Group to expand scale of business and maintain basic profitability of the business. Meanwhile, the Group will increase its efforts in expanding other cooperation channels, building reputation and increasing market share of the Group's extended warranty service business and hopefully achieve higher profitability of the Group in the future.

The Group always adheres to its development strategy of "using innovation to promote the development of technology and using technology to drive financial reform"(以創新推動科技進步, 以科技驅動金融變革), actively expand its presence in the area of financial technology and strive for business development. The Group is in the process of actively exploring the possibility of providing financial technology services and launching a business in the area of financial credit business that targets customer spending, in order to expand business lines of the Company, enhance the sustainability and stability of the Company and create higher return for its Shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group is sound with strong equity and working capital bases. As at 30 June 2020, the Group's total equity amounted to RMB1,776.6 million (31 December 2019: RMB1,747.4 million) and balance of pledged deposits for bank loans amounted to RMB778.0 million (31 December 2019: RMB922.7 million). As at 30 June 2020, the Group's cash and cash equivalent decreased to RMB138.8 million (31 December 2019: RMB316.4 million).

During the Interim Period, the Group recorded a total of RMB160.0 million cash outflow (2019: inflow of RMB19.8 million) from its operating activities. Due to the significant new lending in the Interim Period, gross loan receivables was increased by RMB202.8 million and resulted in an operating cash outflow. The Group recorded an inflow from investing activities of RMB5.8 million (2019: RMB65.5 million), the significant inflow in the Corresponding Period was solely due to the settlement of financial assets which comprised primarily of the structured deposit products. The Group recorded an outflow from financing activities of RMB19.4 million (2019: RMB22.4 million) as a result of the payment of finance cost.

The Group's current ratio as at 30 June 2020 was 2.9 (31 December 2019: 2.8). The Group's gearing ratio, expressed as percentage of total liabilities except tax payable over the Group's total equity was 54.7% as at 30 June 2020 (31 December 2019: 55.6%).

The Company has issued an 8-year corporate bond with principal of HK$35.0 million, which is due in 2022 and 2023 and carries interest at fixed rate of 7.0% per annum with interest payable in arrears. The corporate bond is unsecured and repayable at par on the maturity date.

The Group had no particular seasonal pattern of borrowing. As at 30 June 2020, the Group's bank borrowings were all due within one year, which amounted to approximately RMB925.0 million (31 December 2019: RMB927.0 million). All the Group's bank borrowings were made at floating interest rates. The weighted average effective interest rates on secured bank borrowings for the Interim Period were 3.90% to 4.35% per annum.

As at 30 June 2020, the Group's borrowings were denominated in RMB, amounting to RMB925.0 million. As at 30 June 2020, the Group's bond was denominated in HK$, amounting to HK$33.2 million (equivalent to approximately RMB30.3 million).

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

CAPITAL STRUCTURE

During the Interim Period, there was no change in the issued share capital of the Company and the Company's number of issued ordinary shares remained at 2,701,123,120 as at 30 June 2020.

GROUP STRUCTURE

During the Interim Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

For details relating to the acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited, please refer to the section headed "Disclosure pursuant to Rule 13.20 of the Listing Rules" below in the "Management Discussion and Analysis" of this interim report.

As at 30 June 2020, the Group had no future plans for material investments or capital assets.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

On 7 June 2017, Xinda Factoring, an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with Beijing Bosheng Huifeng Business Consulting Co., Limited (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 was owned as to 90% by Ms. Du Juan (the controlling shareholder of the Company) and 10% by Mr. Ding Donghua (an executive Director of the Company who has resigned from such role with effect from 27 May 2019), pursuant to which Xinda Factoring agreed to provide an unsecured non-interest bearing loan for an amount of RMB720 million (the "Consideration") to Bosheng Huifeng solely for the purpose of acquiring the entire equity interest in Tianjin Guanchuang Mei Tong Electronic Commerce Limited (the "Acquisition"). On 18 February 2020, the 10% equity interest in Bosheng Huifeng held by Mr. Ding Donghua was transferred to an independent third party. As at 30 June 2020, 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 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 28 August 2020 and the Group's management has been communicating with the relevant authorities to speed up the Acquisition.

As at 30 June 2020, the aggregate amount of RMB576 million advanced to Bosheng Huifeng exceeded 8% under the assets ratio defined under Rule 14.07(1) of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), thereby giving rise to the Company's disclosure obligation under Rule 13.20 of the Listing Rules.

SIGNIFICANT INVESTMENTS

The Group has been investing in principal-guaranteed structured deposit products offered by a commercial bank in the PRC (the "Bank") from time to time for the purpose of better utilizing the surplus cash of the Group arising in its ordinary and usual course of business (the "Investments"). The yield of the Investments is partially fixed based on a fixed rate of return and partially floating and linked to the RMB-denominated gold benchmark price published by the Shanghai Gold Exchange. Other details of the Investments have been disclosed in the Company's announcements dated 4 July 2019 and 21 January 2020.

During the Interim Period, all of the Investments were made in the form of fixed term savings investment arrangement. As at 30 June 2020, the total outstanding principal amount of the Investments was RMB259.0 million, among which RMB105.0 million will mature on 22 October 2020 and RMB154.0 million will mature on 19 January 2021. During the Interim Period, the highest outstanding balance of principal amount of the Investments was RMB259.0 million, and the overall annualized rate of return of the Investments to the Group was approximately 2.83% per annum. The principal amount invested by the Group in the Investments was determined by the Group having regard to the surplus cash position of the Group from time to time. The Company considered the Investments to be principal-protected, short-term and low-risk which would enable the Group to benefit from better interest rates than prevailing fixed-term deposit interest rates offered by the Bank.

The Investments have been accounted for as "financial assets at fair value through profit or loss" in the Company's consolidated financial statements. As at 30 June 2020, the total fair value amount of the Investments amounted to RMB268.8 million, representing approximately 9.8% of the total assets of the Company. Please refer to note 21 to the unaudited condensed consolidated financial statements in this interim report for details of the fair value measurement.

Save as disclosed above, the Group did not have any significant investments during the Interim Period.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2020, certain bank deposits and financial assets at fair value through profit or loss of the Group in the total amount of approximately RMB1,041.1 million (31 December 2019: RMB1,028.5 million) were pledged to secure banking facilities of the Group and the Group did not have any material contingent liabilities (31 December 2019: Nil).

COMMITMENTS

As at 30 June 2020, the Group had loan commitments in the amount of RMB144.0 million (31 December 2019: RMB144.0 million), which were contracted but not provided for.

TREASURY POLICIES AND FOREIGN EXCHANGE EXPOSURE

The Group continued to adopt a conservative treasury policy, with all bank deposits in HK$, RMB and USD. The Board and the management had been closely monitoring the Group's liquidity position, performing ongoing credit evaluations, and monitoring the financial conditions of its customers, in order to ensure the Group's healthy cash position. The Group has been investing in certain principal guaranteed structured deposit products offered by bank with its surplus cash arising in the ordinary and usual course of business of the Group from time to time, details of which are set out under the section headed "Significant Investments" above.

During the Interim Period, the Group entered into a swap contract between USD and RMB with a bank in order to hedge the exchange risk on RMB against USD. Details of the swap contract are set out in the Company's announcement dated 21 January 2020. The Group has not adopted any hedging policy. However, the Board and the management will continue to monitor the foreign currency exchange exposure and adopt appropriate hedging measures against the currency risk when necessary.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

There was no important event affecting the Group after the Interim Period up to 28 August 2020.

STAFF AND REMUNERATION

The Group employed 27 employees in total as at 30 June 2020 (31 December 2019: 36). 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 also adopted a share option scheme as a long term incentive to Directors and eligible employees, details of which are set out in the section headed "Other Information – Share Option Scheme" of this report. The emolument policy for the Group's Directors and senior management was set up by the Company's remuneration committee, and gives consideration to the Group's performance, individual performance and comparable market conditions.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**46,936**	24,908
Other income and gains	*4*	**5,785**	15,240
Administrative expenses		**(19,219)**	(30,943)
Impairment loss on trade and loans receivables		**(9,408)**	(10,295)
Finance costs	*6*	**(20,718)**	(20,670)
Gains on financial assets at fair value through profit or loss	*21*	**9,274**	3,385
Profit/(loss) before tax	*5*	**12,650**	(18,375)
Income tax	*7*	**(2,861)**	1,248
Profit/(loss) for the period		**9,789**	(17,127)
Attributable to:			
Owners of the Company		**9,789**	(17,127)
Earnings/(losses) per share attributable to ordinary equity holders of the Company	*8*		
Basic and diluted			
For profit/(loss) for the period		**RMB0.36 cents**	RMB(0.63) cents

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

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit/(loss) for the period		**9,789**	(17,127)
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of overseas operations		**19,481**	(1,766)
Other comprehensive income for the period, net of tax		**19,481**	(1,766)
Total comprehensive income for the period		**29,270**	(18,893)
Attributable to:			
Owners of the Company		**29,270**	(18,893)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Non-current assets			
Trade and loans receivables	*10*	**–**	33,851
Right-of-use assets	*9(a)*	**523**	4,190
Property, plant and equipment	*9(b)*	**572**	723
Deferred tax assets		**9,076**	8,469
Total non-current assets		**10,171**	47,233
Current assets			
Trade and loans receivables	*10*	**961,046**	737,966
Prepayments, deposits and other receivables	*11*	**598,393**	592,844
Financial assets at fair value through profit or loss	*21*	**268,763**	105,657
Pledged deposits for bank loans	*12*	**778,037**	922,865
Cash and cash equivalents	*12*	**138,771**	316,429
Total current assets		**2,745,010**	2,675,761

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

	Notes	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Current liabilities			
Trade payables	13	**6,551**	2,249
Other payables and accruals		**9,678**	8,459
Tax payables		**6,578**	4,292
Interest-bearing bank and other borrowings		**925,000**	927,000
Total current liabilities		**947,807**	942,000
Net current assets		**1,797,203**	1,733,761
Total assets less current liabilities		**1,807,374**	1,780,994
Non-current liabilities			
Bonds issued		**30,348**	29,495
Lease liabilities		**382**	4,125
Total non-current liabilities		**30,730**	33,620
Net assets		**1,776,644**	1,747,374
Equity			
Equity attributable to owners of the Company			
Share capital	14	**230,159**	230,159
Reserves		**1,546,485**	1,517,215
Total equity		**1,776,644**	1,747,374

Approved and authorised for issue by the board of directors on 28 August 2020.

Chen Wei
Director

Wei Qiuli
Director

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	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 2020	230,159	1,944,601	520,838	87,072	603	(19,010)	(1,016,889)	1,517,215	1,747,374
Profit for the period	–	–	–	–	–	–	9,789	9,789	9,789
Other comprehensive income for the period:									
Exchange differences on translation of overseas operations	–	–	–	–	–	19,481	–	19,481	19,481
Total comprehensive income for the period	–	–	–	–	–	19,481	9,789	29,270	29,270
At 30 June 2020	230,159	1,944,601	520,838	87,072	603	471	(1,007,100)	1,546,485	1,776,644

For the six months ended 30 June 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
Profit for the period	–	–	–	–	–	–	(17,127)	(17,127)	(17,127)
Other comprehensive income for the period:									
Exchange differences on translation of overseas operations	–	–	–	–	–	(1,766)	–	(1,766)	(1,766)
Total comprehensive income for the period	–	–	–	–	–	(1,766)	(17,127)	(18,893)	(18,893)
At 30 June 2019	230,159	1,944,601	520,838	87,072	603	(42,471)	(1,002,048)	1,508,595	1,738,754

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations		**(158,796)**	19,758
Income tax paid		**(1,233)**	(4)
Net cash (used in)/generated from operating activities		**(160,029)**	19,754
Cash flows from investing activities			
Other cash flow arising from investing activities		**5,847**	65,540
Net cash generated from investing activities		**5,847**	65,540
Cash flows from financing activities			
Other cash flow used in financing activities		**(19,397)**	(22,418)
Net cash used in financing activities		**(19,397)**	(22,418)
Effect of foreign exchange rate changes		**(4,079)**	(5,549)
Net (decrease)/increase in cash and cash equivalents		**(177,658)**	57,327
Cash and cash equivalents at 1 January		**316,429**	318,521
Cash and cash equivalents at 30 June		**138,771**	375,848
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**138,771**	375,848

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

1 BASIS OF PREPARATION

Corporate 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 with limited liability.

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

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

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34"), and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on HKEx, and should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

Except as described below, the principal accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those adopted the Group's annual financial statements for the year ended 31 December 2019.

Use of estimates and assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions. The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as at 1 January 2020.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 16	*COVID-19 Related Rent Concessions*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]

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

2 No mandatory effective date yet determined but available for adoption

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

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the internal reports reviewed and used by executive directors for strategic decision making. The executive directors consider the business from a product and service perspective. Summary of details of the operating segments is as follows:

Operating segments	Nature of business activities
Commercial factoring services	Commercial factoring services in Mainland China
Finance lease services	Finance lease services in Mainland China
Other financing services	Pawn loan services, 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 of unallocated deposits, gain or loss on financial assets at fair value through profit or loss of unallocated assets, finance costs of bonds issued and unallocated loans and liabilities, exchange loss or gain as well as items not specifically attributed to an individual reportable segment, such as unallocated corporate expenses, are excluded from such measurement.

3 OPERATING SEGMENT INFORMATION (continued)

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

There are no intersegment sales or transfers among the segments.

	For the six months ended 30 June 2020 (Unaudited)			
	Commercial factoring services *RMB'000*	**Finance lease services** *RMB'000*	**Other financing services** *RMB'000*	**Total** *RMB'000*
Segment revenue:				
Revenue from external customers	**36,062**	**5,100**	**5,774**	**46,936**
Segment results	**22,116**	**2,886**	**1,674**	**26,676**
Reconciliation:				
Bank interest income				**3,905**
Gains on financial assets at fair value through profit or loss				**7,540**
Finance costs				**(7,603)**
Exchange loss				**(9,352)**
Unallocated expenses				**(8,516)**
Profit before taxation				**12,650**
Taxation				**(2,861)**
Profit for the period				**9,789**

	At 30 June 2020 (Unaudited)			
	Commercial factoring services *RMB'000*	**Finance lease services** *RMB'000*	**Other financing services** *RMB'000*	**Total** *RMB'000*
Segment assets	**1,405,193**	**296,905**	**5,417**	**1,707,515**
Reconciliation:				
Unallocated assets				**1,047,666**
Total assets				**2,755,181**
Segment liabilities	**833,301**	**107,903**	**1,381**	**942,585**
Reconciliation:				
Unallocated liabilities				**35,952**
Total liabilities				**978,537**

3 OPERATING SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2020 (Unaudited)				
	Commercial factoring services *RMB'000*	**Finance lease services** *RMB'000*	**Other financing services** *RMB'000*	**Unallocated items** *RMB'000*	**Total** *RMB'000*
Other segment information:					
Depreciation and amortisation	**415**	**114**	**351**	**75**	**955**
Provision for/(reversal of) impairment loss on trade and loans receivables	**10,035**	**(681)**	**54**	**–**	**9,408**
Impairment of prepayments, other receivables and other assets	**–**	**–**	**–**	**4,669**	**4,669**
Additions to non-current assets*	**240**	**183**	**–**	**–**	**423**

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

	For the six months ended 30 June 2019 (Unaudited)			
	Commercial factoring services *RMB'000*	Finance lease services *RMB'000*	Other financing services *RMB'000*	Total *RMB'000*
Segment revenue:				
Revenue from external customers	17,823	7,085	–	24,908
Segment results	(1,462)	(2,026)	(16,390)	(19,878)
Reconciliation:				
Bank interest income				17,002
Finance costs				(8,895)
Exchange loss				(2,199)
Unallocated expenses				(4,405)
Loss before taxation				(18,375)
Taxation				1,248
Loss for the period				(17,127)

3 OPERATING SEGMENT INFORMATION (continued)

	At 31 December 2019 (Audited)			
	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

	For the six months ended 30 June 2019 (Unaudited)				
	Commercial factoring services *RMB'000*	Finance lease services *RMB'000*	Other financing services *RMB'000*	Unallocated items *RMB'000*	Total *RMB'000*
Other segment information:					
Depreciation and amortisation	1,379	702	1,676	–	3,757
Provision for impairment loss on trade and loans receivables	7,144	3,151	–	–	10,295
Additions to non-current assets*	–	–	–	–	–

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

3 OPERATING SEGMENT INFORMATION (continued)

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong	**–**	–
Mainland China	**46,936**	24,908
	46,936	24,908

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

4 REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Interest income		
– Commercial factoring loans	**36,062**	17,823
– Finance lease receivables	**5,100**	7,085
	41,162	24,908
Financial information service income	**5,774**	–
	46,936	24,908
Other income		
Bank interest income	**14,844**	17,002
Others	**293**	437
	15,137	17,439
Other loss		
Exchange loss	**(9,352)**	(2,199)
	5,785	15,240

5 PROFIT/LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**4,997**	16,235
Retirement benefit scheme contributions	**755**	1,871
	5,752	18,106
Amortisation of intangible assets	**–**	2,550
Depreciation of property, plant and equipment	**160**	327
Depreciation of right-of-use assets	**795**	880
Auditor's remuneration	**775**	49
Lease payments not included in the measurement of lease liabilities	**988**	1,166
Gain on early termination of right-of-use assets	**(226)**	–

6 FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank and other borrowings	**19,274**	19,254
Bonds issued	**1,375**	1,284
Lease liabilities	**69**	132
	20,718	20,670

7 INCOME TAX

No provision of Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2020 and 2019. Mainland China income tax has been provided at the rate of 25% for the six months ended 30 June 2020 and 2019 on the estimated assessable profits arising in Mainland China during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdiction) in which the Group operates.

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
—Mainland China	**3,468**	366
Total current tax	**3,468**	366
Deferred tax	**(607)**	(1,614)
Total tax charge/(credit) for the period	**2,861**	(1,248)

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

The calculation of the basic earnings/(losses) per share amounts is based on the profit or loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,701,123,120 (six months ended 30 June 2019: 2,701,123,120) in issue during the six months ended 30 June 2020.

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

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

No adjustment has been made to the basic earnings/(losses) per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of dilution as the Group had no potential dilutive ordinary shares in issue for the six months ended 30 June 2020 and 2019. The basic earnings/(losses) per share equals to the diluted earnings/(losses) per share.

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings/(losses)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(losses) per share calculation	**9,789**	(17,127)

	For the six months ended 30 June	
	2020	2019
	'000	*'000*
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(losses) per share calculation	**2,701,123**	2,701,123
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	–
	2,701,123	2,701,123

9 RIGHT-OF-USE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2020, the group renewed two lease agreements and recorded addition of RMB423,000 (six months ended 30 June 2019: Nil). A lease agreement with right-of-use assets net book value of RMB3,279,000 was early terminated during the six months ended 30 June 2020 and resulted in a gain of RMB226,000 (six months ended 30 June 2019: Nil).

(b) Property, plant and equipment

During the six months ended 30 June 2020, the group did not acquire any property, plant and equipment (six months ended 30 June 2019: Nil). Items of furniture and fixtures with a net book value of RMB0 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: furniture and fixtures of RMB66,000), which did not result in any gain/loss on disposal (six months ended 30 June 2019: Nil).

10 TRADE AND LOANS RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and loans receivables		
Commercial factoring loans *(Note (a))*	**961,473**	737,422
Finance lease receivables *(Note (b))*	**46,258**	67,479
Personal property pawn loans *(Note (c))*	**3,860**	3,863
Other trade receivables *(Note (d))*	**1,940**	6,130
	1,013,531	814,894
Impairment	**(52,485)**	(43,077)
	961,046	771,817
Carrying amount analysed for reporting purpose:		
Current assets	**961,046**	737,966
Non-current assets	**–**	33,851
	961,046	771,817

10 TRADE AND LOANS RECEIVABLES (continued)

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

Notes:

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

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

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

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

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

	30 June 2020 **RMB'000** **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Within 3 months	**908,864**	542,301
3-6 months	**2,242**	131,466
6-12 months	**9,656**	519
Over 12 months	**92,769**	140,608
	1,013,531	814,894
Impairment	**(52,485)**	(43,077)
	961,046	771,817

10 TRADE AND LOANS RECEIVABLES (continued)

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

	For the six months ended 30 June 2020 (Unaudited)			
	Stage 1 (expected credit loss of 12 months)	Stage 2 (expected credit loss of whole period)	Stage 3 (impaired expected credit loss of whole period)	Total
As at 1 January 2020	3,453	1,489	38,135	43,077
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	(61)	61	–	–
Transfer to Stage 3	(11)	(918)	929	–
Charge for the period	5,168	319	3,709	9,196
Release for the period	(2,313)	(447)	(100)	(2,860)
Stage transfer	–	(33)	3,105	3,072
Write-offs	–	–	–	–
As at 30 June 2020	6,236	471	45,778	52,485

	For the six months ended 30 June 2019 (Unaudited)			
	Stage 1 (expected credit loss of 12 months)	Stage 2 (expected credit loss of whole period)	Stage 3 (impaired expected credit loss of whole period)	Total
As at 1 January 2019	1,560	1,348	26,726	29,634
Transfer to Stage 1	44	(44)	–	–
Transfer to Stage 2	(323)	606	(283)	–
Transfer to Stage 3	(18)	(267)	285	–
Charge for the period	928	2	8,543	9,473
Release for the period	(460)	(444)	(505)	(1,409)
Stage transfer	(30)	501	1,760	2,231
Write-offs	–	–	–	–
As at 30 June 2019	1,701	1,702	36,526	39,929

10 TRADE AND LOANS RECEIVABLES (continued)

The individually impaired trade and loans receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

Trade and loans receivables from the Group's related parties are included in Note 18.

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

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Prepayment for acquisition of a third-party payment company	**576,000**	576,000
Deposits	**283**	330
Other prepayments	**86**	4,447
Other receivables	**32,317**	23,321
	608,686	604,098
Impairment	**(10,293)**	(11,254)
	598,393	592,844

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.

12 PLEDGED DEPOSITS FOR BANK LOANS AND CASH AND CASH EQUIVALENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	916,808	1,239,294
Less: Pledged deposits for bank loans	778,037	922,865
Cash and cash equivalents	138,771	316,429

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

13 TRADE PAYABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 month	3,834	1,803
1 to 2 months	–	–
2 to 3 months	–	–
Over 3 months	2,717	446
	6,551	2,249

As at 30 June 2020, the Group did not have any trade payables due to related parties (as at 31 December 2019: Nil).

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

14 SHARE CAPITAL

Shares

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Authorised:		
6,000,000,000 ordinary shares of HK$0.1 each	**600,000**	600,000

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Issued and fully paid:		
2,701,123,120 ordinary shares of HK$0.1 each	**230,159**	230,159

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the six months ended 30 June 2020 and year 2019.

15 DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

16 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2020 and 31 December 2019.

17 COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Contracted, but not provided for:		
Loan commitment	**144,000**	144,000

Details of the loan commitment are included in note 18.

18 RELATED PARTY TRANSACTIONS

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

	Note	**For the six months ended 30 June 2020** *RMB'000* **(Unaudited)**	2019 *RMB'000* (Unaudited)
Transactions with related parties which are significantly influenced by a close member of the beneficial controlling person of the Group			
Rental expense paid	*(i)*	**452**	529
Property management fee paid	*(i)*	**215**	276
Commercial factoring interest income received	*(i)*	**5,659**	948

Note:

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

18 RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Balances with related parties which are significantly influenced by a close member of the beneficial controlling person of the Group:		
Trade and loans receivables	**111,865**	111,618
Prepayments, deposits and other receivables	**260**	528
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

Note: As disclosed in the circular dated 29 June 2017, the Board announced that Gome Xinda Commercial Factoring Limited ("Xinda Factoring") entered into a loan agreement (the "Loan Agreement") 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 (the "Loan"). On 25 July 2017, the OPCO and the Sellers entered into a formal sale and purchase agreement (the "Sale and Purchase Agreement") when the Loan was approved by the Company's Independent Shareholders.

18 RELATED PARTY TRANSACTIONS (continued)

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

Note: (continued)

According to the Loan Agreement and the Sale and Purchase Agreement, the Loan would be granted based on progress of the above acquisition. As at 30 June 2020, the transaction was subject to approval of the People's Bank of China (the "PBOC") or its affiliated institutions. As at 30 June 2020, RMB576 million (as at 31 December 2019: RMB576 million) was paid to the OPCO according to the aforesaid agreements and was recorded as other receivables. The remaining amount of RMB144 million, disclosed as loan commitment in note 17, 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) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, other allowances and benefits in kind	**1,616**	1,663
Retirement benefit scheme contributions	**4**	24
	1,620	1,687

19 TRANSFERRED FINANCIAL ASSETS

In its ordinary and usual course of business, the Group entered into agreement on transfer of creditor's rights (the "Agreement") and transferred certain loans receivables recorded in financial assets at fair value through profit or loss to other factoring companies. The Group assesses whether to derecognise relevant assets or not based on the extent of risks and rewards retained. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets. During the six months ended 30 June 2020, no financial asset at fair value through profit or loss had been derecogonised by the Group (for the year ended 31 December 2019: RMB 118,836,000).

20 FINANCIAL INSTRUMENTS BY CATEGORY

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

	30 June 2020		31 December 2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Financial assets:				
Trade and loans receivables	**961,046**	**961,046**	771,817	771,817
Prepayments, deposits and other receivables	**598,393**	**598,393**	592,844	592,844
Financial assets at fair value through profit or loss	**268,763**	**268,763**	105,657	105,657
Pledged deposits for bank loans	**778,037**	**778,037**	922,865	922,865
Cash and cash equivalents	**138,771**	**138,771**	316,429	316,429
	2,745,010	**2,745,010**	2,709,612	2,709,612
Financial liabilities:				
At amortised cost				
Trade payables	**6,551**	**6,551**	2,249	2,249
Other payables and accruals	**9,678**	**9,678**	8,459	8,459
Bonds issued	**30,348**	**30,348**	29,495	29,495
Interest-bearing bank and other borrowings	**925,000**	**925,000**	927,000	927,000
	971,577	**971,577**	967,203	967,203

21 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(a) Fair value measurement

Management has assessed that the fair values of cash and cash equivalents, trade and loans receivables, prepayments, deposits and other receivables, pledged deposits for bank loans, trade payables, other payables and accruals, lease liabilities, 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 20.

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

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

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

(b) Fair value hierarchy

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

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

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

(b) Fair value hierarchy (continued)

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

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

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

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

Asset measured at fair value

	30 June 2020 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets				
Financial assets at fair value through profit or loss	**–**	**–**	**268,763**	**268,763**

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

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

(b) Fair value hierarchy (continued)

Asset measured at fair value(continued)

The movement during the period ended 30 June 2020 in the balance of Level 3 fair value measurements is as follows:

	Financial assets at fair value through profit or loss	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
1 January	**105,657**	131,719
Total gains or losses in profit or loss for the current period	**9,274**	4,999
Purchases	**154,000**	579,000
Disposals or settlements	**–**	(610,061)
Exchange differences	**(168)**	–
30 June/31 December	**268,763**	105,657
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**9,274**	657

During the period ended 30 June 2020, there were no significant transfers into or out of Level 3.

(c) Valuation of financial instruments with significant unobservable inputs

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

As at 30 June 2020 and 31 December 2019, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

22 EVENT AFTER THE REPORTING PERIOD

There were no significant events affecting the Group after the reporting period up to 28 August 2020.

23 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2020.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

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

As at 30 June 2020, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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

As at 30 June 2020, so far as was known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in Shares of the Company

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

Name of Shareholders	Capacity/Nature of interests	Number of shares held in the Company	Approximate percentage of the issued share capital of the Company	*Notes*
Swiree Capital Limited ("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

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. As at 30 June 2020, the total number of issued Shares was 2,701,123,120.

Save as disclosed above, as at 30 June 2020, 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.

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 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 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 Interim Period, no share option was granted, exercised, cancelled or lapsed under the Scheme and there was no outstanding option under the Scheme at the beginning and at the end of the Interim Period. As at the date of this report, the total number of share options available for grant under the Scheme is 60,157,078, representing 2.23% of the existing issued share capital of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining a 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 Listing Rules. Throughout the six months ended 30 June 2020, the Company had complied with all code provisions set out in the CG Code, except for deviation disclosed below.

Code provisions A.2.1 and A.2.7 of the CG Code

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. According to code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent 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 2017 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 is 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 period under review, 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiry with all the Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Scheme, at no time during the six months ended 30 June 2020 was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Hung Ka Hai Clement, an independent non-executive Director, ceased to be an independent non-executive director of Zhongchang International Holdings Group Limited, whose shares are listed on the main board of the Stock Exchange (stock code: 0859), with effect from 15 June 2020.

Save as disclosed above, there is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51(B)(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2019 by the Company.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee"), which was established in accordance with Rule 3.21 of the Listing Rules with primary duties of reviewing and providing supervision over the Group's financial reporting process, internal controls and risk management. As at 28 August 2020, the Audit Committee comprised three independent non-executive Directors, namely Mr. Hung Ka Hai Clement (Chairman), Mr. Cao Dakuan and Mr. Zhang Liqing.

The Audit Committee met with the management on 28 August 2020 to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the review of the Group's interim results for the six months ended 30 June 2020, which have been reviewed by the Audit Committee, before proposing to the Board for approval.

BOARD OF DIRECTORS

As at the date hereof, the executive Director is Ms. Chen Wei; the non-executive Director is Ms. Wei Qiuli; and the independent non-executive Directors are Mr. Cao Dakuan, Mr. Hung Ka Hai Clement, Mr. Wan Jianhua and Mr. Zhang Liqing.

APPRECIATION

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

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

Beijing, 28 August 2020