國美金融科技有限公司

Gome Finance Technology Co., Ltd.

(Incorporated in Bermuda with limited liability)

(Stock Code: 628)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") of Gome Finance Technology Co., Ltd. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2019 together with the comparative figures, which have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*6*	**69,886**	69,004
Other income and gains	*6*	**29,363**	33,952
Administrative expenses		**(73,204)**	(61,504)
Provision for impairment loss on trade and loans receivables	*12*	**(25,434)**	(14,202)
Finance costs	*8*	**(40,806)**	(37,339)
Gains on financial assets at fair value through profit or loss	*7*	**4,999**	7,941
Loss before tax	*7*	**(35,196)**	(2,148)
Income tax credit	*9*	**3,228**	3,587
(Loss)/profit for the year		**(31,968)**	1,439

	Notes	**2019**	2018
		RMB'000	*RMB'000*
(Loss)/earnings attributable to:			
Owners of the Company		**(31,968)**	1,439
(Loss)/earnings per share attributable to ordinary equity holders of the Company	*11*		
Basic and diluted			
For (loss)/earnings for the year		**RMB(1.18)cents**	RMB0.05cents
(Loss)/earnings for the year		**(31,968)**	1,439
Other comprehensive income:			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**21,695**	36,865
Other comprehensive income for the year, net of tax		**21,695**	36,865
Total comprehensive income for the year		**(10,273)**	38,304
Attributable to:			
Owners of the Company		**(10,273)**	38,304

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**31 December 2019 *RMB'000***	31 December 2018 *RMB'000*
Non-current assets			
Trade and loans receivables	*12*	**33,851**	106,752
Right-of-use assets		**4,190**	–
Property, plant and equipment		**723**	1,257
Other intangible assets		**–**	12,600
Deferred tax assets		**8,469**	4,219
Total non-current assets		**47,233**	124,828
Current assets			
Trade and loans receivables	*12*	**737,966**	507,484
Prepayments, other receivables and other assets		**592,844**	606,804
Financial assets at fair value through profit or loss		**105,657**	131,719
Pledged deposits for bank loans		**922,865**	889,470
Cash and cash equivalents		**316,429**	318,521
Total current assets		**2,675,761**	2,453,998
Current liabilities			
Trade payables	*13*	**2,249**	2,690
Other payables and accruals		**8,459**	12,930
Tax payables		**4,292**	3,195
Interest-bearing bank and other borrowings		**927,000**	774,000
Total current liabilities		**942,000**	792,815
Net current assets		**1,733,761**	1,661,183
Total assets less current liabilities		**1,780,994**	1,786,011
Non-current liabilities			
Bonds issued		**29,495**	28,364
Lease liabilities		**4,125**	–
Total non-current liabilities		**33,620**	28,364
Net assets		**1,747,374**	1,757,647

	31 December 2019 RMB'000	31 December 2018 RMB'000
Equity		
Equity attributable to owners of the Company		
Share capital	**230,159**	230,159
Reserves	**1,517,215**	1,527,488
Total equity	**1,747,374**	1,757,647

NOTES:

1 GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise commercial factoring, financial leasing and other financial services in Mainland China.

2 BASIS OF PREPARATION

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

3.1 HKFRS 16 – *Leases*

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

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

New definition of a lease

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

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

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

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

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

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

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

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

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

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

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

4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

3 No mandatory effective date yet determined but available for adoption

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

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

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

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

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

5 OPERATING SEGMENT INFORMATION

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

Operating segments	Nature of business activities
Commercial factoring services	Commercial factoring services in Mainland China
Finance lease services	Finance lease services in Mainland China
Other financing services	Pawn loan services, financial information services and consultation service in Mainland China and money lending services in Hong Kong

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

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

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

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

	Year ended 31 December 2019				
	Commercial factoring services	**Finance lease services**	**Other financing services**	**Unallocated items**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Other segment information:					
Depreciation and amortisation	**2,743**	**1,405**	**3,159**	**–**	**7,307**
Provision for/(reversal of) impairment loss on trade and loans receivables	**19,857**	**5,933**	**(356)**	**–**	**25,434**
Impairment of intangible assets	**2,667**	**1,500**	**3,333**	**–**	**7,500**
Impairment of prepayments, other receivables and other assets	**5,893**	**3,246**	**2,115**	**–**	**11,254**
Additions to non-current assets*	**–**	**–**	**9**	**–**	**9**

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

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

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

	Year ended 31 December 2018				
	Commercial factoring services *RMB'000*	Finance lease services *RMB'000*	Other financing services *RMB'000*	Unallocated items *RMB'000*	Total *RMB'000*
Other segment information:					
Depreciation and amortisation	2,849	1,203	2,681	–	6,733
Provision for/(reversal of) impairment loss on trade and loans receivables	4,789	9,749	(336)	–	14,202
Additions to non-current assets*	947	–	43	–	990

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

Geographical information

(a) *Revenue from external customers*

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

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

(b) *Non-current assets*

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

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

Information about a major customer

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

6 REVENUE, OTHER INCOME AND GAINS

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

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

7 LOSS BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**25,044**	26,977
Retirement benefit scheme contributions	**2,400**	3,125
	27,444	30,102
Gains on financial assets at fair value through profit or loss	**4,999**	7,941
Provision for impairment loss on trade and loans receivables (Note 12)	**25,434**	14,202
Impairment of prepayments, other receivables and other assets	**11,254**	–
Impairment of intangible assets	**7,500**	–
Amortisation of intangible assets	**5,100**	5,102
Minimum lease payments under operating leases	**–**	4,988
Auditor's remuneration	**1,109**	1,044
Depreciation of property, plant and equipment	**443**	1,631
Depreciation of right-of-use assets	**1,764**	–
Lease payments not included in the measurement of lease liabilities	**2,222**	–

8 FINANCE COSTS

An analysis of finance costs is as follows:

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

9 INCOME TAX

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

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

10 DIVIDENDS

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

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

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

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

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

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

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

	2019	2018
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**2,701,123**	2,701,123
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	–
	2,701,123	2,701,123

12 TRADE AND LOANS RECEIVABLES

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

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

Notes:

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

(b) For finance lease receivables arising from the Group's leasing business, customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The loan periods range from 30 days to 1,095 days.

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

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

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

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

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

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

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

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

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
At beginning of year	**29,634**	15,844
Effect of adoption of HKFRS 9	**–**	(397)
At beginning of year (restated)	**29,634**	15,447
Impairment loss recognised (Note 7)	**28,104**	16,088
Impairment loss reversed* (Note 7)	**(2,670)**	(1,886)
Bad debt allowance written off and transferred out	**(11,991)**	(15)
Exchange difference	**–**	–
	43,077	29,634

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

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

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

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

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

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

13 TRADE PAYABLES

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

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

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

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

14 COMMITMENTS

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

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

(b) Operating lease commitments as at 31 December 2018

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

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

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

15. SUBSEQUENT EVENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

INDUSTRY ENVIRONMENT

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

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

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

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

BUSINESS REVIEW

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

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

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

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

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

FINANCIAL REVIEW

Results highlights

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

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

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

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

Commercial factoring business

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

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

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

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

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

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

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

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

The Group has applied the new standard in relation to financial instruments since 1 January 2018. The new standard requires the impairment of financial assets to be measured in an "expected credit loss model" as opposed to an "incurred credit loss model". The Group takes a consistent and objective approach in analysing loan qualities so as to assess whether there will be impairment losses on loans receivables, taking into account events such as subsequent settlement, default or delinquency in interest or principal payments, and the financial and credit analysis of each individual debtor or a group of debtors. After such analysis, the Group classifies the loans into five different categories as well as three stages based on expected credit losses as required by the new standard in relation to financial instrument, and applies a consistent policy to each loan category in providing for the impairment of loans receivables with reference to the balances of loans receivable of various categories of loans, net of any settlement amounts subsequent to the reporting period.

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

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

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

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

Financial leasing business

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

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

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

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

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

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

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

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

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

Other financing services business

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

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

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

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

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

Key operating data of the Group

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

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

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

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

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

Loan quality analysis and impairment allowances

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

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

Other gains

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

PROSPECTS

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

The Group has issued an 8-year corporate bond with total principal amount of HK$35 million, which is due in 2022 and 2023 and carries interest at fixed rate of 7.0% per annum with interest payable in arrears. The corporate bond is unsecured and will be repaid at par upon maturity.

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

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

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

CAPITAL STRUCTURE

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

GROUP STRUCTURE

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

On 7 June 2017, Xinda Factoring, an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with Beijing Bosheng Huifeng Business Consulting Co., Limited ("Bosheng Huifeng"), a company incorporated in the PRC with limited liability and is owned as to 90% by Ms. Du Juan (controlling shareholder of the Company) and 10% by Mr. Ding Donghua ("Mr. Ding") (an executive director of the Company who has retired from such role on 27 May 2019), pursuant to which Xinda Factoring agreed to provide a non-interest bearing loan for an amount of RMB720 million to Bosheng Huifeng solely for the purpose of acquiring the entire equity interest in Tianjin Guanchuang Mei Tong Electronic Commerce Limited (the "Acquisition"). On the same day, Bosheng Huifeng and certain independent third parties (the "Sellers") entered into a framework agreement, pursuant to which Bosheng Huifeng and the Sellers agreed, among others, to enter into a conditional sale and purchase agreement for the Acquisition and upon its completion, a series of contractual arrangement will be entered into such that Xinda Factoring will have effective control over Baosheng Huifeng so as to obtain the economic interests and benefits from its business activities. Tianjin Guanchuang Mei Tong Electronic Commerce Limited and its subsidiaries principally engage in the prepaid card business, third party internet payment services and related technology development and technical advisory services in the PRC. Further details are set out in the circular of the Company dated 29 June 2017.

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

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

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

COMMITMENTS

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

TREASURY POLICIES

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

EMPLOYEES AND EMOLUMENT POLICY

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

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

USE OF NET PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES

The below table sets out the proposed application of net proceeds from the subscription of new shares completed on 5 September 2016, and the actual usage up to 31 December 2019:

	Proposed application of net proceeds	**Actual usage up to 31 December 2019**
	HKD million	*HKD million*
Provision of commercial factoring services	700.0	700.0
Provision of financial leasing services	350.0	350.0
Development and promotion of third party payment service business	380.0	380.0
General working capital	144.5	144.5
	1,574.5	1,574.5

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2019, the Company had complied with all code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the deviation disclosed below.

Code provisions A.2.1 and A.2.7

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited consolidated financial results of the Company for the year ended 31 December 2019, before proposing them to the Board for approval.

ANNUAL GENERAL MEETING

A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules and the Bye-laws of the Company in due course.

PUBLICATION OF FINANCIAL INFORMATION

This announcement is published on the websites of the HKEx (www.hkexnews.hk) and the Company (www.gomejr.com). The Company's annual report for the year ended 31 December 2019 containing all information required by the Listing Rules will be dispatched to the Shareholders of the Company and available on the above websites in due course.

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

Beijing, 27 March 2020

As at the date of this announcement, the Company's executive Directors are Ms. Chen Wei and Mr. Chung Tat Fun; the non-executive Director is Ms. Wei Qiuli; and the independent non-executive Directors are Mr. Cao Dakuan, Mr. Hung Ka Hai Clement, Mr. Wan Jianhua and Mr. Zhang Liqing.