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
2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Zhou Yafei
Mr. Song Chenxi *(appointed on 13 December 2023)*

Non-executive Directors
Ms. Wei Ting *(appointed on 13 December 2023)*
Ms. Wei Quili *(retired on 28 June 2023)*

Independent Non-executive Directors
Mr. Lee Puay Khng
Mr. Mak Yau Kee Adrian
(appointed on 5 February 2024)
Professor Japhet Sebastian LAW
(appointed on 10 April 2024)
Mr. Huang Song *(appointed on 19 April 2024)*
Mr. Hung Ka Hai Clement
(resigned on 12 December 2023)
Mr. Li Liangwen *(resigned on 11 March 2024)*
Ms. Wang Wanjun *(resigned on 18 April 2024)*

COMPANY SECRETARY

Mr. Wong Kai Hing *(appointed on 4 December 2023)*

AUDIT COMMITTEE

Mr. Mak Yau Kee Adrian *(Chairman)*
(appointed on 5 February 2024)
Mr. Lee Puay Khng
Ms. Wei Ting *(appointed on 13 December 2023)*
Professor Japhet Sebastian LAW
(appointed on 10 April 2024)
Mr. Hung Ka Hai Clement
(resigned on 12 December 2023)
Mr. Li Liangwen *(resigned on 11 March 2024)*
Ms. Wang Wanjun *(resigned on 18 April 2024)*

REMUNERATION COMMITTEE

Mr. Lee Puay Khng *(Chairman)*
Ms. Wei Ting *(appointed on 13 December 2023)*
Mr. Huang Song *(appointed on 19 April 2024)*
Ms. Wei Quili *(retired on 28 June 2023)*
Ms. Wang Wanjun *(resigned on 18 April 2024)*

NOMINATION COMMITTEE

Mr. Mak Yau Kee Adrian *(Chairman)*
(appointed on 5 February 2024)
Mr. Zhou Yafei
Mr. Lee Puay Khng
Mr. Hung Ka Hai Clement
(resigned on 12 December 2023)
Mr. Li Liangwen *(resigned on 11 March 2024)*

STRATEGY COMMITTEE

Mr. Zhou Yafei *(Chairman)*
Mr. Song Chenxi *(appointed on 13 December 2023)*
Professor Japhet Sebastian LAW
(appointed on 10 April 2024)
Mr. Li Liangwen *(resigned on 11 March 2024)*

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Level 8, K11 ATELIER King's Road
728 King's Road
Quarry Bay
Hong Kong

BANKERS

CMB Wing Lung Bank Limited
Industrial Bank Co., Ltd.
Bank of Jiangsu Co., Ltd.

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 Service (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

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 2023.

In 2023, the global economy gradually emerged from the haze and showed a recovery trend. According to the economic outlook report issued by the Organisation for Economic Co-operation and Development, the growth rate of global gross domestic product (GDP) in 2023 was 2.9%, and the global economic growth remained moderate.

The interest rate hike strategy in developed economies has been effective, with inflation peaking in various countries. The market is expected to shift to major central banks to cut interest rates in 2024. During this period, the U.S. economy showed strong resilience. According to the data published by the U.S. Department of Commerce, the growth rate of the U.S. economy for the whole year of 2023 reached 2.5%, and the possibility of "soft landing" of the U.S. economy increased. Europe maintained a relatively stable low-speed growth as a whole, showing economic resilience beyond expectations; emerging economies also maintained relatively rapid economic growth.

Turning to China, in 2023, in the face of multiple challenges such as the continuous pressure from the international economic environment, the frequent occurrence of domestic natural disasters, and the arduous task of reform, development and stability, China's economy showed a wave-like and tortuous recovery process as a whole. According to the data published by the National Bureau of Statistics, it was preliminarily estimated that the annual GDP increased by 5.2% as compared to the previous year.

In terms of policies, under the complex situation of the domestic and international economic environment in 2023, the Chinese government focused on financial support for the real economy and further improved the quality and efficiency of services for the real economy; it developed inclusive financing and supported the development of private enterprises and small and micro enterprises. In this regard, the Group is committed to practising the concept of technology-based finance and inclusive financing, and supporting domestic private enterprises in financing through commercial factoring business. The Group continuously adhered to focus on technology-based finance as its strategic goal, promoted the development of digital and intelligent technologies in the field of supply chain finance, and fully leveraged the advantages of financial technology in order to provide customers with high-quality and safe supply chain financial services.

EXECUTIVE DIRECTOR'S STATEMENT

In addition, the Group intends to further expand its business, with a view to expanding its revenue structure and strengthening its capabilities to cope with difficulties, taking advantages of the current market trend and promoting business diversification. We believe that it can further unleash the existing operational potential of the Group and bring more revenue to the Group.

Looking forward, the Group will continue to integrate the distribution scenarios of the industrial chain, capitalise on the trend of corporate digitalization and inclusive financing and establish a more diversified and differentiated product and service matrix. While achieving diversified and coordinated development, we will continue to expand business revenue and provide customers with professional and refined services as always, so as to bring stable and abundant returns to the shareholders.

Lastly, I would like to take this opportunity to express my sincere gratitude to all the staff and the senior management, for their positive contributions to the development of the Group throughout the year. At the same time, my sincere thanks also go to the loyal customers and shareholders of the Group, for their long-standing trusts and support.

Zhou Yafei
Executive Director

Beijing, 27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2023 (the "Year"), the Group recorded a profit before tax of RMB46.1 million, representing an increase of RMB42.6 million as compared to RMB3.5 million in the previous year, mainly due to the combine effect of the following reasons: (i) the Group's core business, commercial factoring business, steadily expanded the scale of loans, and the revenue from commercial factoring business increased from RMB70.1 million for the year ended 31 December 2022 (the "Corresponding Year") to RMB75.8 million for the Year, representing an increase of RMB5.7 million and 8.16% in revenue; (ii) the Group change its sources of funding the operations of the PRC subsidiaries from bank borrowings obtained through pledging the Company's deposits to surplus funds of the Company, in order to achieve cost savings. During the period from the second half of 2022 to 31 December 2023, the Group repaid domestic bank loans of RMB863.5 million and released the relevant pledged bank deposits of US$146.8 million. Due to the reduction of external borrowings, the net finance costs, i.e. bank loan interest minus bank interest income, decreased by RMB19.6 million as compared to 2022; (iii) the functional currency of the Company is Hong Kong dollars and the Company converted part of the released pledged bank deposits from United States dollars to RMB946.2 million for lending to the PRC subsidiaries. Exchange loss increased by RMB21.4 million due to the appreciation of HK$ and USD against RMB; (iv) administrative expenses increased by RMB4.6 million, which was mainly due to the increase in legal and professional expenses in relation to the proposed acquisition of CashBox Group Technology (Hong Kong) Limited ("CashBox"), a company incorporated in Hong Kong with limited liability which is principally engaged in game development and publishing business (the "Proposed CashBox Acquisition"), details of which were disclosed in the announcements of the Company dated 16 October 2023 and 24 January 2024; and (v) during the Year, no further impairment loss (2022: RMB51 million) was recognised in respect of the prepayment for acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited ("TJGCMT"). During the Year, the Group recorded a profit after taxation of RMB37 million (2022: a loss after taxation of RMB5.6 million). As the Company has a large amount of accumulated losses and due to enhancement of its business competitiveness, the Company will continue to seek more development opportunities for external expansion while actively expanding its existing financial services business. The Board does not recommend the payment of any dividend for the Year.

As mentioned above, during the Year, the Group repaid bank borrowings and used the Company's own funds as working capital, resulting in a decrease in gearing ratio and more sufficient working capital, and the commercial factoring business steadily expanded the scale of loans. Commercial factoring business was the major income source of the Group which contributed 92% of the operating revenue of the Group during the Year, and the Group currently kept its focus on commercial factoring business to ensure the generation of a stable return for the business of the Group. During the Year, the Group paid more attention to the quality of well-known customers in the commercial factoring industry and focused on high-quality customers, and correspondingly increased the scale of lending to high-quality customers. As a result, the number of customers for the Year decreased as compared to the Corresponding Year but the scale of loans increased. During the Year, the Group exercised stringent risk management control over new lending and loans receivables, did not have any new overdue scale and recorded a provision for expected credit losses ("ECL") of RMB3.4 million during the Year (2022: RMB43,000). As a result, profit from commercial factoring business increased from RMB58.4 million in 2022 to RMB68.2 million in 2023.

The management closely monitored the development of other financing services. During the Year, the other financing services business was affected by the restrictions imposed by some mobile application stores on the content of applications launched. Its profit decreased and recorded a segment profit of RMB2.6 million (2022: a profit of RMB5.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's long term objective is to become a market-leading comprehensive financial technology services group. The management kept exploring different new business opportunities so as to grow by developing new businesses, and the management believes the current strategy of maintaining growth by continuously developing the commercial factoring business and simultaneously exploring new businesses can keep the Group to develop steadily.

INDUSTRY ENVIRONMENT

In 2023, the world economy continued to struggle to recover from the impact of negative factors such as the Ukraine crisis, however, risk factors such as the lack of momentum, unstable economic growth, escalating polarization among countries, and intensified geopolitical conflicts have casted a shadow on the prospects of economic growth worldwide. Facing the complex and severe external environment, China's economy has demonstrated strong resilience and huge potential. It has coordinated efforts to expand domestic demand and optimize supply, persisted in opening up to the outside world, and has made effective macroeconomic control policies, which effectively promoted economic recovery and achieved a GDP of over RMB126 trillion, representing a year-on-year increase of 5.2%.

In 2023, China's monetary and credit policies provided steady support for the real economy. Monetary policy was "flexible and appropriate" through the "matching" efforts, and was "precise and effective" through stock revitalization and structural optimization. The loan investment structure continued to be optimized, and credit services have improved the quality and efficiency. The "2023 Financial Statistics Report" released by the People's Bank of China shows that new loans reached RMB22.75 trillion in 2023, an increase of RMB1.31 trillion year-on-year, while at the end of 2023, the broad Money Supply (M2) and aggregate financing to real economy increased by 9.7% and 9.5% year-on-year respectively.

In 2023, under the prudent monetary policy, financial institutions continued to provide inclusive credit loan supporting vehicles, and continued to increase support for key areas and weaker links in the national economy such as inclusive finance, and achieved "increased quantity, expansion of coverage, and price discount" of financing for SME and private enterprises. At the end of June 2023, the balance of inclusive credit loans was RMB27.7 trillion, representing a year-on-year increase of 26%. The number of inclusive SME debtors was 59.35 million, representing a year-on-year increase of 13.3%. Meanwhile, interest rates for loan in China continued to fall slightly, driving corporate financing and residents' credit costs to fall steadily. Overall, the real economy has maintained stable operation, liquidity is reasonably abundant, the credit structure continued to be optimized, financing costs for the real economy are dropping steadily, and financial support for the economy continued to be strengthened.

In the second half of 2023, the State intensively introduced a number of policies to encourage the development of supply chain finance. The government announced the "Notice on Strengthening Financial Support Measures to Aid the Development and Growth of the Private Economy (《關於強化金融支持舉措助力民營經濟發展壯大的通知》" and the "Guiding Opinions on Accelerating the Digitalization of Living Services (《關於加快生活服務數字化賦能的指導意見》)", which clearly requires active development of financial services for industrial chains and supply chains, and the continued increment and expansion of inclusive credit loans. The overall environment of the supply chain finance industry is improving. Currently, the Company mainly cooperates with long-term cooperating customers. On this basis, it continues to explore the deep-seated needs of customers and actively seeks new business and profit growth point.

In 2023, the Company actively looked for opportunities to generate more revenue and expanded into the gaming industry, and is advancing the Proposed CashBox Acquisition. According to data reports, the total revenue of the global gaming market reached USD184 billion (approximately RMB1.31 trillion) in 2023, an increase of 0.6% year-on-year, of which mobile game revenue reached USD76.7 billion. It is expected that the global mobile game revenue will return to uptrend in 2024, which is entering a new round of development cycle. The Company hopes to take this opportunity to boost business growth and bring new momentum into the Company's development.

BUSINESS REVIEW

Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), a wholly-owned subsidiary of the Company, provided prompt and convenient supply chain services to high-quality customers in a prudent way of combining offline services. Since 2021, the Group started to grant longer loan period to certain high-quality customers in order to increase its profitability and at the same time to maintain credit risk at a low level. The longer loan period granted affected the new lending amount of the Group, which decreased from RMB1.96 billion in 2022 to RMB1.53 billion in 2023. The Group's average net loan balance increased to RMB1.01 billion in 2023 (2022: RMB890 million), indicating that the operating scale of the commercial factoring business has expanded in 2023. During the Year, the interest rates charged to commercial factoring borrowers remained stable, the average net loan balance recorded an increase, and revenue from the commercial factoring business increased to RMB75.8 million (2022: RMB70.1 million). The commercial factoring business is the cornerstone in the future development of the Group as the business has a well-established risk management system and has maintained steady growth despite various negative factors in the external environment. During the Year, the Group paid more attention to the quality of well-known customers in the commercial factoring industry and focused on high-quality customers, and correspondingly increased the scale of lending to high-quality customers. As a result, the number of customers for the Year decreased as compared to the Corresponding Year but the amount of loans increased. The commercial factoring business continued to generate stable returns for the Group, recording a profit of RMB68.2 million during the Year (2022: RMB58.4 million).

Other than the commercial factoring business, the Group, through Gome Wangjin (Beijing) Technology Co., Ltd. ("Gome Wangjin"), a wholly-owned subsidiary of the Company, has continued to explore different opportunities in other financing services with its extensive technical experience in the relevant areas. Since 2020, Gome Wangjin has mainly provided operating services for a financial services App and provided customer referral services to financial institutions through operating the App. During the Year, other financing services business recorded revenue of RMB6.2 million (2022: RMB10.1 million) and a decrease in segment profit as a result of a decrease in business due to the restrictions imposed by some mobile application stores on the content of applications launched.

MANAGEMENT DISCUSSION AND ANALYSIS

Credit policies and credit approval procedures

The Group has established its own credit policies and credit approval procedures for loan applications and loans granted. The Group has set up different departments with sufficient and appropriate segregation of duties and authorities in all the business processes. The Board and/or the designated executive Director and/or the designated senior management will be closely involved in the policy setting and management process to ensure an effective supervision and proper business conducts.

The business department of the Group (the "Business Department"), the members of which are front-line sales representatives who would stay abreast of the latest market and borrowers' status and conditions, will evaluate credit risk of the borrowers based on its assessment and analysis of the loan applications and the internal risk review system as approved by the Board principally with reference to their financial performance, nature and size of business, the business relationship with the Group, credit policy, repayment history, repayment ability, value and recoverability of collateral or other security. The Business Department will then pass its due diligence findings and the key terms of a loan tentatively set by the Business Department including the principal amount, interest rate, security arrangements and tenure of the loans to the risk audit department of the Group (the "Risk Audit Department").

The Business Department will not accept a loan application if a borrower and/or the security do not meet the Group's requirements based on the results of its due diligence finding including the repayment history and default risk of a borrower.

The Risk Audit Department will review and analyse the credit approval form presented by the Business Department and may ask for further information and documents from the borrower if considered necessary. The Risk Audit Department may also review other records of the borrower, such as past loan applications and outstanding loans with the Group. With regard to those borrowers and security for loans which meet the Group's basic requirements, the Risk Audit Department will tentatively assess the key terms of all loans. All loans will then be reviewed and confirmed by the finance department of the Group (the "Finance Department"). If the amount of the loan exceeds a certain threshold, the Risk Audit Department will then present the credit approval form to the designated executive Director or senior management which sets out its recommendations on the key terms of the loans for the designated executive Director's or senior management's review and approval.

Once a loan application has been approved, a loan agreement will be entered into between the Group and the borrower. After signing of the loan agreement and the meeting of other conditions, such as the transfer of an accounts receivable, the Finance Department will then be responsible for transferring the funds to the borrower.

During the Year, the credit period granted for commercial factoring loans ranged from 90 to 360 days (2022: 90 to 360 days) with effective interest rates ranging from 7.5% to 12% (2022: 8% to 12%) per annum as at 31 December 2023. The gross trade and loan receivables as at 31 December 2023 were RMB1.05 billion (2022: RMB930 million). Trade and loan receivables from the Group's largest customer accounted for 15.6% (2022: 2.2%) of the Group's total gross trade and loan receivables as at 31 December 2023. The trade and loan receivables of Group's five largest customers accounted for 71.5% (2022: 45.7%) of the Group's total gross trade receivables and loan receivables as at 31 December 2023. During the Year, the revenue attributable to the Group's largest customer accounted for 12.9% (2022: 7.4%) of the Group's total revenue and the revenue attributable to the Group's five largest customers accounted for 60.5% (2022: 29.2%) of the Group's total revenue. The customer development strategy of the Group will be deeply explored from the existing customer channels to the upstream and downstream, and more attention will be paid to customer quality, and customer risks will be assessed through comprehensive factors such as customer scale and strength. Although the number of customers decreased, the concentration was higher. The overall credit risk of the Group was reduced by the quality enhancement of a each single customer.

None of the Group's trade and loan receivables were past due for both years.

The management believes that the Group is developing in a stable manner, and maintaining the current development strategy will create maximum benefits and higher returns for the Company and its shareholders.

FINANCIAL REVIEW

Results highlights

During the Year, revenue of the Group increased by 2.24% to RMB82.0 million (2022: RMB80.2 million), which was mainly due to the increase in revenue from commercial factoring business. Commercial factoring business of the Group recorded revenue of RMB75.8 million during the Year (2022: RMB70.1 million). The Group's average net loan balance increased from RMB890 million in 2022 to RMB1.01 billion in 2023. As aforesaid, revenue from other financing services business decreased by RMB3.9 million from RMB10.1 million in 2022 to RMB6.2 million in 2023, due to the restrictions imposed by some mobile application stores on the content of applications launched, which partially offset the increase in revenue from the commercial factoring business.

During the Year, provisions for ECL on trade and loan receivables was RMB3.4 million (2022: RMB12,000), the increase in provision was due to the increase in loan balances as at 31 December 2023 by RMB125.6 million compared with that as at 31 December 2022.

Administrative expenses of the Group increased by RMB4.6 million, which was mainly due to (1) increase in legal and professional fees for the Proposed CashBox Acquisition by RMB2.2 million; (2) increase in relevant withholding taxes borne in accordance to the taxation laws in China by approximately RMB2.2 million as the interest on the Company's operating capital borrowings by the Chinese subsidiaries became due.

As changes in sources of funding mentioned above, the Group repaid all the bank borrowings and released all pledged deposit during the Year. As a result, bank interest income and interest expenses on bank borrowings for the Year decreased by RMB5.7 million and RMB23 million respectively as compared to the Corresponding Year.

The functional currency of the Company is Hong Kong dollars ("HK$"), converted part of the released pledged bank deposits denominated in USD into RMB946.2 million and provided such amounts to its PRC subsidiaries, which resulted in the exchange loss of RMB11.4 million (2022: exchange gain of RMB 10.0 million) for the Year due to the appreciation of the exchange rate of HK$ and USD against RMB. The exchange loss resulted in a decreased of RMB21.4 million in the other income and other gains and losses.

Combining the effects above, during the Year, the Group recorded operating profit of RMB46.1 million (2022: operating profit of RMB54.5 million). The Group recorded a profit after tax of RMB37 million during the Year (2022: loss after tax of RMB5.6 million).

Commercial factoring business

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

	For the year ended 31 December 2023 RMB'000	For the year ended 31 December 2022 RMB'000
Revenue	**75,810**	70,090
Net operating expenses	**(4,225)**	(11,667)
Operating earnings	**71,585**	58,423
Provision for ECL of loans receivables	**(3,405)**	(43)
Segment results	**68,180**	58,380

As mentioned above, revenue from the commercial factoring business increased by 8.16% (RMB5.7 million) during the Year, mainly due to the increase in average net loan balance.

As abovementioned, due to the repayment of bank loans between the second half of 2022 and 2023, net finance cost of the commercial factoring business during the Year (included in net operating expenses), representing bank loan interest less bank interest income, decreased by RMB7 million as compared to 2022. Apart from this, there were no other significant changes in the operating expenses of the commercial factoring business. In addition, as mentioned above, due to the increase in the loan balance, the provision for ECL on loans receivable during the Year increased to RMB3.4 million. Due to the above reasons, profit of the segment increased from RMB58.4 million in 2022 to RMB68.2 million in 2023.

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 ECL as required by the 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 loans receivables of the Group's commercial factoring business by five categories of classification.

	31 December 2023		31 December 2022	
	Gross balance RMB'000	**ECL provision RMB'000**	Gross balance RMB'000	ECL provision RMB'000
Normal	**1,054,831**	**11,473**	929,281	8,068
Special mention	**–**	**–**	–	–
Substandard	**–**	**–**	–	–
Doubtful	**–**	**–**	–	–
Loss	**–**	**–**	–	–
	1,054,831	**11,473**	929,281	8,068

Gross balance of normal loan as at 31 December 2023 increased significantly to RMB1,054.8 million (as at 31 December 2022: RMB929.3 million), which was due to the increase of loan amount as a result of sufficient working capital.

As at 31 December 2023, the balance of the provision for ECL increased to RMB11.5 million (31 December 2022: RMB8.1 million) due to the abovementioned increase in loan balance.

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 2023 RMB'000	For the year ended 31 December 2022 RMB'000
Revenue	**6,214**	10,129
Net operating expenses	**(3,626)**	(4,237)
Operating earnings	**2,588**	5,892
Reversal for ECL of loans receivables	**–**	31
Segment results	**2,588**	5,923

During the Year, revenue of the other financing services business mainly represented 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. As mentioned above, due to some mobile application stores restricting the content of applications (Apps) they offered, service fee from referral services decreased by 38.65% (RMB3.9 million) during the Year.

Operating cost of other financing services for the Year decreased significantly by RMB600,000, mainly contributed by the decrease in staff cost.

As a result of the above, segment profit decreased from RMB5.9 million for 2022 to RMB2.6 million for 2023.

Key operating data of the Group

	For the year ended 31 December 2023	For the year ended 31 December 2022
Total return on loans (income as % of average gross loan balance)	**7.49%**	7.86%
Allowance to loans ratio (impairment allowance as % of gross loan balance)	**1.09%**	1.05%
Non-performing loan ratio (gross non-performing loan balance as % of gross loan balance)	**0.00%**	0.00%
Allowance coverage ratio (impairment allowance as % of gross non-performing loan balance)	**N/A**	N/A

The total return on loans decreased slightly during the Year, mainly because the People's Bank of China continued to lower the loan prime rate ("LPR") in recent years, and the commercial factoring business, which generated 92% revenue of the Group, lowered the loan interest rate for customers based on market conditions during the Year. The annual interest rate of commercial factoring business was maintained at around 7.5% to 12% in both 2022 and 2023. Since 2021, the Group had focused on high quality customers with a lower interest rate which also slightly affected return on loans.

All new loans during the Year were settled on time or remained under normal stage as at 31 December 2023, and loss loans amounted to RMB6.4 million was written off during the second half of 2022, the absence of substandard, doubtful and loss loans balance as at 31 December 2022 and 31 December 2023 resulted in 0% non-performing loan ratio and no allowance coverage ratio.

Provision for ECL

As mentioned above, a provision for ECL of RMB3.4 million was made for the commercial factoring business during the Year, and as of 31 December 2023, all provisions for ECL were made for loan receivables. The movements in provision for ECL of trade and loan receivables are as follows:

	For the year ended 31 December 2023 RMB'000	For the year ended 31 December 2022 RMB'000
As at 1 January	**8,068**	14,487
Provisions of the Year	**11,473**	8,114
Reversal of the Year	**(8,068)**	(8,102)
Write-off	**–**	(6,431)
As at 31 December	**11,473**	8,068

Valuation of the corresponding equity value of prepayment for acquisition

Beijing Bosheng Huifeng Business Consulting Co., Limited ("OPCO") agreed to acquire 100% equity interest in TJGCMT (the "Acquisition") from Tibet Yang Guan LLP and Mr. Mao Deyi (together the "Sellers") pursuant to an equity transfer agreement dated 25 July 2017 (the "Transfer Agreement"). The Acquisition has not yet been completed and RMB576 million had been paid according to the loan agreement entered into between Xinda Factoring and OPCO on 7 June 2017 (the "Loan Agreement") and was recorded as a prepayment by the Group (the "Prepayment") under non-current assets since 2019. Details of the Acquisition and the Loan Agreement are set out in the Company's circular dated 29 June 2017.

As at 31 December 2023 and up to the date when the Group's consolidated financial statements for the year ended 31 December 2023 were authorised for issue, approval of the People's Bank of China (the "PBOC") for the Acquisition has not yet been obtained for the Acquisition. As of 31 December 2023 and 31 December 2022, the Group advanced RMB576,000,000 to the OPCO as prepayments under non-current assets.

In the second half of 2022, TJGCMT entered the licence renewal period of its payment business licence (the "Licence") and the PBOC has suspended the approval process of the acquisition of TJGCMT, and the application materials were returned. In January 2023, the TJGCMT Group successfully obtained the renewal of the Licence, which is valid until January 2028. In April 2023, the Group submitted new approval materials to the PBOC related to the Acquisition, maintaining contact with the PBOC, and continued to revise the application materials in accordance with the requirements of the PBOC. On 9 December 2023, the Regulations on the Supervision and Administration of Non-bank Payment Institutions (非銀行支付機構監督管理條例), the State Council of the People's Republic of China Order No. 768, was officially announced. According to the notice of the People's Bank of China, the new regulations will be officially implemented on 1 May 2024. Article 59 of the new regulations provides that "The transitional measures for non-bank payment institutions established in accordance with the relevant regulations before the implementation of the regulations shall be prescribed by the People's Bank of China." During the transitional period, the Group has suspended the application, and will conduct re-submission for the approval according to the more specific requirements of the PBOC upon the formal implementation of the new regulations.

According to the Transfer Agreement, if the transfer of the equity interest in TJGCMT is not completed eventually, the Group has the right to require the Sellers to return the paid equity transfer price in accordance with the provisions of the Transfer Agreement, subject to the rights and obligations of the parties under the Transfer Agreement and limitation of action. In addition, the Sellers are natural persons or fund companies, and it has been a long time since the Sellers received the equity transfer price paid by OPCO. There is significant uncertainty as to whether they will have sufficient financial ability to return the equity transfer price. The Group believes that the immediate termination of the Acquisition may expose the Group to significant losses.

Since TJGCMT has completed the license renewal, the Group will resubmit the materials for approval after the new regulations are officially implemented. The promulgation of the Regulation on the Supervision and Administration of Non-Banking Payment Institutions (非銀行支付機構監督管理條例) is expected to give more certainty to the PBOC's approval timetable. In addition, the Group will have more business scenarios to provide more user base and economic value for TJGCMT and its third-party payment platforms in the future. At the same time, the Group will also effectively reduce costs and obtain more traffic resources through self-operated payment channels. The Board considers that TJGCMT will play a crucial role in the business development of the Group. It will continue to promote the completion of the Acquisition in 2024, which will bring more development opportunities and synergies to the Group and is in the interests of the Group and all Shareholders.

On 23 March 2022, Ms. Du executed a personal undertaking to guarantee the recoverability of the Prepayment. In the event that the Group decides to terminate the Acquisition and fails to recover the full refund from the Sellers or through the disposal of the entire equity interest in TJGCMT on or before 30 June 2024, Ms. Du undertook to make up any shortfall with the equity shares of the Company beneficially owned by her to the Group on or before 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

On 25 March 2024, a new personal undertaking was made by Mr. Wong Kwong Yu ("Mr. Wong"), spouse of Ms. Du (the "Wong's Undertaking") to undertake the recoverability of the Prepayment. Pursuant to the equity transfer agreement, if the transaction of the equity cannot be completed, Mr. Wong undertook to request full refund either from the Sellers or through disposal of entire equity interest of TJGCMT pursuant to the Wong's Undertaking (the "Disposal Action"). If the Group cannot receive the proceeds from the Disposal Action on or before 31 December 2025, Mr. Wong will procure to make good any shortfall with his personal assets to the Group on or before 31 December 2026. The Wong's Undertaking became effective and replaced the original undertaking by Ms. Du which has been terminated. The directors of the Company (the "Directors") are of the view that the entering into of the Wong's Undertaking by Mr. Wong will bring greater confidence to the Company and push forward the Transaction to proceed.

At the Board meeting in March 2024, the Directors considered the status of the Transaction, in particular, whether the Company should continue to accept the uncertainty of further pending approval, instead of deciding to terminate the Transaction and requesting immediate return of the prepayment of RMB576,000,000. Apart from this, taking into account the management's latest view on the commercial rationale of the acquisition, the strategic value of the acquisition to the Group, and that the expected promulgation of new administrative regulations in 2024 will bring more certainty to the acquisition, the Directors are of the view that it is in the interests of the shareholders that the Company should continue to actively promote the approval procedure of the Acquisition, failing which a final review of the Board by 31 December 2025, at which time, if the Transaction cannot still be completed, the Company may cancel the Transaction and seek alternative opportunities.

Given the abovementioned facts and circumstances and with the current available information, the Directors have performed an impairment assessment on the equity value corresponding to the prepayments made by the Group to OPCO as at 31 December 2023. Since the estimated recoverable amount of the prepayment was larger than its carrying amount, the Directors considered that no impairment of prepayment would be recognised (2022: impairment loss of RMB51,000,000). For details, please refer to note 16 to the consolidated financial statements in this report.

Other balance sheet items

As mentioned above, the Group has repaid bank loans and used its own funds for operations. In 2023, the Group has repaid bank loans of RMB367.5 million and released related pledged bank deposits of USD61.8 million. As of 31 December 2023, the Group had repaid all bank loans and had no outstanding bank loans (31 December 2022: RMB367.5 million). As of 31 December 2023, the Group had no pledged bank deposit (31 December 2022: RMB430.4 million).

As a result, as at 31 December 2023, pledged deposits for both bank loans and interest-bearing bank borrowings have decreased significantly to zero.

PROSPECTS

In regards to the overall international economic development trend, on 30 January 2024, the International Monetary Fund ("IMF") released the latest "World Economic Outlook", which estimates the global growth rate in 2024 at 3.1%, an increase from 2023, due to stronger than expected resilience in the United States and certain large emerging market and developing economies, as well as fiscal support from China. IMF further pointed out that in an environment of slowing inflation and stable growth, the possibility of a hard landing has been reduced, the risks to global growth are generally balanced, and the economy is likely to achieve a soft landing.

Looking forward to China's economic development in 2024, the external environment may improve. On the basis of the cycle of driving force reversal and the gradual accumulation of new momentum, the effects of such policies to stabilize growth will continue to be seen, while domestic demand is expected to continue to recover, the macro-economy shall enter a new equilibrium, and China's economy will recover steadily in 2024.

On 20 February 2024, the People's Bank of China authorized the National Interbank Funding Center to announce that the 1-year LPR remained unchanged at 3.45%, while the 5-year and above LPR was 3.95%, 25 basis points lower than the previous value. It is expected that relaxed financing environment will inject vitality into the development of the national economy, and create opportunities for the development of the Group.

The Central Economic Work Conference at the end of 2023 proposed to "implement high-quality development actions for key manufacturing industrial chains, strengthen quality support and standardize guidance, and improve the resilience and safety level of industrial and supply chains." The Group will further optimize supply chain financial services operation, and strengthen financing services and support provided to upstream and downstream enterprises along the supply chain. The Central Financial Work Conference made it clear that it is essential to "make an effort on the five major categories, namely, technology finance, green finance, inclusive finance, pension finance, and digital finance", and "efforts must be made to build modernized financial institutions and market systems to unblock the channels for funds to enter the real economy." The Group will further explore the integration and development path of emerging technology industries and supply chain financial industry, continue to further support the real economy and private entities, and leverage on financial services to support the overall high-quality development.

In addition, the Company is advancing the Proposed CashBox Acquisition subject to, among others, the approval of the Company's independent shareholders. The management expects to, through the Proposed CashBox Acquisition, rely on the large and multi-regional user resources of CashBox, combining with the Company's advantages in internet technology, to create synergies for the Group's business. The management believes that the Proposed CashBox Acquisition will enable the Group to diversity its business, expand its income stream and maximise returns for the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position is sound and its share capital and working capital have solid foundation. As at 31 December 2023, the Group's total equity was RMB1,684.2 million (31 December 2022: RMB1,632.3 million). As at 31 December 2023, the Group's cash and cash equivalents slightly decreased to RMB284.4 million (31 December 2022: RMB303.1 million). As a financial institution, the management believes that the decrease in cash balance indicates a better use of funds to improve the Group's profitability.

During the Year, the Group recorded cash outflows from operating activities of RMB84.2 million (2022: RMB21.7 million), which is mainly due to increase in trade and loan receivables by RMB125.7 million, and partly offset by operating profit and decrease in prepayment, deposit and other receivables of RMB6.6 million. The Group recorded cash inflow from investing activities of RMB443.2 million (2022: RMB585.6 million), which was due to the release of pledged bank deposits from bank loans of RMB434.2 million upon repayment of bank borrowings. The Group recorded a cash outflow from financing activities of RMB391.7 million (2022: RMB527.6 million), which was due to the repayment of bank borrowings of RMB367.5 million and redemption of bonds of RMB17.8 million (equivalent to HKD20 million).

As at 31 December 2023, the Group's current ratio was 73.9 (31 December 2022: 4.1). As at 31 December 2023, the Group's gearing ratio (i.e., total liabilities less tax payable, divided by the Group's total equity as a percentage) was 0.38% (31 December 2022: 24.10%) because the bank borrowings were fully repaid and bond with principal amount of HKD20 million which carried interest at fixed rate of 7.0% per annum was fully redeemed during the Year.

The Group had no particular seasonal pattern of borrowings. As at 31 December 2023, the Group's has no bank borrowings (31 December 2022: RMB367.5 million). The Group's bank borrowings were all made at fixed interest rates. In 2023, the weighted average effective interest rates on secured bank borrowings were 3.35% per annum (2022: 3.35% to 3.45% per annum).

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

CAPITAL STRUCTURE

During the year ended 31 December 2023, there was no change in the issued share capital of the Company and the number of issued ordinary shares of the Company remained at 2,701,123,120 as at 31 December 2023 and 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 16 October 2023, the Company and Mega Bright Capital Resources Limited ("Mega Bright") entered into an agreement, pursuant to which Mega Bright conditionally agreed to sell, and the Company conditionally agreed to acquire, 100% of the issued share of GOME Faith International Investment Limited (國美信國際投資有限公司) ("GOME FIIL") at the consideration of HK$174.8 million, which would be satisfied by the issue of 2,185,286,341 new shares of the Company, by the Company to Mega Bright at completion. GOME FIIL indirectly owns 47.7% equity interest in CashBox.

On 16 October 2023, the Company and Hongkong Mingrun Business Co., Limited (香港銘潤商貿有限公司) ("Mingrun Business") entered into an agreement, pursuant to which Mingrun Business conditionally agreed to sell, and the Company conditionally agreed to acquire, 3.3% of the issued shares of CashBox at the consideration of HK$25.2 million, which would be satisfied by the issue of 314,713,659 new shares of the Company, by the Company to Mingrun Business at completion.

Immediately after completion, GOME FIIL will become a wholly-owned subsidiary of the Company and CashBox Group Technology will become an indirect non-wholly owned subsidiary of the Company, and the financial results of the GOME FIIL Group and CashBox Group Technology will be consolidated in the financial statements of the Group.

For further details, please refer to the Company's announcements dated 16 October 2023 and 24 January 2024. As of the date of this report, the acquisitions have not yet been completed.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2023.

For details relating to the acquisition of TJGCMT, please refer to the Company's circular dated 29 June 2017.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments as at 31 December 2023 (31 December 2022: Nil).

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As abovementioned, as at 31 December 2023, the Group has repaid its bank loans, and has not pledged any bank deposit to secure banking facilities of the Group (31 December 2022: RMB430,393,000), and the Group did not have any material contingent liabilities as at 31 December 2023 and 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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 or low risk financial 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 and the Group has not 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 31 employees in total as at 31 December 2023 (as at 31 December 2022: 22). 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. During the Year, the Group had no forfeited contribution available to reduce its contribution to the pension schemes. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Yafei

Mr. Zhou Yafei ("Mr. Zhou"), aged 56, was appointed as an executive director of the Company with effect from 26 March 2021. Mr. Zhou is currently a member of the Nomination Committee of the Company (the "Nomination Committee") and the chairman of Strategy Committee of the Company (the "Strategy Committee"). Mr. Zhou was the Chief Financial Officer of GOME Appliance Co., Ltd. from 2000 to 2004, and subsequently remained in his position as the Chief Financial Officer for GOME Retail Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 493), from 2004 to 2008 after the injection of GOME Appliance Co., Ltd. into GOME Retail Holdings Limited in 2004, and has been the executive vice president of GOME Holding Group Company Limited (incorporated in Beijing, the PRC) since 2009. Mr. Zhou has over 30 years of experience in PRC accounting, finance and tax consulting. He is a registered accountant (non-practising) and a registered tax agent (non-practising) in the PRC. Mr. Zhou graduated from the Beijing Institute of Technology with a master's degree.

Mr. Zhou has been appointed as non-executive director of Lajin Entertainment Network Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8172), since April 2015.

Mr. Song Chenxi

Mr. Song Chenxi ("Mr. Song"), aged 40, was appointed as an executive director of the Company with effect from 13 December 2023. Mr. Song is currently a member of the Strategy Committee. He had served as the director of the investment management centre of Gome Holding Group Co., Ltd. and the chief financial officer of the Company from August 2015 to January 2018. Mr. Song rejoined the Group in October 2023 as the chief financial officer of the Company. Mr. Song graduated from the Tianjin University of Finance and Economics in June 2009 with a master's degree in accounting. Mr. Song is also a Chinese Certified Public Accountant.

Mr. Song has extensive management experience in the fields of finance and Internet technology. Prior to joining the Group, Mr. Song served as senior auditor of the Tianjin branch of Deloitte Touche Tohmatsu Certified Public Accountants LLP from September 2009 to June 2012. Mr. Song also served as the financial controller of China Wood Optimization (Holding) Limited (HKEX: 01885) from June 2012 to August 2015, the financial controller of Shenzhen Invengo Information Technology Co., Ltd. (深圳市遠望谷信息技術股份有限公司) from July 2018 to June 2021, the chief financial officer of Shenzhen Kinetic Energy Wireless Media Co., Ltd. (深圳市動能無綫傳媒有限公司) from July 2021 to February 2022, and the financial controller of East Point Communication Technology (Shenzhen) Co., Ltd. (衢東光通訊技術（深圳）股份有限公司) from June 2022 to October 2023.

Mr. Song has been the independent director of Tianjin Jinrong Tianyu Precision Machinery Co., Ltd. (天津津榮天宇精密機械股份有限公司), a company listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300988), since November 2023. He has also been the independent director of Beijing Jindayu Environment Technology Co., Ltd. (北京今大禹環境技術股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 873976), since December 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Ms. Wei Ting

Ms. Wei Ting ("Ms. Wei"), aged 42, was appointed as an non-executive director of the Company with effect from 13 December 2023. Ms. Wei is currently a member of the Audit Committee of the Company (the "Audit Committee") and a member of the Remuneration Committee of the Company (the "Remuneration Committee"). She is the vice president of the human resources department of GOME Holding Group Company Limited and is responsible for its overall human resources management. Ms. Wei has more than 20 years of experience in human resources management, in particular organisational development, talent development, remuneration incentives and corporate culture.

Ms. Wei graduated from Nankai University in business administration in June 2003. She obtained a Master of Business Administration degree from Renmin University of China in 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Puay Khng

Mr. Lee Puay Khng ("Mr. Lee"), aged 68, was appointed as an independent non-executive director of the Company with effect from 10 August 2021. He is currently the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. He has over 26 years of experience in investment, financing and mergers and acquisitions in the China market. He has extensive networks and resources in the corporate sectors and investment communities in Singapore and China. Mr. Lee has provided consulting services to many companies and has successfully completed numerous collaborations, mergers and acquisitions, corporate internationalisations and overseas listing projects.

Mr. Lee is currently the managing director of Sinolion Capital Group, an investment and consultancy company that focuses on enterprises' mergers and acquisitions including direct investments and property investments in China. He is also the senior partner of China Bridge Capital, a large private equity fund manager that provides comprehensive services to listed companies. Mr. Lee joined Singapore Telecom in 1980 and left as the country director (China) in 1993. Subsequently, he worked for Motorola, 3Com (Asia Pacific) and Vertex Ventures, a subsidiary of the Singapore-based Temasek. From 2002 to 2005, he was the Chief Representative of Singapore Economic Development Board based in China, providing effective technical assistance to many Chinese companies in their business expansion in Singapore. He was later invited to serve as the China investment consultant to the Government of Singapore Investment Corporation Pte Ltd from 2005 to 2007.

Mr. Lee graduated from the National University of Singapore with a bachelor's degree in electrical and electronic engineering in 1980.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Wanjun

Ms. Wang Wanjun ("Ms. Wang"), aged 39, was appointed as an independent non-executive director of the company with effect from 26 November 2021. She is currently a member of the Remuneration Committee and the Audit Committee. She has worked in funds, investment banks and accounting firms for 13 years. She has extensive experience in investment transactions and asset management, and has extensive networks and resources in the banking and investment sectors. Since July 2023, Ms. Wang has served as a consultant of Shenzhen Eastcom Times Information Technology Co., Ltd.

Ms. Wang was the Deputy General Manager of Corporate Finance Headquarters of Panghua Fund Management Co., Ltd. ("Panghua Fund") from December 2018 to February 2022, responsible for developing resources for banking system cooperation. Prior to joining Panghua Fund, Ms. Wang was the Deputy General Manager of the Beijing Innovation and Research Centre of the Headquarter of Zhongyuan Bank, i.e. the head of the Beijing Business Unit. From 2013 to 2016, Ms. Wang worked in the investment banking departments of China CITIC Bank Head Office and Hengfeng Bank Head Office respectively. Prior to that, she also worked in the Planning and Capital Department of Hongyuan Securities Headquarters and the Audit Department of Deloitte Touche Tohmatsu.

Ms. Wang graduated from Peking University in 2007 with a bachelor of management with double degree in Accounting and E-commerce. She subsequently obtained a Master of Business Administration from the School of Economics and Management of Tsinghua University in 2013. Ms. Wang holds a practitioner qualification in the securities/banking/fund industry in the PRC and a qualification as an intermediate accountant in the PRC, she also obtained a certificate for passing all the required subjects of the professional stage of The National Uniform CPA Examination of P.R. China.

Mr. Mak Yau Kee Adrian

Mr. Mak Yau Kee Adrian ("Mr. Mak"), aged 63, was appointed as an independent non-executive director of the Company with effect from 5 February 2024. Mr. Mak is currently the chairman of the Audit Committee and the chairman of the Nomination Committee. He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Investor Relations Association. He is also a member of the Hong Kong Securities and Investment Institute. Mr. Mak has accumulated over 40 years of accounting and corporate finance experience gained in Hong Kong and the UK. Mr. Mak is an independent non-executive director of Tencent Music Entertainment Group (NYSE: TME and HKEX: 01698) and is chairman of its audit committee. He is also a director of Shaw Trustee (Private) Limited which is the trustee of the Sir Run Run Shaw Charitable Trust. Previously, Mr. Mak served as the chief financial officer and company secretary of Television Broadcasts Limited (HKEX: 00511) from 2004 to 2021. Between 2000 and 2003, Mr. Mak was the chief financial officer of Global Digital Creations Holdings Limited (HKEX: 08271) and CyberCity Holdings Limited. Prior to working in the corporate sector, he was associate director of corporate finance of the Securities and Futures Commission from 1992 to 2000, and a deputy manager with KPMG from 1983 to 1992. Mr. Mak holds a degree in Bachelor of Science in Chemical Engineering from the University of Birmingham.

SENIOR MANAGEMENT

Ms. Xue Huiyin ("Ms. Xue"), aged 33, joined the Group in February 2017 and currently served as the deputy financial controller of the Group. Ms. Xue has over 11 years of experience in financial management. She was a senior auditor of BDO China Shu Lun Pan Certified Public Accountants LLP Beijing Branch and an assistant manager of KPMG Huazhen LLP. Ms. Xue graduated from Northeastern University with a bachelor's degree in accounting in June 2012. Ms. Xue is a certified public accountant in the PRC and possesses the qualifications of tax advisor and intermediate accountant.

REPORT OF THE DIRECTORS

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 2023.

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 ended 31 December 2023, 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 5 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 from pages 36 to 37 of this annual report and the financial risk management objectives and policies of the Group are shown in note 32 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 9 to 16 of this annual report.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided in the Environmental, Social, and Governance Report from pages 53 to 88 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 2023, Group employed a total of 31 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 2023 are set out in the consolidated statement of profit or loss on page 97 and consolidated statement of profit or loss and other comprehensive income on page 98 of this annual report.

The Directors did not recommend the payment of a final dividend for the years ended 31 December 2023 and 2022.

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, as extracted from the audited financial statements, is set out on page 162 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 2023 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 23 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2023, there were no equity-linked agreements entered into during the year or subsisting at 31 December 2023 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 2023.

PRE-EMPTIVE RIGHTS

As at 31 December 2023, 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 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, 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 2022: nil).

DONATION

No charitable donation was made by the Group for the year ended 31 December 2023 (for the year ended 31 December 2022: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the percentage of revenue attributable to the Group's top five customers was 60.5% of the total revenue of the Group with the top customer contributing to 12.9% 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.

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 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.

The transactions disclosed under "Connected transactions and disclosure pursuant to Rule 13.20 of the Listing Rules" and "Continuing connected transactions" below have complied with the disclosure requirements in accordance with Chapter 14A 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 2023 (as the case may be) is as follows:

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 ("TJGCMT") (the "Acquisition"). As at 31 December 2021, an aggregate amount of RMB576 million, representing 80% of the Consideration, was advanced to Bosheng Huifeng to pay for the Consideration (the "Prepayment"). Bosheng Huifeng will use 90% of the dividends arising from its interest in TJGCMT 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 the date of this report. Details of the status of the Acquisition are disclosed on page 14 to 16 of Management Discussion and Analysis in this annual report.

As at 31 December 2023, 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.

Acquisition of CashBox Group Technology (Hong Kong) Limited

On 16 October 2023, the Company as purchaser entered into the following agreements:

(i) the agreement (the "GOME FIIL Agreement") with Mega Bright Capital Resources Limited ("Mega Bright") in respect of the sale and purchase of 100% of the issued share of GOME Faith International Investment Limited ("GOME FIIL") a company incorporated in Hong Kong with limited liability, for a consideration of HK$174.8 million; and

(ii) the agreement with Hongkong Mingrun Business Co., Limited ("Mingrun Business") in respect of the sale and purchase of 3.3% of the issued shares of CashBox Group Technology (Hong Kong) Limited ("CashBox"), a company incorporated in Hong Kong with limited liability, for a consideration of HK$25.2 million.

The consideration for the Proposed CashBox Acquisition is proposed to be settled by the issue of a total of 2,500,000,000 new shares of the Company.

GOME FIIL is principally engaged in investment holding and it indirectly owns 47.7% equity interest in CashBox, which is principally engaged in game development and publishing business. Since Mega Bright is wholly-owned by Mr. Wong Kwong Yu, the spouse of Ms. Du Juan, who is the controlling shareholder (as defined in the Listing Rules) of the Company, Mega Bright is an associate of the controlling shareholder of the Company and hence a connected person of the Company. Therefore, the GOME FIIL Agreement and the transactions contemplated thereunder (including the issue of the consideration shares) constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As at the date of this annual report, the Company has not obtained independent shareholders' approval for the Proposed CashBox Acquisition and the Proposed CashBox Acquisition has not completed.

The management expects to, through the Proposed CashBox Acquisition, rely on the large and multi-regional user resources of CashBox, combining with the Company's advantage in internet technology, to create synergies for the Group's business. The management believes that the Proposed CashBox Acquisition will enable the Group to diversity its business, expand its income stream and maximise returns for the shareholders.

Details of the Proposed CashBox Acquisition are disclosed in the Company's announcements dated 16 October 2023 and 24 January 2024.

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 2023 is as follows:

Factoring Service Framework Agreement

The Company and Swiree Capital Limited ("Swiree") entered into a factoring service framework agreement (the "Factoring Service Framework Agreement") on 23 April 2021 to renew the framework for the provision of the Connected Factoring Loans to the Connected Factoring Loan Borrowers for the three years ending 31 December 2024. The principal terms of the Factoring Service framework Agreement are as follows:

Parties:

(i) The Company

(ii) Swiree

Term: From 1 January 2022 to 31 December 2024 (both days inclusive)

Subject: Pursuant to the Factoring Service Framework Agreement, members of the Group may grant commercial factoring loans to the suppliers (the "GOME Suppliers") of GOME Retail Holdings Limited ("GOME") and its subsidiaries (the "GOME Group") and/or connected person(s) of the Company who are connected with the GOME Group, Mr. Wong Kwong Yu ("Mr. Wong", the husband of Ms. Du) and/or Ms. Du (the controlling shareholder of the Company) (collectively 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 Loans"). 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, which shall comply with the terms and conditions as set out in the Factoring Service Framework Agreement.

(ii) The Company will limit the aggregate revenue generated from the Connected Factoring Loans to not more than RMB24,000,000, RMB27,000,000 and RMB30,000,000 for the years ending 31 December 2022, 2023 and 2024, respectively.

(iii) The maximum daily balance of the aggregate outstanding principal amount of the Connected Factoring Loans which may be granted by the Group during the term of the Factoring Service Framework Agreement is subject to the following annual caps:

	For the year ended/ending	
31 December 2022	**31 December 2023**	**31 December 2024**
RMB400,000,000	RMB450,000,000	RMB500,000,000

The largest outstanding principal amount of the Connected Factoring Loans and the aggregate revenue generated from the Connected Factoring Loans during the year ended 31 December 2023 amounted to approximately RMB404,300,000 (2022: approximately RMB400,000,000) and RMB26,840,000 (2022: RMB23,291,000), respectively. Other details of the Factoring Service Framework Agreement have been disclosed in the circular of the Company dated 26 May 2021.

Reasons for the continuing connected transactions

The commercial factoring business is the main source of income for the Group and will be the cornerstone for the future development of the Group. The demand for factoring loans from connected persons of the Company who are connected with the Connected Factoring Loan Borrowers 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 (other than the transactions contemplated under "Factoring Service Framework Agreement" which cover the period after the reporting period of this annual report) 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.

DIRECTORS

The Directors for the year ended 31 December 2023 and up to the date of approval of this annual report were:

Executive Directors:

Mr. Zhou Yafei
Mr. Song Chenxi (appointed on 13 December 2023)

Non-executive Directors:

Ms. Wei Ting (appointed on 13 December 2023)
Ms. Wei Qiuli (retired on 28 June 2023)

Independent Non-executive Directors:

Mr. Lee Puay Khng
Ms. Wang Wanjun
Mr. Mak Yau Kee Adrian (appointed on 5 February 2024)
Mr. Hung Ka Hai Clement (resigned on 12 December 2023)
Mr. Li Liangwen (resigned on 11 March 2024)

Pursuant to Bye-law 83(2) of the Bye-laws of the Company, Mr. Song Chenxi, Ms. Wei Ting and Mr. Mak Yau Kee Adrian shall hold office until the forthcoming annual general meeting. Mr. Song Chenxi, Ms. Wei Ting and Mr. Mak Yau Kee Adrian, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 23 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 TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed 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 transactions, arrangements and contract of significance, to which the Company, its fellow subsidiaries, its subsidiaries or its holding company was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2023 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 2023, 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 2023, none of the Directors and the 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 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 C3 to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 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 2023, 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 4)*	Notes
Mega Bright	Beneficial owner	2,185,286,341	80.90	1
Swiree	Beneficial owner	1,653,073,872	61.20	2
Ms. Du Juan	Corporate interest	1,653,073,872	61.20	2
	Spouse interest	2,185,286,341	80.90	2
Mr. Wong Kwong Yu	Interest in a controlled corporation	2,185,286,341	80.90	3
	Spouse interest	1,653,073,872	61.20	3
Richlane Ventures Limited ("Richlane")	Beneficial owner	295,512,312	10.94	4
Mr. Ko Chun Shun, Johnson ("Mr. Ko")	Beneficial owner	5,000,000	0.19	4
	Corporate interest	295,512,312	10.94	4
	Corporate interest	38,978,000	1.44	4

Notes:

1. The 2,185,286,341 Shares represent the consideration shares which will be issued to Mega Bright at completion of the GOME FIIL Agreement. As at the date of this annual report, these consideration shares have not been issued to Mega Bright yet.

2. 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. Being the spouse of Mr. Wong, Ms. Du Juan was also deemed to be interested in the 2,185,286,341 Shares in which Mega Bright was interested by virtue of the SFO.

3. Mr. Wong Kwong Yu, being the spouse of Ms. Du Juan, was deemed to be interested in 1,653,073,872 Shares by virtue of the SFO. As Mr. Wong Kwong Yu wholly and beneficially owned Mega Bright, he was deemed to be interested in the 2,185,286,341 Shares in which Mega Bright was interested by virtue of the SFO.

4. Mr. Ko held 5,000,000 Shares directly. He also held 334,490,312 Shares indirectly, among which he held 295,512,312 shares through Richlane and 38,978,000 shares through Sonic Gain Limited, both of which were wholly-owned by him.

5. As at 31 December 2023, the total number of issued Shares was 2,701,123,120.

Save as disclosed above, as at 31 December 2023, 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 164 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.

SUBSEQUENT IMPORTANT EVENTS

Subsequent to 31 December 2023 and up to the date of this annual report, no important event affecting the Group had occurred.

REMUNERATION POLICY 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.

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 38 to 52 of this annual report.

CHANGE OF DIRECTOR'S INFORMATION

Upon specific enquiry by the Company and following confirmations from the Directors, save as disclosed below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

(i) Ms. Wang Wanjun has served as a consultant of Shenzhen Eastcom Times Information Technology Co., Ltd. since July 2023.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2023 were audited by Baker Tilly Hong Kong Limited ("Baker Tilly") whose terms of office will expire upon the forthcoming annual general meeting of the Company. A resolution for the re-appointment or appointment of the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

Moore Stephens CPA Limited ("Moore") was appointed as the auditor of the Company by the Board on 3 November 2020. On 26 August 2022, Moore resigned as auditor of the Company and Baker Tilly was then appointed as the auditor of the Company by the Board on 26 August 2022. Save as disclosed above, there is no change in the auditor of the Company in the preceding three financial years.

On behalf of the Board

Zhou Yafei
Executive Director

Beijing, 27 March 2024

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 15 and note 32 to the consolidated financial statements.

Management of key customers

The Group relies on certain major customers from the factoring businesses. During the year ended 31 December 2023, the proportion of aggregate amount of revenue attributable to the Group's five largest customers has increased significantly, representing approximately 60.5% (2022: 29.2%) of the Group's revenue for the year. The major customers of the factoring business are PRC based distributors. The customer development strategy of the Group will be deeply explored from the existing customer channels to the upstream and downstream, and more attention will be paid to customer quality, and customer risks will be assessed through comprehensive factors such as customer scale and strength. 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. The Group always pays attention to customer concentration risk. In addition to strictly evaluating the financial and business conditions of existing customers according to the system, the Group has been looking for other feasible business opportunities.

Risks associated with the prepayment for acquisition

Xinda Factoring, a subsidiary of the Company, entered into a loan agreement with Beijing Bosheng in 2017 to provide a non-interest-bearing loan to Beijing Bosheng for the acquisition of the entire equity interest of TJGCMT. The Group paid RMB576 million in advance in 2019. According to the Transfer Agreement, the Acquisition will only be considered as complete upon the change of actual controller of TJGCMT, but the Acquisition is still in the incomplete stage as the review process conducted by the PBOC has not been completed up to 31 December 2023 and the date of issuance of this annual report.

According to the Transfer Agreement, in the event that the transfer of the equity interest in TJGCMT eventually fails to complete, Beijing Bosheng is entitled to request the Sellers to refund the advance payment paid by it in accordance with the provisions of the Transfer Agreement. However, due to timeline issue and other factors, the Group believes that the amount to be recoverable by Beijing Bosheng and the timing of recovery under the agreement are uncertain, and the immediate termination of the Acquisition may expose the Group to significant losses.

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.

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of Gome Finance Technology Co., Ltd. (the "Company", and together with its subsidiaries, the "Group") is committed to maintaining 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 C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has applied the principles of the CG Code to its corporate governance structure and practices as described in this report. Unless otherwise stated, the code provisions of the CG Code in this corporate governance report referred to those contained in Appendix C1 to the Listing Rules in force during the year ended 31 December 2023 and as at 31 December 2023. Throughout the year ended 31 December 2023, the Company had complied with all code provisions set out in Part 2 of the CG Code, except for deviation disclosed below.

Code provision C.2.1 and Code provision C.2.7

According to code provision C.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 C.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. Zhou Yafei, ("Mr. Zhou") who has been appointed as an executive Director with effect from 26 March 2021, had performed the duties of the chairman and the chief executive of the Company 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 chief executive 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 chief executive of the Company such that the Company can comply with code provision C.2.1 of the CG Code. As the Company did not have a chairman, it could not strictly comply with code provision C.2.7 of the CG Code during the year ended 31 December 2023. However, the independent non-executive Directors had effective access to Mr. Zhou 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. The Company considers that there were sufficient channels and communications for discussion of the Company's affair between Mr. Zhou and other independent non-executive Directors during the year ended 31 December 2023.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 2023.

BOARD OF DIRECTORS

The composition of the Board during the year ended 31 December 2023 and up to the date of approval of this annual report is set out as follows:

Executive Directors

Mr. Zhou Yafei
Mr. Song Chenxi (appointed on 13 December 2023)

Non-Executive Directors

Ms. Wei Ting (appointed on 13 December 2023)
Ms. Wei Quili (retired on 28 June 2023)

Independent Non-Executive Directors

Mr. Lee Puay Khng
Ms. Wang Wanjun
Mr. Mak Yau Kee Adrian (appointed on 5 February 2024)
Mr. Hung Ka Hai Clement (resigned on 12 December 2023)
Mr. Li Liangwen (resigned on 11 March 2024)

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 Group's 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 as at the date of approval of this annual report are set out in the section of "Biographical Details of Directors and Senior Management" on pages 21 to 23 of this annual report. None of the members of the Board is related to one another.

As at 31 December 2023, as a result of the resignation of Mr. Hung Ka Hai Clement, the Company had three independent non-executive Directors representing more than one-third of the Board. None of such independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules. As a result of the appointment of Mr. Mak Yau Kee Adrian as an independent non-executive Director on 5 February 2024, the Company re-complied with Rule 3.10(2) and Rule 3.21 of the Listing Rules.

As at the date of approval of this annual report, the Company has three 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 independent non-executive Director an annual confirmation of his/her independence and considers that all the independent non-executive Director are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The non-executive Director and the independent non-executive Directors have signed letters of appointment for a term of three years with the Company.

Mr. Song Chenxi, Ms. Wei Ting and Mr. Mak Yau Kee Adrian being the Directors appointed during the reporting period, confirmed that they had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 13 December 2023 and that they understood their obligations as a director of a listed issuer.

Chairman and CEO

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

Mr. Zhou Yafei had performed the duties of the chairman and the chief executive of the Company 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:

The 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.

The 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. At 31 December 2023, the Board had two female directors out of six directors.

As at 31 December 2023, the Group had 31 full time employees in total with 17 female employees and 14 male employees, representing 55% and 45% of the workforce (including senior management), respectively. The Group targets to further improve the current level of female representation over time.

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. Every Director 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 83(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 84(1) of the Bye-laws, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company at least once every three years. All retiring Director shall be eligible for re-election. Accordingly, all Directors shall be subject to retirement by rotation and re-election at the annual general meeting of the Company under the Bye-laws.

ROLES AND FUNCTIONS OF THE BOARD AND THE MANAGEMENT

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

CORPORATE CULTURE

The Board sets the foundation of the Group's corporate culture, which underpins the core values of and across over all levels of the Group. The Group plays a leading role in defining the purposes, values and strategic direction of the Group and in fostering a culture focuses on foresight and efficiency.

The corporate culture of the Group is developed and reflected consistently in our daily operating practices, workplace policies and practices to ensure high standards of commitment and best practices across the Group.

During the year ended 31 December 2023, the Group has reviewed and considered that the corporate culture of the Group is aligned with the purpose, values and strategy 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, eight Board meetings were held and the Company's annual general meeting ("AGM") was held on 28 June 2023. The attendance of each Director (who held office during the year under review) at the Board meetings and the AGM during the year under review is set out as follows:

Name of Directors	Attendance of the AGM	Number of Board meetings attended/held
Executive Directors		
Mr. Zhou Yafei	✓	8/8
Mr. Song Chenxi (appointed on 13 December 2023)	N/A	0/0
Non-Executive Directors		
Ms. Wei Qiuli (retired on 28 June 2023)	✓	3/4
Ms. Wei Ting (appointed on 13 December 2023)	N/A	0/0
Independent Non-Executive Directors		
Mr. Lee Puay Khng	✓	8/8
Mr. Li Liangwen (resigned on 11 March 2024)	✓	8/8
Mr. Hung Ka Hai Clement (resigned on 12 December 2023)	✓	8/8
Ms. Wang Wanjun	✓	8/8

During the year ended 31 December 2023, 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. The Board has also agreed that the Directors may seek independent professional advice in performing their Directors' duties at the Company's expenses.

MECHANISMS TO ENSURE INDEPENDENT VIEWS AND INPUT

The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).

Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

The Board will review the implementation and effectiveness of the above mechanism on an annual basis to ensure timely adjustments will be made as and when necessary.

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.

CORPORATE GOVERNANCE REPORT

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

Name of Directors	Courses/Seminars provided/accredited by professional body	Reading materials
Executive Directors		
Mr. Zhou Yafei	✓	✓
Mr. Song Chenxi (appointed on 13 December 2023)	✓	✓
Non-Executive Directors		
Ms. Wei Ting (appointed on 13 December 2023)	✓	✓
Ms. Wei Qiuli (retired on 28 June 2023)	–	–
Independent Non-Executive Directors		
Mr. Lee Puay Khng	✓	✓
Mr. Li Liangwen (resigned on 11 March 2024)	✓	✓
Mr. Hung Ka Hai Clement (resigned on 12 December 2023)	✓	✓
Ms. Wang Wanjun	✓	✓

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.

The Board has performed the corporate governance duties as set out above during the year ended 31 December 2023.

The Board has established mechanism(s) to ensure independent views and input are available to the Board, which are disclosed above. The Board reviews the implementation and effectiveness of such mechanisms on an annual basis.

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 available on the websites of the Company and the Stock Exchange.

REMUNERATION COMMITTEE

As at 31 December 2023 and the date of approval of this annual report, the Remuneration Committee comprised three members including two independent non-executive Directors, namely Mr. Lee Puay Khng (the Chairman) and Ms. Wang Wanjun, and one non-executive Director, namely Ms. Wei Ting.

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 E.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 2023, there was one meeting held by the Remuneration Committee to review the remuneration packages of the Directors for the year ended 31 December 2022 and make recommendation on the remuneration packages of the Directors and the senior management for the year ended 31 December 2023.

Details of the remuneration paid to Directors and the remuneration to the five highest paid employees by band for the year ended 31 December 2023 are disclosed in notes 8 and 9 to the consolidated financial statements.

Details of the remuneration paid to members of senior management by band for the year ended 31 December 2023 are set out as below:

	2023	2022
Nil to HKD1,000,000	1	1

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

Members	No. of meeting(s) attended/held
Mr. Lee Puay Khng *(Chairman)*	1/1
Ms. Wang Wanjun	1/1
Ms. Wei Ting (appointed on 13 December 2023)	0/0
Mr. Zhou Yafei (ceased to be a member on 13 December 2023)	1/1

NOMINATION COMMITTEE

As at 31 December 2023, the Nomination Committee comprised three members including two independent non-executive Directors, namely Mr. Li Liangwen (the Chairman) and Mr. Lee Puay Khng, and one executive Director, namely Mr. Zhou Yafei.

As at the date of approval of this annual report, the Nomination Committee comprised three members including two independent non-executive Directors, namely Mr. Mak Yau Kee Adrian (Chairman) and Mr. Lee Puay Khng, and one executive Director, namely Mr. Zhou Yafei.

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 2023, one meeting was held by the Nomination Committee to (i) review the structure, size and composition of the Board; (ii) nominate the Directors to be newly appointed and the Directors for re-election at the 2023 annual general meeting; (iii) assess the independence of the independent non-executive Directors with reference to the requirements under the Listing Rules; and (iv) discuss and agree on the measurable objectives to increase the ratio of female members over time when selecting and making recommendations on eligible candidates for Board appointments for achieving diversity of the Board.

Based on the Nomination Committee's review for the year ended 31 December 2023, 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. In particular, taking into account the Group's business and specific needs as well as the presence of two female Directors out of a total of six Directors as at 31 December 2023, the Company considers that it has achieved gender diversity at the Board level and targets to further improve the current level of female representation.

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

Members	**No. of meeting(s) attended/held**
Mr. Zhou Yafei	1/1
Mr. Hung Ka Hai Clement (resigned on 12 December 2023)	0/0
Mr. Li Liangwen *(Chairman)* (resigned on 11 March 2024)	1/1
Mr. Lee Puay Khng	1/1

AUDIT COMMITTEE

As at 31 December 2023, the Audit Committee comprised four independent non-executive Directors, namely Mr. Lee Puay Khng, Mr. Li Liangwen, Ms. Wang Wanjun and Ms. Wei Ting.

As at the date of approval of this annual report, the Audit Committee comprised four members, including three independent non-executive Directors, namely Mr. Mak Yau Kee Adrian (Chairman), Mr. Lee Puay Khng and Ms. Wang Wanjun, and one non-executive Director, namely Ms. Wei Ting.

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 2023, 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 appointment.

Each of the former Chairman of the Audit Committee, Mr. Hung Ka Hai Clement, and the current Chairman of the Audit Committee, Mr. Mak Yau Kee Adrian, 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 year is set out below:

Members	**No. of meeting(s) attended/held**
Mr. Hung Ka Hai Clement *(Chairman)* (resigned on 12 December 2023)	3/3
Mr. Lee Puay Khng	3/3
Mr. Li Liangwen (resigned on 11 March 2024)	3/3
Ms. Wang Wanjun	3/3
Ms. Wei Ting (appointed on 13 December 2023)	0/0

STRATEGY COMMITTEE

As at 31 December 2023, the Strategy Committee comprised three members, including two executive Directors, namely Mr. Zhou Yafei (Chairman) and Mr. Song Chenxi, and one independent non-executive Director, namely Mr. Li Liangwen.

As at the date of approval of this annual report, the Strategy Committee comprised two executive Directors, namely Mr. Zhou Yafei (Chairman) and Mr. Song Chenxi.

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

Ms. Suen Yu May Sammi was the company secretary of the Company (the "Company Secretary") until her resignation with effect from 20 February 2023. Ms. Cheng Hiu Ching was appointed as the Company Secretary on 20 February 2023 until her resignation with effect from 5 June 2023. Mr. Szeto King Pui, Albert was then appointed as the Company Secretary on 5 June 2023 until his resignation with effect from 4 December 2023. Mr. Wong Kai Hing was then appointed as the Company Secretary on 4 December 2023. Mr. Wong Kai Hing 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 2023, the total remuneration for the audit services and permissible non-audit services provided by Baker Tilly, the Company's external auditor, amounted to approximately RMB1,100,000 and RMB1,081,000, 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 2023, 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 97 to 161 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 89 to 96 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 2023, the Company implemented various policies and procedures for internal audit and risk management at each aspect of its operation. The Company also appointed an independent professional consultancy firm to independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

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 in compliance with Appendix C1 to the Listing Rules, 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 2023, 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 21 clear 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.

The Company had reviewed its shareholders' communication policy during the year and was satisfied that as to its implementation and effectiveness on the basis that such policy has enhanced timely and open communication between the Company and the shareholders during the year.

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the year ended 31 December 2023.

1 Overview of the Report

This is the Environmental, Social and Governance report ("ESG Report") for GOME Finance Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group"). While actively expanding the strategic layout in the financial technology field, the Company strives to foster sustainable business development as the highest priority of its long-term development goal. The Group's ESG approach is to factor the concept of sustainability into the business operations to create shared value for our stakeholders.

With a commitment to sustainability, the Group publishes this ESG Report to disclose the Group's ESG-related strategic approach, management measures and overall ESG performance with respect to material ESG aspects. This includes but is not limited to compliance in operation, product responsibilities, green office, employees' interests and giving back to the community, all of which will be discussed in the following sections.

REPORTING SCOPE AND BOUNDARY

The scope is determined based on the importance of the business segments under the Group's direct operational control and the significance of the impact on ESG aspects. Unless otherwise stated, the scope of the ESG Report covers the Group's principal business operations and activities in Hong Kong, Tianjin and Beijing commencing from the financial years dated from 1 January 2023 to 31 December 2023 (the "Reporting Period"), which is the principal provision of the financial services business line. The Group will continue to examine other potential ESG aspects to determine whether they are required to be included in the ESG Report.

REPORTING STANDARD

This ESG Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and in accordance with the material ESG issues identified from the stakeholders' questionnaires. Information disclosed and presented in this ESG Report follows the four reporting principles required by the ESG Reporting Guide as follows:

Materiality: A comprehensive materiality assessment was carried out to identify any material issues during the Reporting Period. The materiality of ESG issues was reviewed and confirmed by the Board of Directors (the "Board") and the ESG Working Group (the "Working Group"). For further details, please refer to the sections "COMMUNICATION WITH STAKEHOLDERS" and "MATERIALITY ISSUES AND MATRIX".

Quantitative: The Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant key performance indicators (the "KPIs"), and there is no change from the previous year in the way the ESG Report has been prepared. Explanatory notes were provided to explain the standards, methodologies, and applicable assumptions for calculating KPIs data.

Balance: To present a comprehensive and objective view of the Group's ESG performance during the Reporting Period by providing a balanced disclosure of positive and negative information. This approach ensures that the ESG Report's contents offer an unbiased and transparent depiction of our ESG performance.

Consistency: Unless otherwise stated, the preparation approach of this ESG Report is consistent with the previous year for comparison. The corresponding data will be explained in the sections "REPORTING SCOPE AND BOUNDARY" if any changes in the scope of disclosure and calculation methodologies may affect comparisons to prior reports.

MESSAGE FROM THE BOARD

We are delighted to present GOME Finance Technology Co., Ltd.'s ESG Report.

Experiencing the increasingly complex and severe international environment, together with sporadic and repeated domestic pandemic outbreaks, had caused severe adverse impacts on economic development and exerted considerable downward pressure on the PRC domestic economy. Against this challenging backdrop, our Group remained resilient, and we are proud that our staff produced excellent results. We are grateful to our staff, business associates and partners for their perseverance in supporting our clients and the community in these challenging times.

The macro-environment and global economic uncertainty have highlighted the importance of long-term sustainability and the integration of ESG risk management into our business strategy. To ensure a more effective implementation of ESG practices and control systems across the Group's operations and businesses, we have established a cross-departmental Working Group which comprises members designated by the management team, spanning various departments, including finance, HR & Admin, product and sales, and legal and compliance etc. The primary responsibilities of this Working Group include identifying material ESG issues and monitoring business performance against ESG metrics and initiatives across all our activities. We firmly believe that effective ESG risk management is crucial for the sustainable growth of our Group.

As we moved forward into 2023, we continued to fulfil the multifaceted aspects of our corporate social responsibility. Through the implementation of energy conservation measures and emissions reduction initiatives, our Group successfully achieved a decline in its annual carbon footprint. We aim to demonstrate our commitment to supporting the transition to a net-zero economy and ultimately contribute to our nation's carbon neutrality goal. Recognising that our employees are the core assets for the Group's success, we will continue to promote their growth by providing a wide range of training courses.

Looking ahead to the upcoming year, we eagerly anticipate supporting our community and fostering long-term partnerships with our clients and business partners. By embracing the core values of ESG, we strive to create a brighter future in collaboration with all our stakeholders.

COMMUNICATION WITH STAKEHOLDERS

Creating long-term value for stakeholders in business requires a comprehensive understanding of their concerns and expectations. By actively engaging with stakeholders through effective communication channels, including but not limited to meetings, surveys, and online platforms, the Group can establish strong relationships, build trust, and drive positive impact with significant stakeholders in a constantly evolving marketplace. The Group has regularly engaged its key stakeholders, including employees, shareholders and investors, customers, the government, suppliers and business associates, regulatory authorities, community, peer enterprises and industry associations, and the local community to ensure sustainable and mutually beneficial outcomes through effective communication.

The Group strongly believes that our stakeholders play a crucial role in sustaining the success of our business. The Group is actively searching for every opportunity to understand and engage our stakeholders to ensure that improvement can be implemented in our products and services.

Stakeholders		**Suggestions and Expectations**	**Methods of Communications and Feedback**
Internal	Employees	• Training opportunities and career development • Employee legal rights • Remuneration and compensation package • Occupational health and safety • Support and care for employees	• Employee feedback questionnaire • Internal seminars and training course • Intranet • Team building activities and staff-caring events
	Shareholders and Investors	• Risk management • Sustainable and stable investment return • Participation in decision-making process • Protection of shareholders' rights and interests • Effective corporate governance • Transparency and information disclosure • Compliance in business operations	• Annual general meetings and shareholder meetings • Regular external reports • Company announcements and newsletters • Monitoring of public opinion from the media • Investor relations mailbox and enquiry hotline • Official company website

Stakeholders		Suggestions and Expectations	Methods of Communications and Feedback
External	Customers	• Privacy protection measures • Service quality • Responsiveness to customer enquiries • Protection of consumer rights	• Complaint mechanism • Social media and corporate website • Customer satisfaction surveys • Customer service hotlines
	Government	• Timeliness and accuracy of tax payment • Contribution to economic development • Effective financial risk management • Corporate social responsibility • Promoting employment	• Government inspection and enquiries • Conferences and seminars • Information submission • E-mails and phone calls • Reports on special projects
	Suppliers/ Business Associates	• Long-term partnership • Transparency and fairness • Honesty and integrity	• Tender meetings and conferences • Arm's length negotiation • Periodic evaluation
	Regulatory Authorities	• Comprehensive and sound risk management • Compliance with rules and regulations • Corporate social responsibility • Timely and accurate information disclosure • Effective corporate governance	• Legal counsellor • External reports • Company announcements and newsletters
	Community	• Contribution to regional development • Poverty alleviation • Support for the underprivileged • Involvement in community	• Volunteering and charitable events • Community interactions and activities
	Peer Enterprises and Industry Associations	• Compliance with the latest standards • Industry interactions and contributions	• Industry forums, panel discussions and seminars • Conferences, site visits and inspections with industry peers

MATERIAL ISSUES AND MATRIX

A materiality assessment was carried out based on the characteristics of the business and the future direction of the Group, taking into account the industry practices. This assessment adhered to the principle of "materiality" and involved using a specially designed questionnaire for stakeholders. The questionnaire was distributed to identified stakeholders to gather valuable insights into their expectations and concerns.

During the preparation stage, the Group identified various ESG issues that have the potential or actual impact on its sustainable development. These issues were derived from multiple sources, including previous ESG reports, internal policies, industry trends, and the Materiality Map of the Sustainability Accounting Standards Board provided. The identified ESG issues were analysed, considering factors such as the Group's overall strategy, development, goals, and targets.

The Group's stakeholders actively participated in the materiality assessment. They assessed and rated potential material issues that are relevant to the business and stakeholders of the Group, taking into account the level of impact. The assessment results are presented below:

LEVEL OF INFLUENCE ON STAKEHOLDERS' ASSESSMENTS & DECISIONS

ESG Issues

1	Emissions and Energy Management	8	Customer Services
2	Climate Change	9	Customer Data Protection and Privacy
3	Employee’s Interest	10	Anti-corruption Management
4	Employee Development and Training	11	Community Investment
5	Labour Standard	12	Corporate Governance
6	Supply Chain Management	13	Internal Control Protection and Risk Management
7	Intellectual Property Right		

Based on the scores provided by the Group stakeholders through the questionnaire, we have identified and prioritised 13 sustainability issues, and falling into six categories including: Environmental Protection, Employment and Labor Practices, Operating Practices, Product and Services, Compliance and Governance, and Community Investment. This categorisation reflects their relevance to the Group and their importance regarding ESG considerations.

We received 11 valid questionnaire responses from our stakeholders this year. After statistical analysis of the scores assigned to each topic, we classified and summarised the recommendations and expectations. Our matrix provides a comprehensive and balanced overview of our stakeholders' perspectives on the Group’s ESG issues. Importantly, our findings align with the current shifts in the global ESG landscape, which the complex operating environment, regulatory changes, and market developments have influenced.

In summary, while all stakeholder groups expressed heightened concern regarding customer data protection and privacy, we also observed a significant focus on internal control protection, risk management, and employee welfare. Various sections of this ESG Report provide details on the key topics and concerns raised by our stakeholders and how we responded to those concerns.

2 Compliance and Governance — Robust Governance Structure and Committed Leadership

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

2.1 Corporate Governance

The Group has always adhered to sound corporate governance principles with the Board at the core. It has maintained excellent risk management and internal control to keep its transparency and accountability to the shareholders. During the Reporting Period, the Group strictly implemented its corporate governance policies. The Board ensures all decisions are made under the principle of fairness and strengthens and improves internal governance to regulate the Group's operation and steadily enhance shareholder value.

Being the Group's highest governing body, the Board consists of executive director(s), non-executive director(s), and independent non-executive directors. The Board is responsible for the overall governance, supervision, and regular review of the Group, aiming to bring long-term benefits to the Group and its 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 Group.

The Board is responsible for setting the Group's strategic direction, overseeing the business performance of the Group, 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. The Group has established a governance structure to enhance its management of ESG issues. The Board has overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing, and adopting the ESG-related strategies and targets of the Group, reviewing the Group's performance annually against the targets, and revising the strategy as appropriate if significant variance from the target is identified. To exert governance over the ESG issues, the Group has set up a Working Group comprising members from middle to senior management, including the Head of Compliance, General Manager of Supply Chain and Manager of Human Resources. It serves as a supportive role to the Board in implementing the ESG-related strategies and targets, conducting materiality assessments of ESG issues, prioritising them, and promoting the implementation of respective measures. Under the authority of the Board, the Working Group assists in collecting ESG data from the respective functional departments, monitoring the implementation of the measures, investigating deviations from the targets, and liaising with the respective functional departments to take prompt rectification actions. The Working Group reports to the Board about the ESG performance of the Group and the effectiveness of the ESG management system on an annual basis.

The Board is responsible for overseeing the content of the Group's ESG Report to ensure it does not contain any false representations, misleading statements, or material omissions. In addition, the Board will continue to review the progress based on the set goals and targets and enhance the Group's sustainable development.

Please refer to the "Corporate Governance Report" section in the 2023 Annual Report of the Group for more details relating to the Group's corporate governance practices and status and the respective roles of the Board and its committees.

Governance Structure

Board

- The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG system.

ESG Working Group

- The ESG Working Group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.

Functional Department

- Functional department is responsible for the execution of implemented measures to achieve the set strategies and targets.

2.2 *Internal Control and Protection from Risks*

The Group abides by the Company Law of the People's Republic of China (《中華人民共和國公司法》) and other relevant laws, regulations, and industry regulations. The Group adheres to compliant operation and constantly reinforces the establishment of a risk management system and internal control compliance system, laying a solid foundation for the sustainable and healthy development of the enterprise.

In accordance with the relevant laws and regulation and the articles of association of the Group, the Group formulated the Internal Control System (《內部控制制度》) to establish and demonstrate effective internal control mechanism with defined duties and adequate checks and balances. The Group adheres to the "compliance value creation" concept and actively implements compliance management to prevent practical compliance risk. The Group continues to strengthen the organisational leadership, improve the compliance management organisation and functions, and ensure the orderly and healthy development of each department's business. The Group also follows its standardised business procedures to prevent risks such as legal liabilities and regulatory penalties due to irregular operation and operational management. In addition, the Group constantly reinforces the establishment of internal control systems and improves various systems, including internal control management, risk management and customer service, to ensure compliance operations.

The Board and senior management play a vital role in the risk management system and the internal control compliance system of the Group. The former oversees the business approach, while the latter monitors the risks in the Group's businesses. Board meetings and meetings with senior management and external and internal auditors are held regularly. Internal audit reports and risk assessment reports are also provided to the Board annually as reference. Senior management is responsible for identifying the risks impacting businesses and operations. Frequent departmental meetings help senior management monitor the identified risks closely. Up-to-date financial and operational data also keeps senior management aware of changes in the business and economic environment.

Adhering to the four principles of "comprehensiveness, adaptability, independence and integrated development", the Group maintains the Three Lines Model for risk management, comprising relevant functional departments and business units, a Risk Management Centre and a Control and Audit Centre, to optimise the risk management system continuously. The Group has a sound and complete risk management structure in comprehensive risk management, with defined responsibilities for the Board, senior management and operating management. Operating mechanisms such as identification, evaluation, monitoring, measurement, and reporting risks have been running smoothly, effectively managing all kinds of risks.

2.3 *Anti-corruption Management*

The Group continued strengthening discipline inspection and supervision and vigorously promoted the construction of moral integrity and anti-corruption management. The Group implements the Internal Audit Charter of Gome Finance Technology Co., Ltd. (《國美金融科技有限公司內部審計章程》) in accordance with the Oversight Law of the People's Republic of China (《中華人民共和國監察法》) and the relevant laws and regulations to strengthen the internal auditing procedures and eliminate potential malpractices. The Supply Chain Finance Non-compliance By-laws and Punishment Regulations of Gome Finance Technology Co., Ltd. (《國美金融科技有限公司供應鏈金融違規細則及處罰條例》) further define staff violations and specify the corresponding penalties to ensure the staff's compliance along with business development. The Group continued to uphold the value of moral integrity, fulfilled its responsibilities, and strengthened supervision and anti-corruption training.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group provided anti-corruption training to its employees and management to enhance the Group's integrity and continuously improve supervision and constraint mechanisms. The anti-corruption training aimed to raise awareness among all employees about the significance of voluntarily abstaining from accepting gifts and gratuities, promoting integrity throughout the Group. In addition, it sought to establish standardised procedures for managing the surrender, inventory, and utilisation of gifts and gratuities. As part of its anti-corruption prevention efforts, the Group follows the practices below:

Implementation of responsibility

- Implement the responsibilities of moral integrity construction and anti-corruption works to each management personnel
- Finalise 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

- The senior management leads the heads of each business divisions and centre in supervising corrupt behaviours including treats, gifts, cards and offers
- The Group oversees the control and audit Centre and seriously handles every reporting letter by conducting prompt investigation and report

Anti-corruption training

- Adhere to the collective study once every quarter
- Release new rules and regulations and timely provide anti-corruption 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 Group implements an internal monitoring mechanism to provide a double guarantee for the Group's compliance in operation through the establishment of supervision and anonymous reporting channels. Employees can confidentially report to the Group's Control and Audit Centre for any misconduct, dishonesty, corruption, illegal activity, or wrongdoing within the Group. Upon receipt of such reports, the Supervision and Audit Department of the Group 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.

2.4 *Anti-money Laundering*

The Group's core businesses include commercial factoring and other financial services in Mainland China. The nature of business makes anti-money laundering an essential aspect in the Group's risk management system.

The Group 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 Provisions on Anti-Money Laundering of Financial Institutions (《金融機構反洗錢規定》), the Measures on the Administration of Client Identity Identification and Materials and Transaction Recording of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》), the Notice of the People's Bank of China on Issuing the Guidelines for the Assessment of Money Laundering and Terrorism Financing Risks and Categorized Management of Customers of Financial Institutions (中國人民銀行關於印發《金融機構洗錢和恐怖融資風險評估及客戶分類管理指引》的通知), the Administrative Measures for the Freezing of Assets Relating to Terrorist Activities (《涉及恐怖活動資產凍結管理辦法》), and the Measures for the Supervision and Administration of Anti-Money Laundering by Financial Institutions (for Trial Implementation) (《金融機構反洗錢監督管理辦法(試行)》).

The Group sets up an Anti-money Laundering (the "AML") team to reinforce the anti-money laundering practice. It formulated the Anti-Money Laundering Internal Control System of Gome Finance Technology Co. Ltd. (the "AML System") (《國美金融科技反洗錢內部控制制度》) (「反洗黑錢制度」) to comply with relevant laws and regulations. The AML team comprises members from each business unit, Compliance and Government Affairs Department and Risk Management Centre. The responsibilities of the AML team are outlined as follows:

- To follow up on high-risk customers and suspicious transactions with Risk Management Centre and to propose possible action plans;
- To formulate and update AML related policies and guidelines in accordance with the laws and regulations, and to educate the employees in respect of the Group's AML policies and procedure;
- To supervise the AML practice implemented in the business operation and the maintenance of the AML-related records; and
- To investigate suspicion cases reported by each business unit and from the whistle-blowers.

If there is one transaction in a customer account is finalised as a high credit risk transaction, such an account will be regarded as high risk. The following measures may be adopted as suggested by the AML System:

1. Freezing account balance;
2. Freezing credit;
3. Suspending application of new loan;
4. Calling partial prepayment before maturity;
5. Claiming for additional guarantee; and
6. Accelerating the maturing of loans.

To prevent its employees from participating in any money laundering activities and to prohibit them from assisting any person or organisation that attempts to engage in criminal behaviour or illegal activity, the Group requires its employees, who are responsible for reviewing client information, to complete an AML training within 3 months from their commencement date of employment. The Group also provides one to two AML training to employees from each business unit and those relevant to compliance operations in every financial year to raise the employees' awareness and skills of moral risks and anti-money laundering. The AML policies remain effective in strengthening the practice of anti-money laundering. The table below discloses the AML-related issues in respect of the Group:

	Unit	2023
AML-related Issues		
Number of customer accounts that were regarded as high risk by the Risk Management Centre after investigation	No.	**0**
Number of money laundering transactions recognised by the Group	No.	**0**
Number of litigations arising from money laundering	No.	**0**

The Group did not have any litigation arising from corruption, bribery, or money laundering against the Group or its employees during the Reporting Period.

2.5 *Whistle-blowing Policy*

The Group has a whistle-blowing policy to encourage employees to report suspicious fraudulent activities. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Therefore, the employee(s) reporting in good faith under this procedure shall be protected against unfair termination or victimisation, even if the reports are subsequently proved to be unsubstantiated. The Group's monitoring centre is responsible for investigating the suspected cases reported by each business unit and from the whistle-blowers. Disciplinary action will be applied to the employee involved upon confirmation of the occurrence, and further legal action may be taken depending on the nature and particular circumstances of each case.

3 Product and Services — Development of Financial Technology with Innovation

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

3.1 *Customer Information and Privacy and Customer Services*

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

Protecting Customer Privacy

The Group attaches great importance to protecting customers' data and privacy and builds a comprehensive information security management system. In accordance with the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems (《中華人民共和國計算機信息系統安全保護條例》), Implementation Guide for Classified Protection and Information System of Financial Industry (《金融行業信息系統信息安全等級保護實施指引》) (JR/T0071-2012) and related laws and regulations , the Group formulates the Information Technology Management System and the Confidentiality Policy, specifying the information security of each section at the institutional level and to enable it to manage the collection, use and storage of all kinds of data, regulate information security management work, ensure the availability, integrity and confidentiality of information, and fully protect customer privacy.

The Group has strengthened network security and monitoring of the office and guest networks and isolated internal networks from external ones to ensure information security. It also kept users' sensitive information in the database using encryption algorithms. There was no leakage of information on customers recognised during the Reporting Period.

Quality Customer Services

Through upholding a customer-focused business development model, the Group continues to enhance customer relationship management, open feedback channels, and improve customer satisfaction. During the Reporting Period, the Group conducted timely staff training to ensure that employees were familiar with the industry and the Group's business conditions to effectively settle the loan applications and factoring process enquiries raised by customers through phone calls and other online communication platforms.

In addition, the Group has implemented stringent customer service standards to prevent false advertising and deceptive marketing practices. Account managers are responsible for conducting on-site visits at appropriate intervals after loan disbursements to ensure necessary follow-up actions are taken. They also communicate regularly with customers to assess their business size, operations, and capital needs.

The Group implements a standardised customer complaint mechanism. When handling customers' complaints or inquiries, account managers are arranged to provide one-to-one services to answer customer questions and give feedback at once, providing customers with quality service experiences. During the Reporting Period, no products and service-related complaints were received from customers. In addition, since all the financial services of the Group are carried out online, the operating activities do not involve quality inspection procedures and product recycling.

3.2 *Product Responsibility, Observing and Protecting Intellectual Property Rights*

The Group commits to serving the real economy by leveraging its business advantages. The Group focuses on supply chain finance, mainly providing commercial factoring financing services to provide liquidity for the real economy and revitalise assets.

The Group encourages technology innovation, focusing on protecting intellectual property rights, and regards technology innovation as the driving force for the Group's development. During the Reporting Period, the Group applied for several software copyrights, including network security monitoring, operating systems, and software scheduling. In addition to enhancing innovation as a driving force, the Group revised the Regulations on Intellectual Property Rights (《知識產權管理辦法》) in accordance with relevant laws and regulations, such as Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不當競爭法》), to protect and respect the intellectual property rights of our innovative parties and other companies, and maintain a fair and open market competition environment.

4 Employment and Labor Practices — Working Closely with the Employees for Great Benefits

The Group recognises the tremendous value of its human capital, considering "employees" as its most invaluable asset. Internally, the Group embraces a human-centric management approach, safeguarding employees' legal rights and interests with due diligence. The Group demonstrates a genuine commitment to the well-being of its workforce, prioritising employee care and investing in comprehensive training programs to foster a cohesive corporate culture. Simultaneously, the Group is dedicated to positively impacting the community, actively engaging in community care and support initiatives to cultivate a harmonious relationship with the broader society.

4.1 Employee's Growth

Talents are the core competitiveness of the Group. As always, the Group develops every employee's ability 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 employee training and development system, and creating a comprehensive award colligation mechanism.

The Group refines its job ranking system to perfect the talent development path. The positions in non-technical hierarchy and technical hierarchy are well organised. According to employees' work experience, knowledge, skills and other factors, the Group identified the hierarchy and rank in which the employees are positioned and the corresponding salary standard. To identify talents and maintain a sound employee promotion path, the Group carries out its appraisal monthly. The monthly performance bonus will be reviewed regarding the employees' appraisal results to ensure that all employees have enjoyed fair and smooth promotion opportunities.

The Group provides diverse professional training courses to all employees on different tiers, raising competence in their current positions. Employees' knowledge, skills, and working methods are improved and raised through these courses, realising their values in joint development with the Group. The Group divides its employees' development requirements through GOME Finance Technology Training Management Measures , matching the resources required for growth in accordance with the actual needs of employees. Training works can proceed in an orderly manner, thus effectively raising the professional quality of our employees and increasing the corporation's soft power. During the Reporting Period, the Group has provided 254 hours of training to 24 employees, 77%[1] of employees being trained. The average training hours per employee is 8.19 hours[2]. The breakdown of training data during the Reporting Period is as follows:

	Unit	2023
Percentage of Employees Trained by Employment Category[3]		
Senior Level	%	**4**
Middle Level	%	**54**
General	%	**42**
Total	%	**77**
Percentage of Employees Trained by Gender		
Male	%	**46**
Female	%	**54**
Total	%	**77**
Average Training Hours by Employment Category[4]		
Senior Level	hours/person	**0.5**
Middle Level	hours/person	**9.47**
General	hours/person	**9.17**
Total	hours/person	**8.19**
Average Training Hours by Gender		
Male	hours/person	**10.14**
Female	hours/person	**6.59**
Total	hours/person	**8.19**

1 Total percentage of employees trained = Total number of employees trained during the financial year/Total number of employees at the end of the financial year x100%.

2 Average training hours completed per employee = Total number of training hours completed during the financial year/Total number of employees at the end of the financial year.

3 Percentage of employees trained among employees who participated in training = Number of employees trained by category during the financial year/Total number of employees trained during the financial year x100%.

4 Average training hours = Number of training hours completed by category during the financial year/Number of employees by category at the end of the financial year.

4.2 *Employment Standard*

The Group is in strict accordance with the laws and regulations such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》), sticks to legitimate employment and prevents child labour and forced labour from happening at all costs. The Group 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 the employment process, remuneration system, training, and promotion mechanism.

The recruitment process of the Group is subject to a stringent internal review process that includes verifying the personal information of applicants. For instance, the Recruitment Department collects identity proof from candidates to ensure that their age meets the requirements stipulated by the law.

The Group has also set out the Employee's Dismissal or Resignation Management Policy in the Employee Handbook to detail the flow of employee resignation, lays and exit formalities to provide more information to employees, preventing misunderstandings and fostering harmonious relationships with its former employees. The Group has strictly complied with such policy during the Reporting Period.

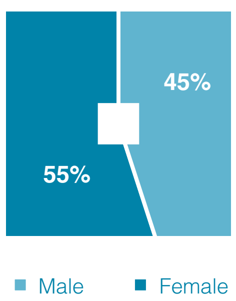
The employment of forced and child labour is strictly prohibited. If management discovers irregular employment of child labour or forced labour, the Group will immediately terminate the contract, ascertain the causes of such irregular employment and accountabilities of relevant recruitment staff to eliminate such practices. During the Reporting Period, all employees were aged over 18 and had been employed correctly in accordance with the requirements of all applicable laws and regulations. There have been no incidents nor complaints of violations related to human rights or labour codes in the Reporting Period.

The Group established a comprehensive management system of human resources, including avoidance of nepotism policy whereby employees shall abstain from appointment or business dealings relating to families or relatives, safeguarding 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 contributes to the "Five Social Insurances and One Housing Fund" for all our contract employees, with their coverage rate reaching 100%.

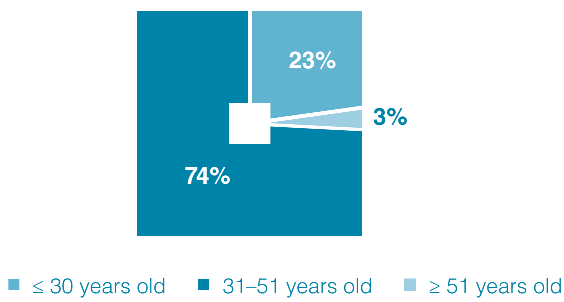
As of 31 December 2023, the Group had 31 full-time employees, with 17 female employees representing 55% of the workforce. The breakdowns of the Group's workforce by gender, age group and region are as follows:

	Unit	2023
Employees by Gender		
Male	person	**14**
Female	person	**17**
Employees by Age Group		
≤ 30 years old	person	**7**
31–51 years old	person	**23**
≥ 51 years old	person	**1**
Employees by Geographical Region		
Hong Kong	person	**4**
China	person	**27**

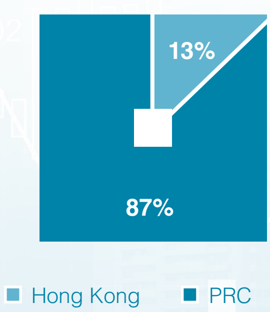
Total Workforce by Gender



Total Workforce by Age Group



Total Workforce by Geographical Region



The employee turnover rate for the Reporting Period is as follows:

	Unit	2023
Employee Turnover Rate[5]		
Total employee turnover rate	%	**6**
Employees Turnover Rate by Gender		
Male	%	**0**
Female	%	**12**
Employees by Age Group		
≤ 30 years old	%	**0**
31–51 years old	%	**9**
≥ 51 years old	%	**0**
Employees by Geographical Region		
Hong Kong	%	**0**
China	%	**7**

4.3 Employee Health and Safety

The Group provides a comfortable working environment for our employees. It sets up a particular activity room for our employees as a place for rest, where shoulder and neck massages are provided to employees occasionally to relieve fatigue. Moreover, employees are also offered diversified welfare policies such as holiday gifts, employee birthday parties and afternoon tea. At the same time, the Group cares for the employees' health. A medical examination is arranged for the employees annually.

The Group timely released related knowledge-based newsfeed on pandemic prevention and control for all employees via email to raise their awareness of risks. In this way, the Group could guarantee their security and enable employees to resume work progressively. All these efforts have contributed significantly to the regular operation of each business line of the Group. Despite the relaxations of restrictions related to pandemic prevention, the Group will still closely monitor the situation and provide support when necessary. There were no fatalities or loss of productivity due to work injuries during the past three consecutive reporting years, including the Reporting Period.

5 Employee turnover rate by category = Total number of employees leaving employment by category during the financial year/Total number of employees by category at the end of the financial year x100%.

5 Community Investment — Giving Back to the Society

5.1 *Community Development*

As an active community member, the Group is deeply devoted to social welfare. It takes proactive measures to fulfil its corporate social responsibility by actively contributing to the betterment of society. The Group wholeheartedly endorse different initiatives that aim to promote public welfare. We encourage our employees to actively engage in various welfare activities, including community assistance, caring visits, and book donations, intending to foster harmonious community development. However, the Group did not organise community or charity activities during the Reporting Period. The Group will explore volunteer opportunities as soon as we have sufficient resources and time to contribute further to the community.

6 Operating Practices — Positioned for the 21st Century

6.1 *Supply Chain Management*

To regulate the procurement of materials, the Group constantly reviews the Materials Procurement Management System (《物資採購管理制度》) and makes revisions in compliance, where necessary, with relevant laws and regulations, including the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) and the Implementation Regulations for Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》). The Group implements centralised, standardised and transparent procurement management and strictly reviews suppliers' professional qualifications and credibility to optimise supplier resources, ensuring the quality of procurement.

To ensure the Group's supply chain complies with environmental and social regulations and promotes sustainable development, the Group mandates that suppliers and purchasers meet integrity and standardised procurement requirements. Suppliers who adopt environmentally friendly practices and maintain high-quality standards, such as those with ISO 14001 certification, are preferred in the selection process. Additionally, the Group supports purchasing environmentally friendly products and services to minimise the environmental impact of its business operations. The Group enforces anti-corruption management and performance regulations for suppliers, requiring all suppliers to enter into service contracts and sign the Integrity Cooperation Agreement. This agreement includes specific provisions, such as prohibiting the acceptance of private banquets and gifts in cash, coupons, or shopping cards. Purchasers are expected to strictly adhere to the Group's integrity system, ensuring that corruption, bribery, and any behaviour that violates operating with integrity are eradicated. Regular supplier performance evaluations are conducted to maintain compliance with the Group's standards and requirements.

During the Reporting Period, the Group did not engage in production and processing business. Although specific office supplies were purchased, these only took up an insignificant portion of the Group's expenditure during the Reporting Period. The Board has considered the associated environmental and social risks as immaterial. Therefore, further information and the distribution of suppliers are not included in this ESG report.

7 Environmental Impacts — Green Innovation to Protect the Earth

As a financial technology enterprise, the Group does not involve discharging hazardous waste or wastewater and gas, nor does its operation significantly impact the environment and natural resources. Due to the nature of the business, the impacts of climate change are also considered limited and immaterial to the operation. However, it still strictly abides by the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the relevant laws and regulations , actively promotes green office, strengthens environment management, and guides employees to implement low-carbon energy conservation in detail in daily activities, as well as minimises the impact of its operation on the environment. During the Reporting Period, the Group did not observe any non-compliance with the environmental protection laws and regulations.

7.1 Air Emissions and Greenhouse Gas ("GHG") Emissions

As part of the Group's daily operations, the consumption of purchased heat is the primary source of generating various air pollutants. Air emission data were generated as follows during the Reporting Period:

	Unit	2023	2022
Air Emissions[6]			
Nitrogen oxides (NO_x)	kg	**0.941**	0.941
Sulphur oxides (SO_x)	kg	**0.005**	0.005
Air Emission Intensity[7]			
Nitrogen oxides (NO_x)	kg/capita	**0.0349**	0.0523
Sulphur oxides (SO_x)	kg/capita	**0.0002**	0.0003

During the Reporting Period, the Group generated 0.941 kg of NO_x and 0.005 kg of SO_x. The Group met the air emission target set during the previous reporting period. By setting achievable emission targets annually, the Group ensures that it can effectively monitor its air emissions and consistently work towards enhancing its sustainability initiatives. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the air emissions intensity between 90% and 120% of the level of the baseline year ended 31 December 2023 in the next reporting period.

6 The air emissions and air emissions intensity for the Reporting Period are disclosed in accordance with "Appendix 2: Reporting guidance on Environment KPIs" issued by the Stock Exchange to provide a more comprehensive performance of the Group.

7 For the Hong Kong office, no purchased heat has been consumed during the Reporting Period. Hence, the figures disclosed have only included consumption in Mainland China, and the intensity only includes employees in Mainland China.

Greenhouse gases generated from human activities are one of the significant drivers of global warming, which affects the lives of the present and future generations. The Group is committed to reducing greenhouse gas emissions in our operations by monitoring and mitigating them. The Group's GHG emissions predominately arose from the emission generated by the office's purchased heat and electricity, and the Group's operation did not generate any direct (Scope 1) GHG emissions during the Reporting Period. During the Reporting Period, the greenhouse gases emission generated by the Group is shown as follows:

	Unit	2023	2022
GHG Indirect Emissions (Scope 2)			
Gaseous fuel consumption from purchased heat[8]	tCO_2e[9]	**25.89**	25.89
Electricity consumption	tCO_2e	**14.74**	10.48
Other Indirect Emissions (Scope 3)[10]			
Paper	tCO_2e	**0.80**	–
Business travel	tCO_2e	**0.92**	–
GHG Emission			
Total GHG emissions	tCO_2e	**42.35**	36.37
GHG Emission Intensity			
Total GHG emission intensity[11]	tCO_2e/capita	**1.57**	2.02

8 The emission factor of the energy indirect emissions (gaseous fuel consumption from purchased heat) is 0.11 tCO_2e/GJ based on the "Requirements for Carbon Dioxide Emission Accounting and Reporting Heat Production and Supply Enterprises" released by Beijing Municipal Market Regulation Administration.

9 GHG emission data are presented in terms of carbon dioxide equivalent and are based on, including but not limited to, the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023–2025" issued by the Ministry of Ecology and Environment of the PRC, the global warming potential values from the "Sixth Assessment Report" issued by Intergovernmental Panel on Climate Change, "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

10 The Group will disclose its related Scope 3 emissions starting from this Reporting Period to improve reporting transparency and accuracy.

11 For the Hong Kong office, relevant electricity and water consumption fees are included in the management fees, and there is no separate consumption data. Hence, the figures disclosed have only included the consumption in Mainland China; thus, the calculation of the intensity only includes the employees in Mainland China.

During the Reporting Period, the Group's total GHG emissions have experienced a slight increase, primarily attributed to the resumption of operations and business activities. The Group achieved its GHG emission target settled in the previous reporting period. The intensity of GHG emissions has decreased, primarily due to an expanded workforce. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the total GHG emission intensity between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next reporting period.

To reduce the impact of air emissions and greenhouse gas emissions and strive to achieve environmental sustainability, the Group has implemented various mitigating measures stated in the section headed “Energy Conservation and Emissions Reduction”.

7.2 *Waste Management*

The Group always emphasises waste management by classifying and recycling hazardous, electronic, and domestic wastes and striving to create environment-friendly and comfortable office space.

The Group designates specific collection areas and sets up specific recycling processes for hazardous wastes such as printer ink cartridges and waste light tubes under the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》). For electronic wastes, the Group provides specialised treatment under the Management Measures on Prevention of Environmental Pollution by Electronic Wastes (《電子廢物污染環境防治管理辦法》), disposing of electronic wastes such as discarded magnetic disks, computer accessories and used batteries collectively according to their categories and sell it to the recycling handler, which is conducive to minimise their environmental impacts.

During the Reporting Period, only insignificant amount of hazardous waste was generated because of the Group's office operations. This waste includes cleaning chemicals, pesticides, electrical equipment, batteries, and fluorescent light bulbs. All these hazardous materials have been properly disposed of in accordance with related laws and regulations. In addition, the nature of the Group's business activities does not lead to significant generation of hazardous waste.

Regarding domestic waste management, the Group has implemented various measures within the office area to facilitate proper waste separation. This includes providing different types of bins for segregating kitchen, recyclable, and other general waste. The Group also ensures employees are guided and educated on the correct waste classification. In addition, cleaning staff is assigned to clear the waste and disinfect the bins regularly daily. Considering the nature of the Group's business activities, its operations do not significantly impact natural resources or involve the use of packaging materials.

	Unit	2023	2022
Non-hazardous Waste			
Paper	kg	**165.73**	118.13
Non-hazardous Waste Intensity			
Total non-hazardous waste intensity[12]	kg/capita	**6.14**	6.56

During the Reporting Period, there was a significant increase of 40.29% in total non-hazardous waste consumption, which can be attributed to the resumption of operations and business activities following the pandemic. On the other hand, there was a slight decrease in the intensity level of non-hazardous waste consumed due to expanding the Group's workforce. The Group successfully achieved its waste emission target this year and remains dedicated to sustainable development principles. The Group is committed to reducing or maintaining the intensity of non-hazardous waste consumed between 90% and 120% of the level of the baseline year ended 31 December 2023 in the next reporting period.

[12] No non-hazardous waste has been generated for the Hong Kong office during the Reporting Period. Hence, the figures disclosed have only included the consumption in Mainland and the calculation of the intensity has only included the employees in Mainland China.

7.3 *Use of Resources*

The Group adheres strictly to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other applicable laws and regulations. It actively promotes the principles of green and low-carbon practices within its offices and embraces the concept of sustainable development through small-scale actions. By implementing the Regulations on the Management of Green Office (《綠色辦公管理規定》), the Group encourages green office practices and promotes low-carbon commuting. Furthermore, it encourages employees to conserve water and electricity, aiming to minimise the environmental impact of daily operations. The Group's resource consumption is primarily attributed to electricity and water usage.

Energy Consumption

The Group promotes the use of electricity. By implementing several measures outlined in the "Energy Conservation and Emissions Reduction" section, the Group is dedicated to achieving energy conservation. The Group firmly believes that these measures will effectively raise employee awareness regarding energy-saving initiatives and lead to long-term reductions in energy consumption.

During the Reporting Period, the energy consumption of the Group is shown as follows:

	Unit	**2023**	2022
Indirect Energy Consumption[13]			
Purchased heat[14]	kWh	**65,369.50**	65,369.50
Purchased electricity	kWh	**25,840.79**	18,378.57
Total indirect energy consumption	kWh	**91,210.29**	83,748.06
Energy Consumption Intensity			
Total energy consumption intensity[15]	kWh/capita	**3,378.16**	4,652.67

13 The Group did not consume direct energy during the Reporting Period and will disclose relevant data in the future if and when available.

14 The unit conversion method of energy consumption data is formulated according to the "Energy Statistics Manual" released by the International Energy Agency.

15 For the Hong Kong office, relevant electricity consumption fees are included in the management fees, thus no separate consumption data. Also, the Hong Kong office did not consume any purchased heat. Hence, the figures disclosed have only included the consumption in PRC and the intensity only includes the employee in PRC.

During the Reporting Period, the Group experienced decreased energy consumption intensity, primarily due to the expanded workforce. However, there was a slight increase in indirect energy consumption as a result of increased operational activities due to the resumption of business after the outbreak. In line with the principles of sustainable development, the Group successfully met the energy target established in the previous reporting period. In addition, the Group is committed to reducing or maintaining the energy consumption intensity between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next reporting period.

Water Consumption

The Group also places great importance on the value of water resources. By implementing a range of measures outlined in section "7.4 Energy Conservation and Emissions Reduction", the Group is dedicated to achieving water conservation. The Group firmly believes that these measures will effectively raise employee awareness regarding water-saving initiatives and lead to long-term reductions in water consumption. During the reporting period, the Group had no issue sourcing water that was fit for purpose.

The management fees for the Hong Kong office include water consumption fees, and no separate data is available regarding water usage. As for the office in the PRC, the building provides water to the company without any charges, so there are no water fees to be paid. As a result, no data is available on water consumption or water intensity during the Reporting Period.

7.4 Energy Conservation and Emissions Reduction

During the Reporting Period, the Group persevered in its commitment to promoting a green and low-carbon office environment, implementing various measures to reduce emissions and minimise resource consumption effectively. By prioritising these actions, the Group exemplifies its steadfast commitment to environmental sustainability and aligns with the fundamental principles of sustainability. Measures included a variety of strategies, as shown below:

- Advocating "Paperless Office", "Recycling of Paper", "Environment-friendly Printing", etc., to reduce the consumption of paper. All internal documents were submitted for approval through the OA office system and circulated electronically. 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 records of no significance, used paper was recommended.

- Advocating the "Reuse of Office Supplies". Replacing the internally consumed parts is advisable to extend the regular 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, dealt with by cleaning personnel daily, 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. All electronic equipment is switched off when they are not in operation.

- Advocating "Green Dining". The Group prepared microwave ovens for employees and encouraged them to bring their lunch boxes to minimise 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 essential documents.

7.5 The Environment and Natural Resources

Even though the Group's primary operations currently have a limited impact on environmental and natural resources, as a responsible corporation, we are wholeheartedly dedicated to reducing the adverse effects of our business on the environment. We will achieve this goal by thoroughly assessing the environmental risks associated with our operations and formulating comprehensive environmental policies to contribute to environmental protection actively. Furthermore, we not only abide by relevant environmental laws, regulations, and international standards but also proactively integrate the principles of environmental and natural resource preservation into our internal management and day-to-day operational activities. By doing so, we are committed to attaining our environmental sustainability objectives.

7.6 Climate Change

The Group has considered the potential climate-related risks and opportunities regarding the recommendations of the Task Force on Climate-related Financial Disclosures, in which potential physical risks and transition risks from climate change may pose adverse financial impacts on the Group's businesses. Acute physical risk can arise from extreme weather conditions such as flooding and storms, and chronic physical risk can arise from sustained high temperatures. In contrast, transition risk may result from the change in environmental-related regulations.

The potential climate-related risks and opportunities in respect of the recommendations of the Task Force on Climate-related Financial Disclosures are summarised below:

Risk Type	Risks	Potential Financial Impact	Short (current reporting period)	Medium (one to three years)	Long (four to ten years)	Mitigation Strategy
Physical Risks	• Extreme weather conditions such as flooding and typhoon	• Reduced revenue from business due to business disruptions	✓	✓		• Establish an adverse weather condition policy
	• Sustained elevated temperature	• Increased business operating costs			✓	• Adopt energy conservation measures to avoid overconsumption of natural resources
Transition Risks	• Changes in environmental-related regulations	• Higher operating costs to adopt new regulations		✓	✓	• Adopt energy conservation measures to reduce emissions • Continue to monitor the regulatory environment to ensure that the Group complies with environmental-related law and regulation

8. Award and Recognition

As a prominent financial technology enterprise, the Group leverages its industrial supply chain and technological expertise to facilitate seamless integration between commercial factoring and retail trade, financial leasing, and other sectors. It extends financing services to numerous small and medium-sized enterprises. Recognising the Group's outstanding achievements, the Tianjin Economic-Technological Development Area honoured it with the awarded "2022 Tianjin Commercial Factoring Innovation and Development Base Business Excellence Award" (2022天津商業保理創新發展基地裕業獎).

2022 Tianjin Commercial Factoring Innovation and Development Base Business Excellence Award
2022天津商業保理創新發展基地裕業獎

HKEX ESG REPORTING GUIDE CONTENT INDEX

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
A. Environmental			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Environmental Impacts	
A1.1	The types of emissions and respective emissions data.	Air Emissions and Greenhouse Gas Emissions	
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emission in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Air Emissions and Greenhouse Gas Emissions	
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Not applicable	As we provide financing services, only insignificant amount of hazardous waste was generated from our business operations.
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Waste Management	
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Air Emissions and Greenhouse Gas Emissions, Waste Management, Energy Management, Energy Conservation and Emissions Reduction	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
Aspect A2: Use of Resources			
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.		Use of Resources, Energy Conservation and Emissions Reduction	
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources	
A2.2	Water consumption in total and intensity.	Not applicable	Water consumption is included in the management fee
A2.3	Description of energy use efficiency initiatives and results achieved.	Energy Conservation and Emissions Reduction	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources, Energy Conservation and Emissions Reduction	
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Not applicable	As we provide financing services, the Group does not produce tangible products requiring packaging.
A3: The Environmental and Natural Resources			
General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		The Environment and Natural Resources	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources	

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
A4: Climate Change			
General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Climate Change	
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	
B. Social			
B1: Employment and Labour Practices			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Employment Standard	
B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment Standard	
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Standard	
B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Employee Health and Safety	
B2.1	Number and rate of work-related fatalities.	Employee Health and Safety	

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
B2.2	Lost days due to work injury.	Employee Health and Safety	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Health and Safety	
B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Employee's Growth	
B3.1	The percentage of employees trained by gender and employee category.	Employee's Growth	
B3.2	The average training hours completed per employee by gender and employee category.	Employee's Growth	
B4: Labour Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to preventing child and forced labour.		Employment Standard	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment Standard	
B4.2	Description of steps taken to eliminate such practices when discovered.	Employment Standard	

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Supply Chain Management	
B5.1	Number of suppliers by geographical region.	Not applicable	As we provide financing services, our business does not involve purchases of material products or services.
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	
B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Customer Information and Privacy and Customer Services, Product Responsibility, Observing and Protecting Intellectual Property Right	
B6.1	Percentage and total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	As we provide financing services, we do not sell physical products.

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility, Observing and Protecting Intellectual Property Right	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility, Observing and Protecting Intellectual Property Right	
B6.4	Description of quality assurance process and recall procedures.	Not applicable	As we provide financing services, we do not sell physical products that will be subject to recall.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer Information and Privacy and Customer Services	
B7: Anti-corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-Corruption Management and Anti-money Laundering	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption Management and Anti-money Laundering	
B7.2	Description of prevention measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Corruption Management and Anti-money Laundering	
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption Management and Anti-money Laundering	

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community Investment	
B8.1	Focus areas of contribution.	Community Investment	
B8.2	Resources contributed to the focus area.	Community Investment	

bakertilly
天職國際

Independent auditor's report to the shareholders of
Gome Finance Technology Co., Ltd.
(Incorporated in the Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Gome Finance Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 97 to 161, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, 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 material accounting policy information.

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 2023, 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.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of prepayment for acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited ("TJGCMT")	
We identified the impairment assessment of prepayment for acquisition of TJGCMT as a key audit matter due to the uncertainty on the timing of the completion of the acquisition and the recoverability of the prepayment thereon if the acquisition is not going to proceed further. As described in note 16 to the consolidated financial statements, the Group entered into a loan agreement on 7 June 2017 with Beijing Bosheng Huifeng Business Consulting Co., Limited ("OPCO"), a company established in the People's Republic of China ("PRC") of which 90% equity interest is owned by Ms. Du Juan ("Ms. Du"), the controlling shareholder of the Company, to provide a non-interest-bearing loan of RMB720 million to OPCO solely for the Group's purpose of acquiring the entire equity interest of TJGCMT from independent third parties (together the "Sellers"). On 25 July 2017, OPCO and the Sellers entered into an equity share transfer agreement (the "Transfer Agreement") pursuant to which OPCO agreed to buy and the Sellers agreed to sell the entire equity interest of TJGCMT (the "Transaction"). RMB576 million was paid by the Group to OPCO according to the aforesaid agreements and was recorded as prepayment under current assets in 2018 and was then reclassified as non-current assets since 2019. According to the Transfer Agreement, the Transaction will only be considered as complete upon the change of actual controller of TJGCMT and such approval process is still under the review of the People's Bank of China ("PBOC") or its affiliated institutions and the change of actual controller of TJGCMT has not been completed as at 31 December 2023 and up to the date of this report.	Our procedures in relation to impairment assessment of prepayment for acquisition of TJGCMT included: — discussing with the Group's management about the progress of the Transaction and the approval process of the PBOC, and understand whether the management has sought alternatives or solutions in view of the delay of approval process of the PBOC. — confirming with the Group's management of their intention to consider whether or not to cancel the Transfer Agreement as the approval from the PBOC has not been received as at 31 December 2023 and up to the date of our report. — performing search of company background information on OPCO, TJGCMT and subsidiaries of TJGCMT. — arranging confirmations to OPCO and the Sellers to verify the existence of the prepayment. — interviewing management of TJGCMT and the Sellers to understand the progress of the Transaction and the approval process of the PBOC. — obtaining an understanding of the management's process and basis adopted in the impairment assessment of the prepayment.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of prepayment for acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited ("TJGCMT") (continued)	
Taking into account the uncertainty about the estimated time it will take for the PBOC to complete the approval process and the change of actual controller of TJGCMT, and also the overall macro environment in the PRC, subsequent to 31 December 2023, on 25 March 2024, a new personal guarantee (the "New Guarantee") was offered by Mr. Wong Kwong Yu ("Mr. Wong"), spouse of Ms. Du, to guarantee the recoverability of the prepayment of RMB576 million. Pursuant to the New Guarantee, Mr. Wong undertakes to request full refund either from the Sellers or through disposal of entire equity interest of TJGCMT ("Disposal Action"). If the Company decides to terminate the Transaction and cannot receive the proceeds resulting from the Disposal Action on or before 31 December 2025, Mr. Wong will make good any shortfall with his personal assets to the Group on or before 31 December 2026.	— obtaining valuation report in relation to the valuation of TJGCMT and discussing with the external valuer engaged by the Group to understand and challenge the valuation methodologies and key assumptions applied in the valuation model. — obtaining and reviewing the personal guarantees executed by Mr. Wong and assessing his ability to repay the shortfall. — testing mathematical accuracy of the impairment loss. — checking 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 prepayment for acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited ("TJGCMT") (continued)	
Given the abovementioned facts and circumstances and with the information currently available to the Group, the directors of the Company has decided to give some more time to wait for the Transaction to be completed. The directors of the Company has also performed an impairment assessment in respect of the recoverability of the Group's prepayment of RMB576 million to the OPCO. The recoverable amount of the prepayment for the year ended 31 December 2023 has been determined based on (i) the valuation performed by an independent valuer on TJGCMT as at 31 December 2023; and (ii) the market value of those personal assets of Mr. Wong which he used to guarantee the prepayment as at 31 December 2023. For the year ended 31 December 2023, as the recoverable amount of the prepayment is higher than its carrying amount as at 31 December 2023, the directors of the Company considered that no impairment of prepayment would be recognised (2022: Impairment loss of RMB51,000,000) in profit or loss.	

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of commercial factoring loan receivables	
We identified the valuation of commercial factoring loan receivables as a key audit matter due to the use of judgements and estimates by the Group's management in assessing the expected credit loss ("ECL") of commercial factoring loan receivables. The Group adopts complex models with a number of underlying assumptions in the measurement of ECL of its commercial factoring loan receivables. These assumptions relate to future macroeconomic conditions and the creditworthiness of borrowers. The Group uses judgements and estimates in the measurement of ECL in accordance with the requirements of HKFRS 9 "Financial Instruments", such as: • Criteria for identifying whether there has been a significant increase in credit risk • Parameters of ECL measurement • Forward-looking information • Modification of contractual cash flows As disclosed in note 15 to the consolidated financial statements, the carrying amount of commercial factoring loan receivables as at 31 December 2023 is RMB1,043,358,000 (net of allowance for ECL of RMB11,473,000).	Our procedures in relation to valuation of commercial factoring loan receivables included: — inquiring the Group's management to understand the approach adopted on ECL models. — obtaining an understanding of key controls relating to how management estimates impairment of commercial factoring loan receivables. — assessing the debtors' repayment ability and evaluating the reasonableness of commercial factoring loan receivables grading on a sample basis. — reviewing the Group's historical loss experience and assessing the fair values of collaterals. — evaluating the reasonableness of the key parameters of the ECL model. — testing mathematical accuracy of the loss allowance for ECL. — checking relevant disclosures in the consolidated financial statements.

Other information

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

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

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

Responsibilities of the directors and the Audit Committee for the consolidated financial statements

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

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

The directors 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.

— 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.

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

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, actions taken to eliminate threats or safeguards applied.

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 director on the audit resulting in this independent auditor's report is Del Rosario, Faith Corazon.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 27 March 2024

Del Rosario, Faith Corazon
Practising certificate number P06143

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**82,024**	80,219
Other income and other gains and losses	5	**(2,449)**	25,121
Administrative expenses		**(25,185)**	(20,582)
Provision for expected credit loss on trade and loans receivables, net	15	**(3,405)**	(12)
Finance costs	7	**(4,901)**	(30,238)
Operating profit		**46,084**	54,508
Impairment loss on prepayment for acquisition of TJGCMT	16	**–**	(51,000)
Profit before tax	6	**46,084**	3,508
Income tax expense	10	**(9,087)**	(9,146)
Profit/(loss) for the year		**36,997**	(5,638)
Profit/(loss) for the year attributable to:			
Owners of the Company		**36,997**	(5,638)
Non-controlling interests		**–#**	–
		36,997	(5,638)
		RMB cents	RMB cents
Earnings/(loss) per share			
— Basic	12	**1.37**	(0.21)

\# Less than RMB1,000

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Profit/(loss) for the year	**36,997**	(5,638)
Other comprehensive income for the year:		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	**14,883**	85,905
Total comprehensive income for the year	**51,880**	80,267
Total comprehensive income attributable to:		
Owners of the Company	**51,880**	80,267
Non-controlling interests	**–#**	–
	51,880	80,267

Less than RMB1,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Prepayment	16	**368,000**	368,000
Property, plant and equipment	13	**31**	31
Right-of-use assets	14	**627**	1,803
Deferred tax assets	22	**2,875**	2,033
Total non-current assets		**371,533**	371,867
Current assets			
Trade and loan receivables	15	**1,043,488**	921,235
Prepayments, deposits and other receivables	16	**2,802**	9,364
Pledged deposits for bank loans	17	**–**	430,393
Cash and cash equivalents	17	**284,383**	303,099
Total current assets		**1,330,673**	1,664,091
Current liabilities			
Trade payables	18	**50**	50
Other payables and accruals	19	**5,777**	6,106
Tax payables		**11,617**	10,419
Bank borrowings	20	**–**	367,500
Bonds issued	21	**–**	17,789
Lease liabilities	14	**567**	1,214
Total current liabilities		**18,011**	403,078
Net current assets		**1,312,662**	1,261,013
Total assets less current liabilities		**1,684,195**	1,632,880

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current liability			
Lease liabilities	14	–	566
Total non-current liability		–	566
Net assets		**1,684,195**	1,632,314
Equity			
Share capital	23	**230,159**	230,159
Reserves	25	**1,454,035**	1,402,155
Equity attributable to owners of the Company		**1,684,194**	1,632,314
Non-controlling interests		**1**	–
Total equity		**1,684,195**	1,632,314

Approved and authorised for issue by the board of directors on 27 March 2024 and were signed on its behalf by:

Zhou Yafei
Director

Song Chenxi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company									
	Share capital RMB'000	**Share premium** RMB'000	**Contributed surplus** RMB'000	**Capital reserve** RMB'000	**Revaluation reserves** RMB'000	**Exchange reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000	**Non-controlling Interests** RMB'000	**Total equity** RMB'000
At 1 January 2022	230,159	1,944,601	520,838	87,072	603	(100,670)	(1,130,556)	1,552,047	–	1,552,047
Loss for the year	–	–	–	–	–	–	(5,638)	(5,638)	–	(5,638)
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	85,905	–	85,905	–	85,905
Total comprehensive income/(expense) for the year	–	–	–	–	–	85,905	(5,638)	80,267	–	80,267
Release upon deregistration of subsidiaries (note 27)	–	–	–	–	(603)	–	603	–	–	–
At 31 December 2022	230,159	1,944,601	520,838	87,072	–	(14,765)	(1,135,591)	1,632,314	–	1,632,314
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**36,997**	**36,997**	**–#**	**36,997**
Exchange differences on translation from functional currency to presentation currency	**–**	**–**	**–**	**–**	**–**	**14,883**	**–**	**14,883**	**–**	**14,883**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**14,883**	**36,997**	**51,880**	**–#**	**51,880**
Capital contribution from non-controlling interest (note 28)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
At 31 December 2023	**230,159**	**1,944,601**	**520,838**	**87,072**	**–**	**118**	**(1,098,594)**	**1,684,194**	**1**	**1,684,195**

Less than RMB1,000

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Profit before tax:		**46,084**	3,508
Adjustments for:			
Bank interest income	5	**(8,969)**	(14,742)
Finance costs	7	**4,901**	30,238
Provision for expected credit loss on trade and loan receivables, net	15	**3,405**	12
Impairment loss on prepayment for acquisition of TJGCMT	16	**–**	51,000
Depreciation of property, plant and equipment	6	**–**	142
Depreciation of right-of-use assets	6	**1,166**	1,211
Exchange gains		**(2,960)**	(1,494)
Operating cash flows before movements in working capital		**43,627**	69,875
Increase in trade and loan receivables		**(125,658)**	(89,545)
Decrease in prepayments, deposits and other receivables		**6,553**	1,091
Decrease in trade payables		**–**	(898)
(Decrease)/increase in other payables and accruals		**(2)**	195
Cash used in operations		**(75,480)**	(19,282)
Income tax paid		**(8,768)**	(2,371)
Net cash used in operating activities		**(84,248)**	(21,653)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from investing activities			
Withdrawal of pledged deposit for bank loans		**434,194**	989,691
Placement of pledged deposit for bank loans		**–**	(419,258)
Interest received		**8,969**	15,154
Net cash from investing activities		**443,163**	585,587
Cash flows from financing activities			
Repayment of bank borrowings	33	**(367,500)**	(851,000)
Interest and other finance charges paid	33	**(5,252)**	(30,126)
Redemption of bonds	33	**(17,789)**	(12,801)
Repayment of principal portion of lease liabilities	33	**(1,203)**	(1,216)
New bank borrowings raised	33	**–**	367,500
Net cash used in financing activities		**(391,744)**	(527,643)
Effect of foreign exchange rate changes		**14,113**	19,771
Net (decrease)/increase in cash and cash equivalents		**(18,716)**	56,062
Cash and cash equivalents at beginning of year		**303,099**	247,037
Cash and cash equivalents at end of year, representing by			
Cash and bank balances (excluding pledged deposits)	17	**284,383**	303,099

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 registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. 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 immediate holding company and ultimate holding company is Swiree Capital Limited, a company incorporated in the British Virgin Islands. The ultimate controlling party is Ms. Du Juan ("Ms. Du").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise provision of commercial factoring, financial leasing and other financial services in the People's Republic of China ("PRC").

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		Principal activities
			2023 (%)	2022 (%)	
Ability Wealth Holdings Limited	British Virgin Islands	HKD390,000 Ordinary	**100#**	100#	Investment holding
Guangzhou City Yuenqian Investment Consultancy Limited Liability Company*	PRC	HKD750,000 Registered capital	**100**	100	Consultation service
Gome Xinda Commercial Factoring Limited* ("Xinda Factoring")	PRC	RMB1,000,000,000 Registered capital	**100**	100	Commercial factoring
Tianjin Gome Financial Leasing Company Limited*	PRC	RMB500,000,000 Registered capital	**100**	100	Financial leasing
Gome Wangjin (Beijing) Technology Co., Ltd.*	PRC	RMB50,000,000 Registered capital	**100**	100	Financial information service

Directly held by the Company

* These subsidiaries are registered as wholly-foreign-owned enterprises under the law of PRC.

1 CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the years ended 31 December 2023 and 2022 or formed a substantial portion of the net assets of the Group as at 31 December 2023 and 31 December 2022. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 BASIS OF PREPARATION

These consolidated 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"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") which is different from the Company's functional currency of Hong Kong dollars ("HKD") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for each of the reporting period. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 parent of the Group 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange reserve; and recognises the fair value of any investment retained and 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 accumulated losses, 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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (continued)

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.
The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 2.4 to the consolidated financial statements.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 2.4 to the consolidated financial statements

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the "Government") gazette the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after a date to be determined

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 consolidated 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.

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 MATERIAL ACCOUNTING POLICY INFORMATION (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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment

Property, plant and equipment 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 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.

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 reporting date.

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 in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use assets are transferred to property, plant and equipment.

The Group presents right-of-user assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments represent fixed payments and the exercise price of a purchase option if the Group is reasonably certain to exercise the option.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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 ("FVTOCI"), and fair value through profit or loss ("FVTPL").

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 FVTPL, transaction costs.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 "Revenue from Contracts with Customers" in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

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.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments and other financial assets (continued)

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit loss ("ECL") for all financial assets not held at FVTPL. ECL is 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

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is 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).

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments and other financial assets (continued)

Impairment of financial assets (continued)

General approach (continued)

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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when 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.

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. Irrespective of the above, the Group considers that default has occurred when the financial instrument is overdue and remained unsettled despite follow-up actions have been taken.

The Group classified its trade and loans receivables into five-tiers:

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments and other financial assets (continued)

Impairment of financial assets (continued)

General approach (continued)

Commercial factoring loan receivables:

Normal	Not yet due
Special mention	Past due for 1–90 days
Substandard	Past due for 91–180 days
Doubtful	Past due for 181–365 days
Loss	Past due over 365 days

Finance lease receivables:

Normal	Not yet due and overdue for 30 days
Special mention	Past due for 31–60 days
Substandard	Past due for 61–120 days
Doubtful	Past due for 121–210 days
Loss	Past due over 211 days

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments and other financial assets (continued)

Impairment of financial assets (continued)

General approach (continued)

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

- Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECL

- Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECL

- Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECL

Simplified approach

For other trade receivables 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 ECL. 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 applied loss rates which are referenced to the default rates adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

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

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

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost

After initial recognition, trade and other payables and 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 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.

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.

Offsetting of financial instruments

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

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Income tax

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax asset and liabilities are offset when there is a legally enforceable right to set off current tax assets against tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Revenue recognition

Interest income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when (or as) a performance obligation is satisfied, i.e. 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Financial information service income is recognised when the services are provided.

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 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. There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the employer to reduce the existing level of contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Retirement benefit schemes (continued)

The employees of the Group's subsidiaries which operate in PRC 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.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Borrowing costs

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.

Foreign currencies

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 PRC determine RMB as their functional currency, while entities incorporated/registered outside PRC 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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).

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 reserve.

For the purpose of the consolidated statement of cash flows, frequently recurring cash flows of overseas subsidiaries which arise throughout the reporting period are translated into RMB at the weighted average exchange rates for the reporting period.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of prepayment for acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited ("TJGCMT")

Up to 31 December 2023, prepayment of RMB576,000,000 (2022: RMB576,000,000) was advanced to Beijing Bosheng Huifeng Business Consulting Co., Limited (the "OPCO"), a company 90% owned by a controlling shareholder of the Company, solely for the Group's purpose of acquiring the entire equity interest in TJGCMT (the "Transaction") and it was recorded as a non-current prepayment in the consolidated statement of financial position. The Transaction will only be considered as complete upon the change of actual controller of TJGCMT and such approval process is still under the review of the People's Bank of China ("PBOC") or its affiliated institutions and the change of actual controller of TJGCMT has not been completed as at 31 December 2023 and up to the date of this report. Taking into account the uncertainty about the estimated time it will take for PBOC to complete the approval process and the change of actual controller of TJGCMT, and also the overall macro environment in the PRC, the management of the Group has performed an impairment assessment in respect of the recoverability of the prepayment. For the year ended 31 December 2023, as the recoverable amount of the prepayment is higher than its carrying amount as at 31 December 2023, the directors of the Company considered that no impairment of prepayment would be recognised (2022: impairment loss of RMB51,000,000) in profit or loss. Further details are included in note 16.

Impairment of trade and loan receivables

The policy for impairment of trade and loan receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts as well as forward looking information without undue cost or effort. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Further details are included in note 15.

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 of the Company for strategic decision making. The executive directors consider the business from a product and service perspective. The Group's businesses include commercial factoring business, finance lease business and other financial service segments. Summary of details of the operating segments which are categorised into the following reportable segments:

Operating segments	Nature of business activities
Commercial factoring business	Commercial factoring business in PRC
Other financing services	Finance lease business, financial information service and consultation service in PRC

4 OPERATING SEGMENT INFORMATION (continued)

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 certain bank interest income, certain finance costs, exchange losses/gains, impairment loss on prepayment for acquisition of TJGCMT 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 current and non-current assets with the exception of corporate assets which are not allocated to an individual reportable segment. Segment liabilities include all current and non-current liabilities with the exception of corporate liabilities which are unallocated to an individual reportable segment.

	Year ended 31 December 2023		
	Commercial factoring business RMB'000	Other financing services RMB'000	Total RMB'000
Segment revenue:			
Revenue from external customers	75,810	6,214	82,024
Segment results	68,180	2,588	70,768
Reconciliation:			
Exchange losses			(11,447)
Unallocated bank interest income			5,911
Finance costs			(4,901)
Other unallocated expenses			(14,247)
Profit before tax			46,084
Income tax expense			(9,087)
Profit for the year			36,997

4 OPERATING SEGMENT INFORMATION (continued)

	At 31 December 2023		
	Commercial factoring business RMB'000	Other financing services RMB'000	Total RMB'000
Segment assets	1,053,487	188,572	1,242,059
Reconciliation:			
Unallocated corporate assets			460,147
Total assets			1,702,206
Segment liabilities	10,556	2,088	12,644
Reconciliation:			
Unallocated corporate liabilities			5,367
Total liabilities			18,011

	Year ended 31 December 2023			
	Commercial factoring business RMB'000	Other financing services RMB'000	Unallocated items RMB'000	Total RMB'000
Other segment information:				
Bank interest income	2,820	238	5,911	8,969
Depreciation and amortisation	876	290	–	1,166
Provision for ECL on trade and loan receivables	3,405	–	–	3,405

4 OPERATING SEGMENT INFORMATION (continued)

	Year ended 31 December 2022		
	Commercial factoring business RMB'000	Other financing services RMB'000	Total RMB'000
Segment revenue:			
Revenue from external customers	70,090	10,129	80,219
Segment results	58,380	5,923	64,303
Reconciliation:			
Exchange gains			10,045
Impairment loss on prepayment for acquisition of TJGCMT			(51,000)
Unallocated bank interest income			7,093
Unallocated finance costs			(18,759)
Other unallocated expenses			(8,174)
Profit before tax			3,508
Income tax expense			(9,146)
Loss for the year			(5,638)

	At 31 December 2022		
	Commercial factoring business RMB'000	Other financing services RMB'000	Total RMB'000
Segment assets	1,013,100	182,341	1,195,441
Reconciliation:			
Unallocated corporate assets			840,517
Total assets			2,035,958
Segment liabilities	10,082	4,310	14,392
Reconciliation:			
Unallocated corporate liabilities			389,252
Total liabilities			403,644

4 OPERATING SEGMENT INFORMATION (continued)

	Year ended 31 December 2022			
	Commercial factoring business RMB'000	Other financing services RMB'000	Unallocated items RMB'000	Total RMB'000
Other segment information:				
Bank interest income	7,332	317	7,093	14,742
Finance costs	11,468	11	18,759	30,238
Depreciation and amortisation	912	299	142	1,353
Provision/(reversal of provision) for ECL on trade and loan receivables	43	(31)	–	12

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
PRC	**82,024**	80,219

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

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
PRC	**658**	1,834

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

4 OPERATING SEGMENT INFORMATION (continued)

Information about major customers

Interest income derived from commercial factoring loan receivables individually contributing 10% or more of the total revenue of the Group for the years ended 31 December 2023 and 2022 is as follows:

	2023 **RMB'000**	2022 RMB'000
Customer A (Note ii)	**10,541**	(Note i)
Customer B	**10,526**	(Note i)
Customer C	**9,979**	(Note i)
Customer D	**9,704**	(Note i)
Customer E	**8,861**	(Note i)

Note i: Revenue from each of the customers was less than 10% of the total revenue of the Group for the year ended 31 December 2022.

Note ii: Revenue derived from the related party which is included in Note 29 to the consolidated financial statements.

5 REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

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

	2023 **RMB'000**	2022 RMB'000
Revenue not within the scope of HKFRS 15		
Interest income from commercial factoring loan receivables	**75,810**	70,090
Revenue within the scope of HKFRS 15		
Financial information service income — at a point in time	**6,214**	10,129
	82,024	80,219
Other income		
Bank interest income	**8,969**	14,742
Others	**29**	334
	8,998	15,076
Other gains and losses		
Exchange (losses)/gains	**(11,447)**	10,045
	(2,449)	25,121

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2023 RMB'000	2022 RMB'000
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8)):		
Wages and salaries	**9,083**	9,037
Retirement benefit scheme contributions	**852**	896
	9,935	9,933
Provision for ECL on trade and loan receivables (note 15)	**3,405**	12
Impairment loss on prepayment for acquisition of TJGCMT (note 16)	**–**	51,000
Auditor's remuneration	**1,100**	1,100
Depreciation of property, plant and equipment (note 13)	**–**	142
Depreciation of right-of-use assets (note 14)	**1,166**	1,211

7 FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest expenses on:		
Bank borrowings	**4,491**	27,502
Bonds issued	**358**	2,694
Lease liabilities	**52**	42
	4,901	30,238

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:

	2023	2022
	RMB'000	RMB'000
Fees	**1,305**	1,296
Other emoluments:		
Salaries, allowances and benefits in kind	**37**	–
Retirement benefit scheme contributions	**–**	–
	37	–
	1,342	1,296

(a) Independent non-executive directors

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

	2023	2022
	RMB'000	RMB'000
Mr. Hung Ka Hai, Clement (Note i)	**274**	273
Mr. Lee Puay Khng	**288**	273
Mr. Li Liangwen (Note ii)	**288**	273
Ms. Wang Wanjun	**288**	273
	1,138	1,092

8 DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2023				
Executive directors				
Mr. Zhou Yafei (Note iii)	108	–	–	108
Mr. Song Chenxi (Note iv)	–	37	–	37
Non-executive directors				
Ms. Wei Qiuli (Note v)	53	–	–	53
Ms. Wei Ting (Note vi)	6	–	–	6
	167	37	–	204

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2022				
Executive director				
Mr. Zhou Yafei (Note iii)	102	–	–	102
Non-executive director				
Ms. Wei Qiuli	102	–	–	102
	204	–	–	204

8 DIRECTORS' REMUNERATION (continued)

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

Notes:

(i) Mr. Hung Ka Hai, Clement resigned as an independent non-executive director on 12 December 2023.

(ii) Mr. Li Liangwen resigned as an independent non-executive director on 11 March 2024.

(iii) Mr. Zhou Yafei is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(iv) Mr. Song Chenxi was appointed as an executive director on 13 December 2023.

(v) Ms. Wei Qiuli retired as a non-executive director on 28 June 2023.

(vi) Ms. Wei Ting was appointed as a non-executive director on 13 December 2023.

(vii) Mr. Mak Yau Kee Adrian was appointed as an independent non-executive director on 5 February 2024.

For the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

There was no arrangement under which the directors or the Chief Executive Officer waived or agreed to waive any remuneration during the both years.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023 and 2022 included none of the directors. Details of the remuneration for the year of the 5 (2022: 5) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries, allowances and benefits in kind	**2,699**	2,938
Pension scheme contributions	**276**	255
	2,975	3,193

9 FIVE HIGHEST PAID EMPLOYEES (continued)

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

	2023	2022
Nil to HKD1,000,000	**5**	4
HKD1,000,001 to HKD1,500,000	**–**	1
	5	5

For the years ended 31 December 2023 and 2022, 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 for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 December 2023 and 2022. PRC Enterprise Income Tax has been provided at the rate of 25% (2022: 25%) for the year ended 31 December 2023 on the estimated assessable profits arising in the PRC during the year.

	2023	2022
	RMB'000	RMB'000
Current tax		
— PRC Enterprise Income Tax	**8,939**	7,819
Under-provision in prior years		
— PRC Enterprise Income Tax	**990**	–
	9,929	7,819
Deferred tax (note 22)	**(842)**	1,327
Total tax expense for the year	**9,087**	9,146

10 INCOME TAX (continued)

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

	2023 RMB'000	2022 RMB'000
Profit before tax	**46,084**	3,508
Tax at the statutory tax rates	**10,501**	531
Tax effect of income not taxable for tax purpose	**(5,277)**	(3,526)
Tax effect of expenses not deductible for tax purpose	**2,850**	11,679
Tax effect of tax losses not recognised	**1,310**	1,212
Utilisation of tax losses previously not recognised	**(1,287)**	(472)
Utilisation of deductible temporary differences previously not recognised	**–**	(278)
Under-provision of PRC Enterprise Income Tax in prior years	**990**	–
Tax expense	**9,087**	9,146

11 DIVIDENDS

The directors did not recommend the payment of any dividend for the years ended 31 December 2023 and 2022.

12 EARNINGS/(LOSS) PER SHARE

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

	2023 RMB'000	2022 RMB'000
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**36,997**	(5,638)

	2023 '000	2022 '000
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**2,701,123**	2,701,123

Diluted earnings/(loss) per share is not presented as the Company does not have any dilutive potential ordinary shares for the years ended 31 December 2023 and 2022.

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 2022	1,917	655	675	3,247
Disposals	–	(4)	–	(4)
Exchange difference	–	1	62	63
At 31 December 2022 and 1 January 2023	1,917	652	737	3,306
Disposals	(861)	(23)	–	(884)
Exchange difference	–	–	10	10
At 31 December 2023	1,056	629	747	2,432
Accumulated depreciation:				
At 1 January 2022	1,917	623	540	3,080
Charge for the year	–	1	141	142
Eliminated on disposals	–	(4)	–	(4)
Exchange difference	–	1	56	57
At 31 December 2022 and 1 January 2023	1,917	621	737	3,275
Eliminated on disposals	(861)	(23)	–	(884)
Exchange difference	–	–	10	10
At 31 December 2023	**1,056**	**598**	**747**	**2,401**
Net carrying value:				
At 31 December 2023	–	31	–	31
At 31 December 2022	–	31	–	31

14 LEASES

The Group as a lessee

(a) Right-of-use assets

	Office premises RMB'000
At 1 January 2022	668
Modification of lease terms	2,346
Depreciation charge for the year	(1,211)
At 31 December 2022 and 1 January 2023	1,803
Modification of lease terms	(10)
Depreciation charge for the year	(1,166)
At 31 December 2023	**627**

(b) Lease liabilities

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

	Office premises	
	2023 RMB'000	2022 RMB'000
Lease liabilities payables:		
Within one year	**567**	1,214
Within a period of more than one year but not exceeding two years	**–**	566
	567	1,780
Less: Amount due for settlement within 12 months shown under current liabilities	**(567)**	(1,214)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	566

14 LEASES (continued)

The Group as a lessee (continued)

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

	Office premises	
	2023	2022
	RMB'000	RMB'000
Interest on lease liabilities	**52**	42
Depreciation charge of right-of-use assets	**1,166**	1,211
Expense relating to short-term leases	**1,633**	1,543
Total amount recognised in profit or loss	**2,851**	2,796

(d) The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023	2022
	RMB'000	RMB'000
Within operating activities	**1,633**	1,543
Within financing activities	**1,255**	1,258
Total cash flow for leases	**2,888**	2,801

15 TRADE AND LOAN RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade and loan receivables		
Commercial factoring loan receivables (Note a)	**1,054,831**	929,281
Other trade receivables (Note b)	**130**	22
	1,054,961	929,303
Provision for ECL	**(11,473)**	(8,068)
	1,043,488	921,235

15 TRADE AND LOAN RECEIVABLES (continued)

Notes:

(a) For commercial factoring loan receivables 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 90 to 360 days (2022: 90 to 360 days). The effective interest rates of the commercial factoring loans range from 7.5% to 12% (2022: 8% to 12%) per annum as at 31 December 2023.

As at 31 December 2023, the commercial factoring loan receivables with aggregate carrying amounts of RMB1,054,831,000 (2022: RMB929,281,000) were collateralised by the customers' accounts receivables with aggregate fair values of approximately RMB1,123,474,000 (2022: RMB949,765,000).

An ageing analysis of the commercial factoring loan receivables as at the end of the reporting period, based on maturity dates set out in the relevant contracts, is as follows:

	2023 **RMB'000**	2022 RMB'000
Not yet matured	**1,054,831**	929,281
Provision for ECL	**(11,473)**	(8,068)
	1,043,358	921,213

None of the Group's loan receivables were past due for both years.

(b) For other trade receivables arising from other financial services, customers are obliged to settle the amounts according to the terms set out in the relevant contracts and none of the Group's other trade receivables were past due for both years.

The following tables sets forth the distribution of trade and loan receivables of the Group by five categories of classification.

	2023		2022	
	Gross balance **RMB'000**	**Provision for ECL** **RMB'000**	Gross balance RMB'000	Provision for ECL RMB'000
Stage 1:				
Normal	**1,054,961**	**11,473**	929,303	8,068

15 TRADE AND LOANS RECEIVABLES (continued)

The movements in provision for ECL of trade and loan receivables are as follows:

	Stage 1 (12-month ECL) RMB'000	Stage 2 (lifetime ECL (not credit-impaired)) RMB'000	Stage 3 (lifetime ECL (credit-impaired)) RMB'000	Total RMB'000
At 1 January 2022	5,274	1,539	7,674	14,487
Charge for the year	8,068	–	46	8,114
Release for the year	(5,274)	(1,539)	(1,289)	(8,102)
Write-off	–	–	(6,431)	(6,431)
At 31 December 2022 and 1 January 2023	8,068	–	–	8,068
Charge for the year	11,473	–	–	11,473
Release for the year	(8,068)	–	–	(8,068)
At 31 December 2023	11,473	–	–	11,473

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

The Group has concentration risk on trade and loan receivables as at 31 December 2023 with the top five customers with aggregate balances of RMB769,552,000 (2022: RMB602,953,000) and the top five (2022: four) customers with aggregate balances of RMB769,552,000 (2022: RMB518,711,000), respectively, which contribute more than 10% of trade and loan receivables of the Group.

The Group also has concentration risk on trade and loan 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.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayment for acquisition of TJGCMT (Note)	576,000	576,000
Deposits	203	203
Other prepayments	762	583
Other receivables	1,837	8,578
	578,802	585,364
Impairment loss on prepayment for acquisition of TJGCMT	(208,000)	(208,000)
	370,802	377,364
Carrying amounts analysed for reporting purpose:		
Current assets	2,802	9,364
Non-current assets	368,000	368,000
	370,802	377,364

Note:

As disclosed in the Company's circular dated 29 June 2017, Xinda Factoring, a subsidiary of the Group, entered into a loan agreement on 7 June 2017 with the OPCO, a company established in the PRC of which 90% equity interest is owned by Ms. Du, the controlling shareholder of the Company, to provide a non-interest-bearing loan of RMB720 million to OPCO solely for the Group's purpose of acquiring the entire equity interest of TJGCMT from independent third parties, namely Tibet Yang Guan LLP and Mr. Mao Deyi (together the "Sellers"). On 25 July 2017, OPCO and the Sellers entered into an equity share transfer agreement (the "Transfer Agreement") pursuant to which OPCO agreed to buy and the Sellers agreed to sell the entire equity interest of TJGCMT. RMB576 million was paid by the Company to OPCO according to the aforesaid agreements and was recorded as prepayment under current assets since 2018 and was then reclassified as non-current assets since 2019.

According to the Transfer Agreement, the Transaction will only be considered as complete upon the change of actual controller of TJGCMT and such approval process is still under the review of the PBOC or its affiliated institutions and the change of actual controller of TJGCMT has not been completed as at 31 December 2023 and up to the date of this report.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Note: (continued)

Taking into account the uncertainty about the estimated time it will take for PBOC to complete the approval process and the change of actual controller of TJGCMT, and also the overall macro environment in the PRC, a personal guarantee was offered and executed by Ms. Du (the "Guarantee") to guarantee the recoverability of the prepayment of RMB576 million on 23 March 2022. Pursuant to the Guarantee, Ms. Du undertook to request full refund either from the Sellers or through disposal of entire equity interest of TJGCMT if the Group, through OPCO, notify the Sellers to terminate the Transaction on or before 30 June 2024 and Ms. Du will make good any shortfall with the shares of the Company beneficially owned by her to the Group on or before 31 December 2024 if the Sellers/OPCO could not return the prepayment to the Group within 10 days from the date of notification.

Subsequent to 31 December 2023, on 25 March 2024, a new personal guarantee (the "New Guarantee") was offered by Mr. Wong Kwong Yu ("Mr. Wong"), spouse of Ms. Du, to guarantee the recoverability of the prepayment of RMB576 million. Pursuant to the New Guarantee, Mr. Wong undertakes to request full refund either from the Sellers or through disposal of entire equity interest of TJGCMT ("Disposal Action"). If the Company decides to terminate the Transaction and cannot receive the proceeds resulting from the Disposal Action on or before 31 December 2025, Mr. Wong will make good any shortfall with his personal assets to the Group on or before 31 December 2026. The New Guarantee has become effective and replaced the Guarantee upon the signing date (i.e. 25 March 2024) and the Guarantee shall automatically became void upon taking effect of the New Guarantee.

Given the abovementioned facts and circumstances and with the information currently available to the Group, the directors of the Company has decided to give some more time to wait for the Transaction to be completed. The directors of the Company has also performed an impairment assessment in respect of the recoverability of the Group's prepayment of RMB576 million to the OPCO. The impairment assessment performed by the management of the Group was based on a scenario analysis described below.

The recoverable amount of the prepayment for the year ended 31 December 2022 was determined based on (i) the net assets value of TJGCMT; and (ii) the market value of the shares of the Company beneficially owned by Ms. Du which she used to guarantee the prepayment as at 31 December 2022.

The recoverable amount of the prepayment for the year ended 31 December 2023 has been determined based on (i) the valuation performed by an independent valuer on TJGCMT as at 31 December 2023; and (ii) the market value of those personal assets of Mr. Wong which he used to guarantee the prepayment as at 31 December 2023.

For the year ended 31 December 2023, as the recoverable amount of the prepayment is higher than its carrying amount as at 31 December 2023, the directors of the Company considered that no impairment of prepayment would be recognised (2022: impairment loss of RMB51,000,000) in profit or loss.

17 PLEDGED DEPOSITS FOR BANK LOANS AND CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**284,383**	733,492
Less: Pledged deposits for bank loans (note 20)	**–**	(430,393)
	284,383	303,099

The Group's cash and bank balances denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
United States dollars ("USD")	**75,875**	440,556

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 at 5.3% (2022: 1.1% to 2.2%) per annum. The cash and bank balances are deposited with creditworthy banks with no recent history of default.

18 TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Over 1 year	**50**	50

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.

19 OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Accruals	**4,444**	3,880
Receipts in advance	**531**	105
Deposits received	**–**	1,500
Other payables	**802**	621
	5,777	6,106

Other payables and accruals are non-interest-bearing and have an average term of three months.

20 BANK BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current borrowings						
Bank loans — secured	**N/A**	**N/A**	**–**	3.35%–3.45%	2023/1/25–2023/7/10	367,500

The Group's bank loans of RMB367,500,000 at 31 December 2022 were secured by the Group's fixed deposits of USD61,800,000, equivalent to approximately RMB430,393,000. Relevant disclosures are included in note 17.

All bank loans were fully repaid during the year.

21 BONDS ISSUED

	2023 RMB'000	2022 RMB'000
Unlisted corporate bonds		
— Within 1 year	**–**	17,789

On 15 January 2015, the Company issued an eight-year unlisted corporate bond with a maturity date of 14 January 2023 at a principal amount of HKD10 million (equivalent to approximately RMB8 million) which is unsecured, and bears a fixed interest rate of 7% per annum.

21 BONDS ISSUED (continued)

On 26 May 2015, the Company issued an eight-year unlisted corporate bond with a maturity date of 25 May 2023 at a principal amount of HKD10 million (equivalent to approximately RMB8 million) which is unsecured, and bears a fixed interest rate of 7% per annum.

The effective interest rate of the unlisted corporate bonds for the year ended 31 December 2022 was 9.02%.

All bonds were fully redeemed during the year.

22 DEFERRED TAX

As at 31 December 2023 and 31 December 2022, the Group had no deferred tax liabilities. The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Provision of ECL on trade and loan receivables RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
At 1 January 2022	3,344	16	3,360
Charged to profit or loss (note 10)	(1,326)	(1)	(1,327)
At 31 December 2022 and 1 January 2023	2,018	15	2,033
Credited/(charged) to profit or loss (note 10)	850	(8)	842
At 31 December 2023	2,868	7	2,875

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

	2023 **RMB'000**	2022 RMB'000
Tax losses	**115,405**	112,851

As at 31 December 2023, the Group had tax losses arising from the operation in Hong Kong of approximately RMB102,177,000 (2022: RMB94,937,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and are subject to approval of the Inland Revenue Department in Hong Kong.

As at 31 December 2023, the Group also had tax losses arising from the operation in the PRC of approximately RMB13,228,000 (2022: RMB17,914,000) that will expire in one to five years for offsetting against future taxable profits.

23 SHARE CAPITAL

	2023 RMB'000	2022 RMB'000
Authorised:		
6,000,000,000 (2022: 6,000,000,000) ordinary shares of HKD0.1 each	**600,000**	600,000

	2023 RMB'000	2022 RMB'000
Issued and fully paid:		
2,701,123,120 (2022: 2,701,123,120) ordinary shares of HKD0.1 each	**230,159**	230,159

24 SHARE OPTION SCHEME

The Company operated 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 included 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, the Scheme would remain in force for 10 years from that date. The Scheme expired on 27 September 2022.

No share options were granted during the year ended 31 December 2023 (2022: nil) and there were no outstanding share options as at 31 December 2023 (2022: nil).

The Company has not adopted any new share option scheme since the expiration of the Scheme.

25 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 101 of the consolidated financial statements.

Contributed surplus

The contributed surplus represents the difference between the nominal value of share capital of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange thereof pursuant to a group reorganisation in previous years.

Capital reserve

The capital reserve 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.

Exchange reserve

The exchange reserve represents the exchange differences relating to the translation of the net assets of the Group's operations from their functional currencies to the Group's presentation currency in Renminbi. The exchange differences are recognised directly in other comprehensive income and accumulated in the exchange reserve.

26 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2023 and 31 December 2022.

27 DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2022, two dormant subsidiaries of the Company, which were incorporated and registered in the British Virgin Islands, were dissolved with no gain or loss recognised in the consolidated statement of profit or loss.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the years ended 31 December 2023 and 2022.

28 EQUITY TRANSACTION WITH NON-CONTROLLING INTEREST

During the year ended 31 December 2023, Fortune Border Limited ("Fortune Border"), a subsidiary of the Company increased its share capital by allotting 50 shares to the Company and 49 shares to a company wholly owned by Mr. Wong. This resulted in a decrease in the Group's equity interest in Fortune Border from 100% to 51%. This transaction has been regarded as an equity transaction with non-controlling interests of the subsidiary that do not result in a loss of control of such subsidiary.

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:

	2023 **RMB'000**	2022 RMB'000
Transactions with related parties which are significantly influenced by a close member of the controlling shareholder of the Company:		
Interest income from commercial factoring loan receivables	**26,840**	19,402
Rental expense paid	**1,033**	1,033
Property management fee paid	**472**	472

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

(b) In addition to the balances detailed elsewhere in these consolidated financial statements, the Group had the following balances with related parties as at the end of the year:

	2023 **RMB'000**	2022 RMB'000
Balances with related parties which are significantly influenced by a close member of the controlling shareholder of the Company:		
Trade and loan receivables (secured by pledged account receivables, and interest bearing ranged 7.5% to 12% (2022: 8% to 12%) per annum)	**358,254**	347,700
Prepayments, deposits and other receivables	**188**	295
Other receivables due from the controlling shareholder of the Company	**900**	900

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

	2023 **RMB'000**	2022 RMB'000
Salaries, other allowances and benefits in kind	**1,443**	1,726
Retirement benefit scheme contributions	**–**	62
	1,443	1,788

30 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:

	2023 RMB'000	2022 RMB'000
Financial assets:		
At amortised cost		
Trade and loan receivables	1,043,488	921,235
Prepayments, deposits and other receivables	370,040	376,781
Pledged deposits for bank loans	–	430,393
Cash and cash equivalents	284,383	303,099
	1,697,911	2,031,508
Financial liabilities:		
At amortised cost		
Trade payables	50	50
Other payables and accruals	5,246	6,001
Bonds issued	–	17,789
Lease liabilities	567	1,780
Bank borrowings	–	367,500
	5,863	393,120

31 FAIR VALUE MEASUREMENT

Management has assessed that the fair values of cash and cash equivalents, trade and loan receivables, prepayments, deposits and other receivables, trade payables and other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of lease liabilities 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 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.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings. 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, trade and loan receivables, trade payables, other payables and accruals and bonds issued, 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 balances (2022: bank borrowings and bank balances) 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 2023, 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 RMB1,039,000 (2022: RMB1,466,000). This is mainly attributed to the Group's exposure to the risk of changes in the interest rates on its variable-rate bank balances (2022: bank borrowings and bank balances).

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The subsidiaries of the Company have certain cash and bank balances denominated in currency (i.e. USD) other than their functional currencies (i.e. HKD), which expose the Group to foreign currency risk. The Group has not used any financial instruments to hedge against currency risk. The directors of the Company consider that, as HKD is pegged to USD, the Group is not subject to significant foreign currency risk from change in foreign exchange of HKD against USD and vice versa. No sensitivity analysis on foreign currency risk is presented as the directors of the Company consider the exposure to foreign currency risk is insignificant.

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 loan receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group also requests the customers to provide collateral as appropriate. In the event of default or failure to repay any outstanding 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.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and loan receivables are included in note 15.

The credit risk of the Group's other financial assets, which comprise bank balances and prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The directors of the Company consider the probability of default for bank balances is negligible as the Group only transacts with high-credit-rating banks or financial institutions.

The Group has a significant amount of prepayment made in connection with a proposed acquisition of TJGCMT (note 16). The Group is making effort to complete the acquisition in 2024. The Group is entitled to receive a full refund of the prepayment if the proposed acquisition cannot be completed.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement

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 identifying whether there has been a significant increases in credit risk
- Parameters of ECL measurement
- Forward-looking information
- Modification of contractual cash flows

32 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, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime, as appropriate. 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.

- LGD refers to the Group's estimation of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Depending on the type of counterparty, the difference of credit products, and the type of collateral, the LGD varies.

- EAD represents the estimated exposure in the event of a default in the next 12 months or throughout the entire remaining lifetime. The Group derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset is its gross carrying amount at the time of default.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

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.

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.

32 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 2023

	On demand or less than 3 months RMB'000	3 to 12 months RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities				
Other payables and accruals	5,246	–	5,246	5,246
Trade payables	50	–	50	50
Lease liabilities	314	258	572	567
	5,610	258	5,868	5,863

At 31 December 2022

	On demand or less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
Other payables and accruals	6,001	–	–	6,001	6,001
Trade payables	50	–	–	50	50
Bonds issued	9,048	9,065	–	18,113	17,789
Lease liabilities	314	942	572	1,828	1,780
Bank borrowings	156,542	215,045	–	371,587	367,500
	171,955	225,052	572	397,579	393,120

32 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 years ended 31 December 2023 and 2022.

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. Total debt includes trade payables, other payables and accruals, bank borrowings, bonds issued and lease liabilities.

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

	2023 **RMB'000**	2022 RMB'000
Total debt	**5,863**	393,120
Equity attributable to owners of the Company	**1,684,194**	1,632,314
Debt-to-equity ratio	**0.35%**	24.08%

33 CASH FLOW INFORMATION

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

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000	Bonds issued RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2022	650	851,000	27,958	854	880,462
Changes from financing cash flows:					
New bank borrowings raised	–	367,500	–	–	367,500
Repayment of bank borrowings	–	(851,000)	–	–	(851,000)
Repayment of principal portion of lease liabilities	(1,216)	–	–	–	(1,216)
Interest and other finance charges paid	(42)	(27,155)	(2,075)	(854)	(30,126)
Bonds redeemed	–	–	(12,801)	–	(12,801)
Total changes from financing cash flows	(1,258)	(510,655)	(14,876)	(854)	(527,643)
Other changes:					
Modification of lease terms	2,346	–	–	–	2,346
Interest expenses recognised	42	27,155	2,690	351	30,238
Exchange adjustment	–	–	2,017	–	2,017
Total other changes	2,388	27,155	4,707	351	34,601
At 31 December 2022 and 1 January 2023	1,780	367,500	17,789	351	387,420
Changes from financing cash flows:					
Repayment of bank borrowings	–	(367,500)	–	–	(367,500)
Repayment of principal portion of lease liabilities	(1,203)	–	–	–	(1,203)
Interest and other finance charges paid	(52)	(4,491)	(358)	(351)	(5,252)
Bonds redeemed	–	–	(17,789)	–	(17,789)
Total changes from financing cash flows	(1,255)	(371,991)	(18,147)	(351)	(391,744)
Other changes:					
Modification of lease terms	(10)	–	–	–	(10)
Interest expenses recognised	52	4,491	358	–	4,901
Total other changes	42	4,491	358	–	4,891
At 31 December 2023	567	–	–	–	567

34 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:

	2023 RMB'000	2022 RMB'000
Non-current assets		
Investments in subsidiaries	**16,568**	16,568
Amounts due from subsidiaries	**1,431,673**	469,707
Total non-current assets	**1,448,241**	486,275
Current assets		
Prepayments, deposits and other receivables	**1,334**	5,676
Amount due from a subsidiary	**–**	579,178
Pledged deposits for bank loans	**–**	430,393
Cash and cash equivalents	**88,840**	25,987
Total current assets	**90,174**	1,041,234
Current liabilities		
Other payables and accruals	**2,218**	637
Bonds issued	**–**	17,789
Total current liabilities	**2,218**	18,426
Net current assets	**87,956**	1,022,808
Total assets less current liabilities	**1,536,197**	1,509,083
Net assets	**1,536,197**	1,509,083
Equity		
Share capital	**230,159**	230,159
Reserves	**1,306,038**	1,278,924
Total equity	**1,536,197**	1,509,083

34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

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 2022	1,944,601	520,838	87,072	(101,510)	(1,129,319)	1,321,682
Loss for the year	–	–	–	–	(176,487)	(176,487)
Exchange differences on translation from functional currency to presentation currency	–	–	–	133,729	–	133,729
At 31 December 2022 and 1 January 2023	1,944,601	520,838	87,072	32,219	(1,305,806)	1,278,924
Profit for the year	–	–	–	–	5,328	5,328
Exchange differences on translation from functional currency to presentation currency	–	–	–	21,786	–	21,786
At 31 December 2023	1,944,601	520,838	87,072	54,005	(1,300,478)	1,306,038

FIVE YEAR FINANCIAL SUMMARY

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

Results

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue	**82,024**	80,219	77,401	86,664	69,886
Profit/(loss) for the year	**36,997**	(5,638)	(127,983)	14,316	(31,968)

Assets and liabilities

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Total assets	**1,702,206**	2,035,958	2,443,148	2,568,284	2,722,994
Total liabilities	**(18,011)**	(403,644)	(891,101)	(867,094)	(975,620)
Total equity	**1,684,195**	1,632,314	1,552,047	1,701,190	1,747,374