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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 2020**

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 2020 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 2020

	<i>Notes</i>	2020 RMB’000	2019 <i>RMB’000</i>
Revenue	6	86,664	69,886
Other income and gains	6	31,254	29,363
Administrative expenses		(30,506)	(73,204)
Provision for expected credit loss on trade and loans receivables	12	(22,402)	(25,434)
Finance costs	8	(40,457)	(40,806)
(Losses)/gains on financial assets at fair value through profit or loss	7	(1,974)	4,999
Profit/(loss) before tax	7	22,579	(35,196)
Income tax (expense)/credit	9	(8,263)	3,228
Profit/(loss) for the year		14,316	(31,968)

		2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
	<i>Notes</i>		
Attributable to:			
Owners of the Company		<u>14,316</u>	<u>(31,968)</u>
Earnings/(loss) per share attributable to ordinary equity holders of the Company	<i>11</i>		
Basic and diluted			
Earnings/(loss) per share		<u>RMB0.53 cents</u>	<u>RMB(1.18) cents</u>
Profit/(loss) for the year		<u>14,316</u>	<u>(31,968)</u>
Other comprehensive (loss)/income:			
Other comprehensive (loss)/income that may not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation from functional currency to presentation currency		<u>(60,500)</u>	<u>21,695</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(60,500)</u>	<u>21,695</u>
Total comprehensive loss for the year		<u>(46,184)</u>	<u>(10,273)</u>
Attributable to:			
Owners of the Company		<u>(46,184)</u>	<u>(10,273)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Trade and loans receivables	12	–	33,851
Prepayment		576,000	576,000
Right-of-use assets		1,902	4,190
Property, plant and equipment		397	723
Deferred tax assets		5,463	8,469
		<hr/>	<hr/>
Total non-current assets		583,762	623,233
		<hr/>	<hr/>
Current assets			
Trade and loans receivables	12	741,009	737,966
Prepayments, other receivables and other assets		9,130	16,844
Financial assets at fair value through profit or loss		149,451	105,657
Pledged deposits for bank loans		734,704	922,865
Cash and cash equivalents		350,228	316,429
		<hr/>	<hr/>
Total current assets		1,984,522	2,099,761
		<hr/>	<hr/>
Current liabilities			
Trade payables	13	7,607	2,249
Other payables and accruals		11,782	8,459
Tax payables		8,130	4,292
Interest-bearing bank and other borrowings		809,500	927,000
Lease liabilities		1,202	–
		<hr/>	<hr/>
Total current liabilities		838,221	942,000
		<hr/>	<hr/>
Net current assets		1,146,301	1,157,761
		<hr/>	<hr/>
Total assets less current liabilities		1,730,063	1,780,994
		<hr/>	<hr/>

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Non-current liabilities			
Bonds issued		28,223	29,495
Lease liabilities		650	4,125
		<hr/>	<hr/>
Total non-current liabilities		28,873	33,620
		<hr/>	<hr/>
Net assets		1,701,190	1,747,374
		<hr/>	<hr/>
Equity			
Equity attributable to owners of the Company			
Share capital		230,159	230,159
Reserves		1,471,031	1,517,215
		<hr/>	<hr/>
Total equity		1,701,190	1,747,374
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. CORPORATE AND GROUP INFORMATION

Gome Finance Technology Co., Ltd. (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “HKEx”). The principal place of business in Hong Kong is located at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The Company’s holding company and ultimate holding company is Swire Capital Limited, a company incorporated in the British Virgin Islands. The ultimate controlling party is Ms. Du Juan.

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

In the preparation of the consolidated financial statements for the year ended 31 December 2020, the Group has applied, for the first time, the following revised standards issued by the HKICPA.

Amendments to HKAS1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, in the preparation of the consolidated financial statements for the year ended 31 December 2020, the Group has early applied the Amendments to HKFRS 16 Covid-19 - Related Rent Concessions, which are mandatorily effective for annual reporting periods beginning on or after 1 June 2020.

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

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 consolidated financial statements.

		Effective for annual reporting periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020	1 January 2022

The application of the above new and amendments to HKFRSs is not expected to have significant impact on the financial position and performance of the Group.

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. The Group's business is divided into three operating segments, namely commercial factoring business, finance lease business and other financing services segments. Summary of details of the operating segments is as follows:

Operating segments	Nature of business activities
Commercial factoring business	Commercial factoring business in Mainland China
Finance lease business	Finance lease business in Mainland China
Other financing services	Financial information services and consultation service in Mainland China

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that bank interest income of unallocated deposits, gain or loss on financial assets at fair value through profits or loss of allocated assets, finance costs of bonds issued and unallocated loans and liabilities, 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 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 2020			
	Commercial factoring business RMB'000	Finance lease business RMB'000	Other financing services RMB'000	Total RMB'000
Segment revenue:				
Revenue from external customers	70,141	9,054	7,469	86,664
Segment results	41,423	(245)	2,154	43,332
<u>Reconciliation:</u>				
Bank interest income				8,443
Losses on financial assets at fair value through profit or loss				(4,803)
Finance costs				(14,969)
Exchange gain				3,799
Unallocated expenses				(13,223)
Profit before tax				22,579
Income tax expenses				(8,263)
Profit for the year				<u><u>14,316</u></u>

	At 31 December 2020			
	Commercial factoring business RMB'000	Finance lease business RMB'000	Other financing services RMB'000	Total RMB'000
Segment assets	1,439,277	119,797	3,757	1,562,831
<i>Reconciliation:</i>				
Unallocated assets				1,005,453
Total assets				2,568,284
Segment liabilities	829,414	4,711	573	834,698
<i>Reconciliation:</i>				
Unallocated liabilities				32,396
Total liabilities				867,094

	Year ended 31 December 2020				
	Commercial factoring business RMB'000	Finance lease business RMB'000	Other financing services RMB'000	Unallocated items RMB'000	Total RMB'000
Other segment information:					
Depreciation and amortisation	877	264	475	146	1,762
Provision for expected credit loss ("ECL") on trade and loans receivables	17,242	5,160	–	–	22,402
Written off of prepayments, other receivables and other assets	–	–	–	4,669	4,669
Additions to non-current assets	1,850	600	–	–	2,450

Year ended 31 December 2019

	Commercial factoring business <i>RMB'000</i>	Finance lease business <i>RMB'000</i>	Other financing services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Revenue from external customers	43,794	13,359	12,733	69,886
Segment results	(11,644)	(8,102)	(16,921)	(36,667)
<u>Reconciliation:</u>				
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 business <i>RMB'000</i>	Finance lease business <i>RMB'000</i>	Other financing services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	1,267,205	312,510	113,938	1,693,653
<u>Reconciliation:</u>				
Unallocated assets				1,029,341
Total assets				2,722,994
Segment liabilities	830,360	106,623	7,547	944,530
<u>Reconciliation:</u>				
Unallocated liabilities				31,090
Total liabilities				975,620

Year ended 31 December 2019					
	Commercial factoring business RMB'000	Finance lease business RMB'000	Other financing services RMB'000	Total RMB'000	Unallocated items RMB'000
Other segment information:					
Depreciation and amortisation	2,743	1,405	3,159	–	7,307
Provision for/(reversal of) ECL 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

Geographical information

(a) Revenue from external customers

	2020 RMB'000	2019 RMB'000
Hong Kong	–	–
Mainland China	86,664	69,886
	86,664	69,886

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

(b) Non-current assets

	2020 RMB'000	2019 RMB'000
Hong Kong	282	562
Mainland China	578,017	580,351
	578,299	580,913

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

Information about major customers

Interest income derived from commercial factoring loans receivables of approximately RMB31,136,000 and RMB14,231,000 for the year ended 31 December 2020 were from the largest and second largest customers, respectively (2019: RMB4,503,000 from the largest customer) .

6. REVENUE, OTHER INCOME AND GAINS

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers not within the scope of HKFRS 15		
Interest income		
Commercial factoring loans	70,141	43,794
Finance lease receivables	9,054	13,359
	<u>79,195</u>	<u>57,153</u>
Revenue from contracts with customers within the scope of HKFRS 15		
Financial information service income – point in time	7,469	12,733
	<u>86,664</u>	<u>69,886</u>
Other income		
Bank interest income	26,739	33,787
Rent concession	86	–
Others	630	1,196
	<u>27,455</u>	<u>34,983</u>
Other gains/(losses)		
Exchange gains/(losses)	3,799	(5,620)
	<u>31,254</u>	<u>29,363</u>

7. PROFIT/(LOSS) BEFORE TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	10,386	25,044
Retirement benefit scheme contributions	163	2,400
	<u>10,549</u>	<u>27,444</u>
Written off of prepayments, other receivables and other assets	4,669	–
Losses/(gains) on financial assets at fair value through profit or loss	1,974	(4,999)
Provision for ECL on trade and loans receivables (<i>Note 12</i>)	22,402	25,434
Impairment of prepayments, other receivables and other assets	–	11,254
Impairment of intangible asset	–	7,500
Amortisation of intangible assets	–	5,100
Auditor's remuneration	840	1,109
Depreciation of property, plant and equipment	303	443
Depreciation of right-of-use assets	1,459	1,764
Short-term leases	1,923	2,222
	<u><u>40,457</u></u>	<u><u>40,806</u></u>

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses on:		
Bank and other borrowings	37,628	37,919
Bonds issued	2,718	2,643
Lease liabilities	111	244
	<u><u>40,457</u></u>	<u><u>40,806</u></u>

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 years ended 31 December 2020 and 2019. Mainland China income tax has been provided at the rate of 25% for the year ended 31 December 2020 (2019: 25%) on the estimated assessable profits arising in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax		
– Mainland China	<u>5,257</u>	<u>1,022</u>
Total current tax	5,257	1,022
Deferred tax	<u>3,006</u>	<u>(4,250)</u>
Total tax expense/(credit) for the year	<u>8,263</u>	<u>(3,228)</u>

10. DIVIDENDS

The directors did not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

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

The calculation of the basic and diluted earnings/(loss) 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 (2019: 2,701,123,120) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue for the years ended 31 December 2020 and 2019. The basic earnings/(loss) per share equals to the diluted earnings/(loss) per share.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation	<u>14,316</u>	<u>(31,968)</u>

	2020 '000	2019 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	2,701,123	2,701,123
12. TRADE AND LOANS RECEIVABLES		
	2020 RMB'000	2019 RMB'000
Trade and loans receivables		
Commercial factoring loans (<i>Note (a)</i>)	757,809	737,422
Finance lease receivables (<i>Note (b)</i>)	24,816	67,479
Personal property pawn loans (<i>Note (c)</i>)	3,860	3,863
Other trade receivables (<i>Note (d)</i>)	342	6,130
	786,827	814,894
Provision for ECL	(45,818)	(43,077)
	741,009	771,817
Carrying amount analysed for reporting purpose:		
Current assets	741,009	737,966
Non-current assets	–	33,851
	741,009	771,817

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 which was ceased in previous years, customers were obliged to settle the amounts according to the terms set out in the relevant contracts. The loan periods ranged from 30 days to 240 days.
- (d) 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.
- (i) An ageing analysis of the commercial factoring loans, personal properties pawn loans and other trade receivables as at the end of the reporting period, based on maturity dates set out in the relevant contracts, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Not yet matured and within 3 months	740,533	673,323
6 to 12 months	33	—
Over 12 months	<u>21,445</u>	<u>77,531</u>
	<u>762,011</u>	<u>750,854</u>
Provision for ECL	<u>(25,674)</u>	<u>(26,622)</u>
	<u><u>736,337</u></u>	<u><u>724,232</u></u>

- (ii) The ageing analysis of the commercial factoring loans, personal property pawn loans and other trade receivables that are not individually considered to be impaired is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Not yet past due	738,791	668,393
Less than 30 days past due	342	4,930
31 to 60 days past due	<u>1,400</u>	<u>—</u>
	<u><u>740,533</u></u>	<u><u>673,323</u></u>

- (iii) The following is an aging analysis of the finance lease receivable instalments based on due dates:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-past due	4,399	42,651
Past due by: <i>(note)</i>		
Less than 30 days past due	94	1,474
31 to 60 days past due	55	567
61 to 120 days past due	94	918
More than 120 days past due	20,174	18,428
	<u>24,816</u>	<u>64,038</u>
Less: provision for ECL	<u>(20,144)</u>	<u>(16,455)</u>
	<u><u>4,672</u></u>	<u><u>47,583</u></u>

Note: In the event that instalments repayment of a finance lease receivable are past due, the entire outstanding balance of the finance lease receivable is classified as past due.

- (iv) The movements in provision for ECL of trade and loans receivables are as follows:

	Year ended 31 December 2020			
	Stage 1 (expected credit loss of 12 months) <i>RMB'000</i>	Stage 2 (expected credit loss of whole period) <i>RMB'000</i>	Stage 3 (impaired expected credit loss of whole period) <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020	3,453	1,489	38,135	43,077
Transfer to stage 1	449	(73)	(376)	–
Transfer to stage 2	(98)	582	(484)	–
Transfer to stage 3	(183)	(1,066)	1,249	–
Charge for the year	3,909	300	19,013	23,222
Release for the year	(3,164)	(329)	(875)	(4,368)
Stage transfer	(449)	(578)	4,575	3,548
Write-offs and transfer out	–	–	(19,661)	(19,661)
	<u>3,917</u>	<u>325</u>	<u>41,576</u>	<u>45,818</u>
As at 31 December 2020	<u><u>3,917</u></u>	<u><u>325</u></u>	<u><u>41,576</u></u>	<u><u>45,818</u></u>

	Year ended 31 December 2019			Total RMB'000
	Stage 1 (expected credit loss of 12 months) RMB'000	Stage 2 (expected credit loss of whole period) RMB'000	Stage 3 (impaired expected credit loss of whole period) RMB'000	
As at 1 January 2019	1,560	1,348	26,726	29,634
Transfer to Stage 1	31	(31)	–	–
Transfer to Stage 2	(333)	363	(30)	–
Transfer to Stage 3	(45)	(354)	399	–
Charge for the year	2,768	731	19,844	23,343
Release for the year	(505)	(596)	(846)	(1,947)
Stage transfer	(23)	28	4,033	4,038
Write-offs and transfer out	–	–	(11,991)	(11,991)
As at 31 December 2019	<u>3,453</u>	<u>1,489</u>	<u>38,135</u>	<u>43,077</u>
			2020 RMB'000	2019 RMB'000
At beginning of year			43,077	29,634
Impairment loss recognised (<i>Note 7</i>)			26,770	28,104
Impairment loss reversed* (<i>Note 7</i>)			(4,368)	(2,670)
Bad debt allowance written off and transferred out			(19,661)	(11,991)
			45,818	43,077

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

Included in the above provision for impairment of commercial factoring loans, personal properties pawn loans and other trade receivables is a provision for individually impaired trade and loans receivables of approximately RMB21,445,000 (2019: approximately RMB23,124,000) with a carrying amount before provision of approximately RMB21,478,000 (2019: approximately RMB77,531,000).

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 a certain concentration risk on trade and loans receivables as it has total outstanding balances as at 31 December 2020 of approximately RMB705,891,000 (2019: approximately RMB437,743,000) from the top five customers, and two (2019: one) of them contributes more than 10% of trade and loans receivables of the Group with an aggregate outstanding balance of approximately RMB641,448,000 (2019: approximately RMB211,773,000).

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

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

13. TRADE PAYABLES

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	6,660	1,803
3 to 12 months	551	50
Over 1 year	396	396
	<u>7,607</u>	<u>2,249</u>

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. EVENT AFTER THE REPORTING PERIOD

On 19 March 2021, the Group entered into a sale and purchase agreement to dispose of certain dormant subsidiaries to an independent third party for a total consideration of HK\$3. No significant gain or loss on disposal was expected.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2019, the Group carried out several business reforms to maintain market share and healthy cash flow of the Group under tough business environment. Although the outbreak of the Coronavirus Disease 2019 (“COVID-19”) pandemic in January 2020 seriously affected the global economy and nearly all the enterprises, the Group still achieved a turnaround and recorded a profit of RMB14.3 million for year ended 31 December 2020 (2019: loss of RMB32.0 million).

During the year ended 31 December 2020, the Group recorded an operating revenue of RMB86.7 million (2019: RMB69.9 million), representing a significant increase of 24% compared to the last year. On the other hand, the Group successfully controlled its staff cost which decreased by RMB17.1 million to RMB13.3 million in 2020 as a result of the business reform in 2019. In addition, in 2019, due to the change in economic environment and operation of the Group, the Group recognized provision for impairment loss on the Group’s prepayments, other receivables and other intangible assets of RMB18.8 million which was one-off in nature. As a result, the Group turned around and recorded a profit in 2020.

The increase in revenue was mainly contributed by the commercial factoring business. As mentioned in our 2019 Annual Report, new lending under commercial factoring dropped in 2018 and early 2019, but the Group successfully stopped such downward trend in the second half of 2019 with new lending amounting to over RMB1.2 billion recorded in the second half of 2019, and these lending continuously generated interest income in 2020. The increasing trend was maintained with new lending of over RMB1.9 billion recorded in 2020 (2019: RMB1.8 billion).

The management believes the result of 2020 proved the business reform in 2019 was successful. In 2020, due to the economic uncertainty under COVID-19, the Group focused on strengthening its risk management on loan receivables and controlling its operating costs in order to improve its operating results and at the same time maintain growth by continuously developing its commercial factoring businesses, in order to achieve the long term objective of establishing a market-leading comprehensive financial technology services group.

INDUSTRY ENVIRONMENT

In 2020, the world economy was hit hard by the COVID-19 pandemic, and all major economies in the world have experienced significant negative growth. In response to the economic impact of the pandemic, all countries introduced varying degrees of fiscal stimulus and monetary easing policies to counteract the adverse macroeconomic environment. The stimulus policies have relieved some of the pressure on the real economy, and U.S. stocks have reached new heights under the monetary easing policies. However, with the political instability in certain western countries and the continued economic distress caused by the pandemic, it is expected that the uncertainty of the global economic development in the future will further intensify, and the global economic environment will again suffer from high volatility.

Benefiting from the robust domestic prevention and control measures, even though it experienced a negative growth of 6.8% in the first quarter, China recovered in the second quarter and maintained growth through the end of 2020, with gross domestic product (GDP) growing by 2.3% over last year, making it the only country among major economy in the world that achieved growth. The growing share of China's economy in the world also demonstrated the strength and resilience of its economy.

As of the end of 2020, the remaining amount of loans to small and micro enterprises (including loans to small and micro enterprises, loans to individual business proprietors and loans to owners of small and micro enterprises) of financial institutions in the banking industry of China amounted to RMB42.7 trillion, among which, the loans to small and micro enterprises each with a credit facility of not more than RMB10 million amounted to RMB15.3 trillion, increased by 31% as compared to the end of last year. As the pandemic in China has been getting under control, as of the end of 2020, the remaining amount of non-performing loans of commercial banks in China amounted to RMB2.7 trillion, representing a decrease of RMB133.6 billion from the end of the third quarter. Non-performing loan ratio of commercial banks was 1.84%, representing a decrease of 0.12 percentage point from the end of the third quarter. As long as there will be no major change in the overall pandemic prevention and control, the industry as a whole is expected to continue to develop in a prudent manner.

The suspension of the listing of “Ant Financial” in 2020 and the comprehensive regulatory reform demonstrate a further increase in regulatory focus on the fintech industry and a strong regulatory stance in the near term. As traditional peer-to-peer financing companies have been caught up in default incidents or criminal liabilities, the fintech market landscape of China has become more oligopolistic, with the remaining large enterprises dominating the market rules. In such a competitive environment, it is expected that the competition in the industry will continue to focus on three directions: serving the real economy, financial inclusion, and enhancing the hard power of technology.

BUSINESS REVIEW

Benefitting from GOME's advantages in resources and industry chain, the Company remained committed to the vision of "using innovation to promote the development of technology and using technology to drive financial reform".

Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), a wholly-owned subsidiary of the Company, provided prompt and convenient supply chain financial services to high-quality customers in a prudent way of combining online and offline services. Under the COVID-19 pandemic, the overall financing needs increase and during 2020 the Group further improved its business relationship with certain high-quality customers. The lending amount of the Group increased from RMB1.8 billion in 2019 to RMB1.9 billion in 2020. Considering the uncertainties of the economy, the management further strengthened its risk management by lowered the credit limit of certain customers and actively maintained communication with customers who had overdue payment due to the pandemic and adopted various measures. The total lending volume of the commercial factoring business maintained its increasing trend and exceeded RMB1.9 billion during 2020. The commercial factoring business achieved a turnaround in 2020 and recorded operating earnings of RMB41.4 million. 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 2020.

Other than the commercial factoring business and financial 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. In 2019, Gome Wangjin launched a business by providing operational services to a financial service App and provides customer referral services to financial institutions through the operation of the App. The business began to generate revenue in second half of 2019 and the management readjusted its development direction and streamlined its manpower in late 2019. In 2020, the management believed this business was mature and kept monitoring the operating cost. As a result, the other financial services business turned around and recorded an operating profit of RMB2.2 million during 2020.

The vehicle leaseback business was terminated in 2019 due to its relatively high bad debt ratio and high cost in securing high-quality customers. Considering the relatively high uncertainty over the repayment ability of individual customers, the mobile phone leaseback business was also suspended in the second half of 2019.

Significant changes were made to the Group's overall development plan and related personnel allocation in 2019. The total number of staff was decreased to 36 as at the end of 2019. During 2020, as a result of natural loss of staff and streamlining operating team members, the total number of staff was decreased to 27 as at 31 December 2020. Meanwhile, other administrative expenses were also significantly decreased due to cost control. Considering the COVID-19 pandemic, the uncertainties surrounding the overall economic environment are still high. The management believes that continuous downsizing and maintaining low operating costs will create maximum benefits and higher returns for the Company.

FINANCIAL REVIEW

Results highlights

During the year ended 31 December 2020, the Group recorded an increase in operating revenue of 24% or RMB16.8 million. The Group recorded RMB70.1 million in revenue from commercial factoring services, representing a significant increase of 60% as compared to 2019 as a result of the increase in total lending. The Group successfully overcame the external economic difficulties and the commercial factoring business was not seriously affected by COVID-19. By further developing business relationship with certain high quality commercial factoring customers, new lending amounted over RMB1.9 billion was recorded for 2020 in total (2019: RMB1.8 billion) and interest income improved.

During the year ended 31 December 2020, the Company recorded a profit attributable to the owners of the Company of RMB14.3 million (2019: loss of RMB32.0 million) and a profit before tax of approximately RMB22.6 million (2019: loss of RMB35.2 million). Significant loss in 2019 was partly contributed by the provision for impairment loss on the Group's prepayments, other receivables and other intangible assets of RMB18.8 million, which was non-recurring. Apart from increase in revenue, the Group kept operating cost under control after the business reform in 2019 and successfully reduced its staff cost which decreased by RMB17.1 million or 56% in 2020. Provision for expected credit loss ("ECL") on trade and loans receivable also decreased by RMB3.0 million or 12% in 2020 as a result of the strong credit control in 2019 and 2020.

As disclosed in the announcement of the Company dated 21 January 2020, on 17 January 2020, a wholly owned subsidiary of the Company entered into a swap contract with a bank, pursuant to which the Group agreed to exchange with the bank USD22.4 million for RMB154.0 million on 20 January 2020 and RMB154.0 million for USD22.4 million on 19 January 2021 in order to hedge the exchange risk on a RMB structured deposit product. During 2020, as USD depreciated significantly against RMB, the Group recorded a loss in financial assets for the swap contracts which amounted to RMB8.0 million. During 2020, the Group also recorded an exchange gain of RMB8.1 million in respect of the said RMB154 million structured deposit product, thus, no material net impact to the Group's performance was resulted.

Basic earnings per share for the year was RMB0.53 cents (2019: loss of RMB1.18 cents). The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: 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 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Revenue	70,141	43,794
Net operating expenses	<u>(11,476)</u>	<u>(27,021)</u>
Operating earnings	58,665	16,773
Provision for ECL of loans receivables	(17,242)	(19,857)
Provision for impairment of other intangible assets and financial assets	<u>—</u>	<u>(8,560)</u>
Segment results	<u>41,423</u>	<u>(11,644)</u>

The revenue from the commercial factoring business during 2020 significantly increased to over RMB70 million, mainly due to the stable development of this business. As aforesaid, new lendings in the first half of 2019 was very low, but new lendings started to increase from the second half of 2019, with the total new lendings in 2020 exceeded that of 2019, hence despite a slight downward adjustment in the interest rate in 2020, the total income still increased.

Interest income generated from pledged bank deposits for obtaining bank loan for the commercial factoring business was allocated to this segment starting from 2020, and an amount of RMB12.2 million was included in net operating expenses. There was no other material change in other operating expenses of commercial factoring business.

As discussed, COVID-19 affected operation and cash flow of many domestic enterprises, which also affected the recoverability of certain loan receivables, and the balance of the loss category as at 31 December 2020 increased by RMB12.7 million as compared with 2019 and resulted in additional provision in 2020. The provision for ECL on loans receivables for the commercial factoring business in 2020 maintained at a similar level as that of 2019, amounted to RMB17.2 million (2019: RMB19.9 million). Management considered such amount of impairment was high but in line with the operating scale of the commercial factoring business and overall market environment.

In 2019, the Group recorded impairment provision on other intangible assets and financial assets amounting 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. The above impairment provision made in 2019 was one-off in nature.

As a result of the increase in revenue, the commercial factoring business turned around to record a profit of RMB41.4 million (2019: loss of RMB11.6 million).

The Group takes a consistent and objective approach in analyzing loan qualities so as to assess whether there will be provision for ECL on loans receivables, taking into account, among others, 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 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 2020		31 December 2019	
	Gross balance <i>RMB'000</i>	Impairment provision <i>RMB'000</i>	Gross balance <i>RMB'000</i>	Impairment provision <i>RMB'000</i>
Normal	738,791	3,908	662,260	2,768
Special mention	1,400	301	4,930	730
Substandard	–	–	65,377	10,970
Doubtful	33	20	–	–
Loss	17,585	17,585	4,855	4,855
	<u>757,809</u>	<u>21,814</u>	<u>737,422</u>	<u>19,323</u>

Gross balance of substandard, doubtful and loss loans decreased significantly by RMB52.6 million compared to 31 December 2019, as most of the balances at 31 December 2019 were already settled or sold in 2020. As at 31 December 2019, RMB65,377,000 was loan receivables from two customers that were included in the substandard category, and provision had been made according to the estimated recoverable amount, among which RMB13.7 million due from a single customer remained outstanding at 31 December 2020 which was re-classified to loss category and full provision was made in 2020. At 31 December 2020, allowance to substandard, doubtful and loss loans ratio was nearly 100%.

Although significant impairment was made in 2020, the Group's management considered the credit control procedures implemented in 2019 and 2020 were effective as over 97% of loan receivables were categorized as normal as at 31 December 2020.

Financial leasing business

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

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Revenue	9,054	13,359
Net operating expenses	<u>(4,139)</u>	<u>(10,782)</u>
Operating earnings	4,915	2,577
Provision for ECL of loans receivables	(5,160)	(5,933)
Provision for impairment of other intangible assets and financial assets	<u>—</u>	<u>(4,746)</u>
Segment results	<u>(245)</u>	<u>(8,102)</u>

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

Interest income was still generated from the loan balances, however, since business was suspended and no new lending was made after July 2019, revenue decreased by RMB4.3 million in 2020. Interest from existing balance will be generated until 2021 even though no more new lending is expected to be made. Upon suspension of the business, only a minimal number of staff was kept to manage the loan receivables, and as a result operating expenses also significantly decreased.

During 2020, COVID-19 continually affected the repayment ability of certain individual borrowers such that most of the overdue balance at 31 December 2019 was still unsettled at 31 December 2020 and additional provision for ECL on loans receivable of RMB5.2 million for the financial leasing business was recorded in 2020 to cover the whole balances of loss category.

As a combined result of the above, the financial leasing business was nearly breakeven in 2020.

In 2019, the computer software under other intangible assets for financial leasing business and related prepayments of approximately RMB2.5 million in total were wholly impaired as a result of suspension of the business. Impairment for other receivables of RMB2.2 million was also made in 2019. All of these are non-recurring in nature.

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 2020		31 December 2019	
	Gross balance	Impairment provision	Gross balance	Impairment provision
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Normal	4,493	22	44,236	1,362
Special mention	55	14	538	243
Substandard	94	42	861	487
Doubtful	241	133	1,625	1,113
Loss	19,933	19,933	20,219	16,689
	24,816	20,144	67,479	19,894

As mentioned above, most of the individuals with outstanding balances at 31 December 2019 still failed to settle the balances in 2020, however, balances under the doubtful and loss categories still decreased due to the suspension of business. Additional provision of RMB5.2 million was made during the year to cover the whole balance of loss category.

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 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Revenue	7,469	12,733
Net operating expenses	<u>(5,315)</u>	<u>(24,562)</u>
Operating earnings/(loss)	2,154	(11,829)
Reversal of impairment on loans receivables	–	356
Provision for impairment of other intangible assets and financial assets	<u>–</u>	<u>(5,448)</u>
Segment results	<u>2,154</u>	<u>(16,921)</u>

The revenue of the other financing services business 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 cards, etc.

From April 2020, the Group's management reviewed the products of the financial institutions which the Company referred to the App's users due to the increase in regulatory focus on the fintech industry in China. The number of products for referral was reduced after such review, as a result the referral business of the Group was affected and revenue decrease significantly in the second half of 2020. The management considered this tough market environment may last for a long period. Having considered this new business is already mature, the management started to simplify the operation structure and implemented cost control in order to maintain a positive margin. As a result other financing services business successfully record a profit of RMB2.2 million.

In 2019, 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 staff cost in 2019. 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, therefore, operating expense for 2020 decreased significantly as compared with 2019 with a decrease in staff cost of RMB14.6 million.

In 2019, 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 RMB5.4 million, of which approximately RMB5.0 million 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 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Net trade and loans receivables	741,009	771,817
– Net loan balance	740,667	765,687
Gross trade and loans receivable balance	786,827	814,894
– Gross loan balance	786,485	808,764
	<u>741,009</u>	<u>771,817</u>
	<u>740,667</u>	<u>765,687</u>
	<u>786,827</u>	<u>814,894</u>
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Overall interest rate charged to customers in 2020 in relation to commercial factoring loans and financial leasing loans slightly decreased when compared with 2019 as the Group offered a lower rate to quality customers who were affected by COVID-19, and as a result total return on loans slightly dropped.

As aforesaid, full provision was made for loss category of both commercial factoring business and finance lease business, therefore, both the allowance to loans ratio and the allowance coverage ratio increased, especially the allowance coverage ratio which increased to over 100%. Taking into account the uncertainties of the economy, the management was cautious and considered that it would be appropriate to maintain a higher level of impairment provision.

Loan quality analysis and impairment allowances

During the year ended 31 December 2020, net amount for the provision for ECL on trade and loans receivables was RMB22.4 million (2019: RMB25.4 million). Additional provision was made for the commercial factoring and financial leasing businesses as aforesaid. Furthermore, since RMB51.4 million of the substandard loan at 31 December 2019 was either settled or sold in 2020, the relevant loan receivable impairment loss was reversed/write-off, which resulted in increase in amount as compared with 2019.

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000
At the beginning of the period	43,077	29,634
Impairment allowances recognized	26,770	28,104
Impairment loss reversed	(4,368)	(2,670)
Impairment loss write-off and transferred out	(19,661)	(11,991)
	45,818	43,077

Other balance sheet items

The Group has been investing in certain principal guaranteed structured deposit products offered by a bank from time to time for the purpose of better utilizing the surplus cash arising in the ordinary and usual course of business.

During 2020, the Group invested in a principal guaranteed structured deposit product offered by a bank and also entered into a swap contract with the same bank in order to hedge the exchange risk on a RMB structured deposit product, details of which are set out in the Company's announcement dated 21 January 2020. Both the structured deposit products and foreign currency swap contract have been accounted for as "financial assets at fair value through profit or loss" in the Company's consolidated financial statements. During 2020, certain pledged bank loan was released. Therefore, as at 31 December 2020, the amount of financial assets at fair value through profit or loss increased to RMB149.5 million (2019: RMB105.7 million) while pledge bank deposits and bank loan decreased to RMB734.7 million (2019: RMB922.9 million) and RMB809.5 million (2019: RMB927.0 million), respectively.

PROSPECTS

In 2020, the global economy experienced a significant recession resulted from the COVID-19 pandemic, which caused numerous companies operating difficulties or bankruptcies. With the development of vaccines and the gradual implementation of vaccination programmes around the world, the world is slowly shifting to a post-pandemic era. Taking the lead in recovery, China is expected to adopt relatively stable and moderate fiscal and monetary policies, and the "first-aid" macro-control policies implemented during the pandemic will be steadily withdrawn. The Group planned to start its extended warranty services business, details of which was disclosed in the circular of the Company dated 27 May 2020. Due to the COVID-19 pandemic, the Group slowed down this plan.

In the financial sector, the China Banking and Insurance Regulation Commission and the People's Bank of China (the "PBOC") have promulgated a series of important policies such as the draft version of the Interim Administrative Measures for Online Micro-credit Business (《網絡小額貸款業務管理暫行辦法(徵求意見稿)》), further stressing the importance of licensed and compliance financial operations. In the context of the continued strengthening of financial supervision, the Group continued to uphold its philosophy of prioritizing compliance in the business operations, carried out business expansion by relying on its well-established commercial factoring business network and further strengthened the risk control capabilities based on artificial intelligence and big data technology to achieve steady and comprehensive business growth.

Apart from the existing business, the Group planned to enter into the prepaid card, internet payment services and related technology services business by the acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited, details of which are set out in the Company's circular dated 28 June 2017. This acquisition was not yet completed up to 26 March 2021 and the Group's management expected it to be completed in 2021 or 2022 as a new business drive. In 2021, the Group will tie in with GOME's new strategic development plan to further develop its commercial factoring business and strive to extend the technology exports and business practices of other financial business based on its technology and knowledge accumulated, with the aim of providing shareholders with more superior return on their investment while complying with regulatory compliance requirements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position is sound with strong equity and working capital bases. As at 31 December 2020, the Group's total equity amounted to RMB1,701.2 million, representing a slight decrease of 2.6% as compared with that as at 31 December 2019. As at 31 December 2020, the Group's cash and cash equivalents amounted to RMB350.2 million (2019: RMB316.4 million) which was mainly contributed by cash inflow from investing activities.

During the year ended 31 December 2020, the Group recorded cash inflow from its operating activities of RMB79.0 million (2019: outflow of RMB156.6 million). Profit for 2020 generated positive operating cash flow for 2020. The Group recorded an inflow from investing activities of RMB118.9 million (2019: RMB46.9 million). During 2020, pledged bank deposit for securing bank loan amounted to RMB188.2 million was released which contributed to significant investing cash inflow in 2020. The Group repaid certain bank loans in 2020 and incurred an outflow from financing activities of RMB155.1 million (2019: inflow of RMB110.6 million).

The Group's current ratio as at 31 December 2020 was 2.37 (2019: 2.23). The Group's gearing ratio, expressed as percentage of total liabilities except tax payable over the Group's total equity was 50.5% (as at 31 December 2019: 55.6%). The increase in current ratio and decrease in gearing ratio was due to repayment of short term bank borrowings in 2020.

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 2020, 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 RMB837,723,000 (2019: RMB956,495,000). The Group's current borrowings were all made at fixed interest rates. The weighted average effective interest rates on secured current borrowings for the year were 3.55% to 4.8% per annum.

As at 31 December 2020, the Group's borrowings were denominated in RMB and HKD, amounting to approximately RMB809,500,000 and approximately HKD33,533,000 (equivalent to approximately RMB28,223,000), 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 ended 31 December 2020, there was no change in the issued capital of the Company and the number of issued ordinary shares of the Company remained at 2,701,123,120 as at 31 December 2020 and 2019.

GROUP STRUCTURE

The Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2020.

For details relating to the acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited, please refer to the Company's circular dated 28 June 2017.

As at 31 December 2020, the Group had no future plans for material investments or capital assets.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group's bank deposits in the amount of RMB734,704,000 (2019: RMB922,865,000) and a structured deposit with a principal amount of RMB154,000,000 and its interest (2019: principal amount of RMB105,000,000 and its interest) were pledged to secure banking facilities of the Group. The Group did not have any material contingent liabilities as at 31 December 2020 and 2019.

TREASURY POLICIES AND FOREIGN EXCHANGE EXPOSURE

The Group has continued to adopt a conservative treasury policy, with all bank deposits held in HKD, RMB, and USD. The Board and management has been closely monitoring the Group's liquidity position, performing ongoing credit evaluations and monitoring the financial conditions of its customers in order to ensure the Group's healthy cash position. The Group has been investing in certain principal guaranteed structured deposit products offered by a bank with the surplus cash arising in the ordinary and usual course of business of the Group from time to time. The principal amount invested by the Group in these products was determined by the Group having regard to the surplus cash position of the Group from time to time and after taking into account the highly liquid nature of such investments and nearly no financial risks involved. The Group has not adopted any hedging policy and except for the foreign currency swap contract as disclosed in the announcement dated 21 January 2020, 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 27 employees in total as at 31 December 2020 (2019: 36). The Group pays for social insurance for its PRC employees in accordance with the applicable laws in the PRC. The Group also maintains insurance coverage and contributes to mandatory provident fund schemes for its employees in Hong Kong in accordance with the applicable laws in Hong Kong. The overall aim of the Group's employee and remuneration policy is to retain and motivate staff members to contribute to the continuing success of the Group.

Additionally, the Group 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2020, 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 of Hong Kong Limited (the "Stock Exchange"), except for the deviation disclosed below.

Code provision A.2.1 and Code provision A.2.7

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

Ms. Chen Wei, an executive Director, had been performing the duties of the chairman and the chief executive of the Company without formal appointment as chairman and chief executive since 30 August 2018. 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 A.2.1 of the CG Code. As the Company did not have a chairman, it could not strictly comply with code provision A.2.7 of the CG Code during the year ended 31 December 2020. However, 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. The Company considers that there were sufficient channels and communications for discussion of the Company's affair between Ms. Chen Wei and other non-executive Directors.

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 2020.

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 2020.

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 2020, before proposing them to the Board for approval.

ANNUAL GENERAL MEETING

A notice convening the forthcoming annual general meeting of the Company 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 Stock Exchange (www.hkexnews.hk) and the Company (www.gomejr.com). The Company's annual report for the year ended 31 December 2020 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.
Zhou Yafei
Executive Director

Beijing, 26 March 2021

As at the date of this announcement, the Company's executive Director is Mr. Zhou Yafei; 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.