

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021

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 2021 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 2021

	<i>Notes</i>	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Revenue	6	77,401	86,664
Other income and gains	6	17,792	31,254
Administrative expenses		(24,188)	(30,506)
Provision for expected credit loss (“ECL”) on trade and loans receivables	12	(5,061)	(22,402)
Finance costs	8	(32,738)	(40,457)
Gains/(losses) on financial assets at fair value through profit or loss	7	247	(1,974)
Operating profit		33,453	22,579
Impairment loss on prepayment for acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited (“TJGCMT”)	13	(157,000)	–

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss)/profit before tax	7	(123,547)	22,579
Income tax expense	9	<u>(4,436)</u>	<u>(8,263)</u>
(Loss)/profit for the year		<u>(127,983)</u>	<u>14,316</u>
Attributable to:			
Owners of the Company		<u>(127,983)</u>	<u>14,316</u>
(Loss)/earnings per share attributable to ordinary equity holders of the Company	<i>11</i>		
Basic and diluted			
(Loss)/earnings per share		<u>RMB(4.74) cents</u>	<u>RMB0.53 cents</u>
(Loss)/profit for the year		<u>(127,983)</u>	<u>14,316</u>
Other comprehensive loss:			
Other comprehensive loss that may not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation from functional currency to presentation currency		<u>(21,160)</u>	<u>(60,500)</u>
Other comprehensive loss for the year, net of tax		<u>(21,160)</u>	<u>(60,500)</u>
Total comprehensive loss for the year		<u>(149,143)</u>	<u>(46,184)</u>
Attributable to:			
Owners of the Company		<u>(149,143)</u>	<u>(46,184)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Prepayment	13	419,000	576,000
Right-of-use assets		668	1,902
Property, plant and equipment		167	397
Deferred tax assets		3,360	5,463
		<hr/>	<hr/>
Total non-current assets		423,195	583,762
Current assets			
Trade and loans receivables	12	831,701	741,009
Prepayments, other receivables and other assets	13	10,371	9,130
Financial assets at fair value through profit or loss		–	149,451
Pledged deposits for bank loans		930,844	734,704
Cash and cash equivalents		247,037	350,228
		<hr/>	<hr/>
Total current assets		2,019,953	1,984,522
Current liabilities			
Trade payables	14	1,299	7,607
Other payables and accruals		5,446	11,782
Tax payables		4,748	8,130
Interest-bearing bank and other borrowings		851,000	809,500
Bond issued		12,016	–
Lease liabilities		650	1,202
		<hr/>	<hr/>
Total current liabilities		875,159	838,221
Net current assets		1,144,794	1,146,301
		<hr/>	<hr/>
Total assets less current liabilities		1,567,989	1,730,063
		<hr/>	<hr/>

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current liabilities			
Bonds issued		15,942	28,223
Lease liabilities		—	650
		<hr/>	<hr/>
Total non-current liabilities		15,942	28,873
		<hr/>	<hr/>
Net assets		1,552,047	1,701,190
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Equity attributable to owners of the Company			
Share capital		230,159	230,159
Reserves		1,321,888	1,471,031
		<hr/>	<hr/>
Total equity		1,552,047	1,701,190
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE AND GROUP INFORMATION

Gome Finance Technology Co., Ltd. (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “HKEx”). The principal place of business in Hong Kong is located at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The Company’s holding company and ultimate holding company is Swiree Capital Limited, a company incorporated in the British Virgin Islands. The 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 2021, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021:

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform Phase 2

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

4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised)	1 January 2022
Amendment to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3 Amendments to HKFRS 10 and HKAS 28	Reference to the Conceptual Framework Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2022 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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 amendments is not expected to have significant impact on the financial position and disclosures 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 of the Company for strategic decision making. The executive directors consider the business from a product and service perspective. The Group's business is divided into two operating segments, namely commercial factoring 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
Other financing services	Finance lease business, 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. Starting from 2021, the financial lease business was merged into the other financing services business as the finance lease business does not meet the quantitative threshold. 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, losses on financial assets at fair value through profit or losses, finance costs, exchange losses, impairment loss on prepayment for acquisition of TJGCMT, loss on disposal of subsidiaries 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 2021		
	Commercial factoring business RMB'000	Other financing services RMB'000	Total RMB'000
Segment revenue:			
Revenue from external customers	69,872	7,529	77,401
Segment results	48,874	1,243	50,117
<i>Reconciliation:</i>			
Bank interest income			6,256
Gain on financial assets at fair value through profit or losses			247
Finance costs			(14,607)
Exchange losses			(312)
Impairment loss on prepayment for acquisition of TJGCMT			(157,000)
Loss on disposals of subsidiaries			(23)
Unallocated expenses			<u>(8,225)</u>
Loss before tax			(123,547)
Income tax expenses			<u>(4,436)</u>
Loss for the year			<u><u>(127,983)</u></u>

	At 31 December 2021		
	Commercial factoring business RMB'000	Other financing services RMB'000	Total RMB'000
Segment assets	1,350,597	123,605	1,474,202
<i>Reconciliation:</i>			
Unallocated assets			<u>968,946</u>
Total assets			<u><u>2,443,148</u></u>
Segment liabilities	378,682	3,227	381,909
<i>Reconciliation:</i>			
Unallocated liabilities			<u>509,192</u>
Total liabilities			<u><u>891,101</u></u>

	Year ended 31 December 2021			
	Commercial factoring business RMB'000	Other financing services RMB'000	Unallocated items RMB'000	Total RMB'000
Other segment information:				
Depreciation and amortisation	933	305	138	1,376
Provision for ECL on trade and loans receivables	5,243	(182)	–	5,061

Year ended 31 December 2020

	Commercial factoring business <i>RMB'000</i>	Finance lease business <i>RMB'000</i>	Other financing services <i>RMB'000</i>	Total other financing services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:					
Revenue from external customers	70,141	9,054	7,469	16,523	86,664
Segment results	41,423	(245)	2,154	1,909	43,332
<i>Reconciliation:</i>					
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>14,316</u>

Year ended 31 December 2020

	Commercial factoring business <i>RMB'000</i>	Finance lease business <i>RMB'000</i>	Other financing services <i>RMB'000</i>	Total other financing services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>1,439,277</u>	<u>119,797</u>	<u>3,757</u>	<u>123,554</u>	<u>1,562,831</u>
<i>Reconciliation:</i>					
Unallocated assets					<u>1,005,453</u>
Total assets					<u>2,568,284</u>
Segment liabilities	<u>829,414</u>	<u>4,711</u>	<u>573</u>	<u>5,284</u>	<u>834,698</u>
<i>Reconciliation:</i>					
Unallocated liabilities					<u>32,396</u>
Total liabilities					<u>867,094</u>

Year ended 31 December 2020

	Commercial factoring business <i>RMB'000</i>	Finance lease business <i>RMB'000</i>	Other financing services <i>RMB'000</i>	Total other financing services <i>RMB'000</i>	Unallocated items <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information						
Depreciation and amortisation	877	264	475	739	146	1,762
Provision for ECL on trade and loans receivables	17,242	5,160	–	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	–	600	–	2,450

Geographical information

(a) *Revenue from external customers*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Hong Kong	–	–
Mainland China	77,401	86,664
	<u>77,401</u>	<u>86,664</u>

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

(b) *Non-current assets*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Hong Kong	136	282
Mainland China	419,699	578,017
	<u>419,835</u>	<u>578,299</u>

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

Information about major customers

Interest income derived from commercial factoring loans receivables of approximately RMB30,742,000 and RMB24,792,000 for the year ended 31 December 2021 were from the largest and second largest customers, respectively (2020: RMB31,136,000 and RMB14,231,000, respectively).

6 REVENUE, OTHER INCOME AND GAINS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers not within the scope of HKFRS 15		
Interest income		
Commercial factoring loans	69,872	70,141
Finance lease receivables	912	9,054
	<u>70,784</u>	<u>79,195</u>
Revenue from contracts with customers within the scope of HKFRS 15		
Financial information service income – point in time	6,617	7,469
	<u>77,401</u>	<u>86,664</u>
Other income		
Bank interest income	17,969	26,739
Rent concession	–	86
Others	158	630
	<u>18,127</u>	<u>27,455</u>
Other (losses)/gains		
Loss on disposals of subsidiaries (<i>Note</i>)	(23)	–
Exchange (losses)/gains	(312)	3,799
	<u>(335)</u>	<u>3,799</u>
	<u>17,792</u>	<u>31,254</u>

Note:

On 19 March 2021, the Group entered into a sale and purchase agreement to dispose of certain dormant subsidiaries to an independent third party at a total consideration of HK\$3. On 27 May 2021, the Group issued a notice to terminate various agreements between Guangzhou City Yuenqian Investment Consultancy Limited Liability Company (廣州市源謙投資諮詢有限責任公司) (a wholly-owned subsidiary of the Company), Guangdong Lido Pawnshop Co. Ltd. (廣東利都典當有限公司) (“Lido Pawnshop”) and the registered owners of Lido Pawnshop with effect from 27 June 2021. The agreements were entered into to provide the Group with an effective control over and the right to enjoy the economic benefits and risks in and/or assets of Lido Pawnshop and Lido Pawnshop was accounted for as an indirect wholly-owned subsidiary of the Group. Upon termination of the agreements, Lido Pawnshop was disposed of by the Group for accounting purposes. The above disposals of subsidiaries resulted in loss on disposals of subsidiaries amounted to approximately RMB23,000 in aggregate.

7 (LOSS)/PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	12,102	10,386
Retirement benefit scheme contributions	1,024	163
	<u>13,126</u>	<u>10,549</u>
Written off of prepayments, other receivables and other assets	23	4,669
(Gains)/losses on financial assets at fair value through profit or loss	(247)	1,974
Provision for ECL on trade and loans receivables (<i>note 12</i>)	5,061	22,402
Impairment loss on prepayment for acquisition of TJGCMT (<i>note 13</i>)	157,000	–
Auditor's remuneration	878	840
Depreciation of property, plant and equipment	142	303
Depreciation of right-of-use assets	1,234	1,459
Short-term leases	1,612	1,923
	<u><u>13,126</u></u>	<u><u>10,549</u></u>

8 FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses on:		
Bank and other borrowings	30,076	37,628
Bonds issued	2,602	2,718
Lease liabilities	60	111
	<u>32,738</u>	<u>40,457</u>
	<u><u>32,738</u></u>	<u><u>40,457</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 2021 and 2020. Mainland China income tax has been provided at the rate of 25% for the year ended 31 December 2021 (2020: 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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current income tax		
– Mainland China	<u>2,333</u>	<u>5,257</u>
Total current tax	2,333	5,257
Deferred tax	<u>2,103</u>	<u>3,006</u>
Total tax expense for the year	<u>4,436</u>	<u>8,263</u>

10 DIVIDENDS

The directors did not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

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

The calculation of the basic and diluted (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 (2020: 2,701,123,120) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue for the years ended 31 December 2021 and 2020. 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculation	<u>(127,983)</u>	<u>14,316</u>

	2021 '000	2020 '000
--	--------------	--------------

Shares

Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculation	<u>2,701,123</u>	<u>2,701,123</u>
---	------------------	------------------

12 TRADE AND LOANS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade and loans receivables		
Commercial factoring loans (<i>Note (a)</i>)	844,486	757,809
Finance lease receivables (<i>Note (b)</i>)	1,113	24,816
Personal property pawn loans (<i>Note (c)</i>)	–	3,860
Other trade receivables (<i>Note (d)</i>)	<u>589</u>	<u>342</u>
	<u>846,188</u>	<u>786,827</u>
Provision for ECL	<u>(14,487)</u>	<u>(45,818)</u>
	<u>831,701</u>	<u>741,009</u>

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. The effective interest rates of the commercial factoring loans range from 8% to 15% (2020: 8% to 15%) per annum as at 31 December 2021.

As at 31 December 2021, the commercial factoring loans with carrying amount of RMB836,291,000 (2020: RMB676,246,000) were collateralised by the customers' accounts receivables with fair values of approximately RMB880,865,000 (2020: RMB693,378,000). The fair values of the collaterals were measured at 80% of their carrying amounts.

- (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. The effective interest rates of the finance lease receivables range from 6.96% to 13% (2020: 6.96% to 13%) per annum as at 31 December 2021.

	Minimum lease receivables		Present value of minimum lease receivables	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease receivables:				
Total undiscounted minimum finance lease receivables overdue/due within one year	1,113	26,191	1,113	24,816
Less: Future finance income	—	(1,375)	—	—
Present value of minimum finance lease receivables	<u>1,113</u>	<u>24,816</u>	<u>1,113</u>	<u>24,816</u>

Finance lease receivables are mainly secured by the leased assets which are motor vehicles and mobile phones with insignificant fair values at the end of each reporting period. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. Certain deposits are returned to the customers in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract have been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 31 December 2020, the customers' deposits of RMB175,000 will be returned to the customers in full by the end of lease period. There was no customer deposit held as at 31 December 2021.

- (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. On 27 June 2021, contractual arrangements between the Group and Lido Pawnshop were terminated.
- (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 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Not yet matured	805,918	738,791
Matured for:		
3 months or less	31,559	342
3 to 6 months	2,296	–
6 to 12 months	–	33
Over 12 months	5,302	21,445
	<u>845,075</u>	<u>760,611</u>
Provision for ECL	<u>(13,374)</u>	<u>(25,674)</u>
	<u><u>831,701</u></u>	<u><u>734,937</u></u>

- (ii) The ageing analysis of the commercial factoring loans and other trade receivables (2020: commercial factoring loans, personal properties pawn loans and other trade receivables) that are not individually considered to be impaired is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Neither past due nor impaired	805,918	738,791
Less than 30 days past due	31,559	342
31 to 60 days past due	—	1,400
	<u>837,477</u>	<u>740,533</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-past due	—	4,399
Past due by: <i>(note)</i>		
Less then 30 days past due	—	94
31 to 60 days past due	—	55
61 to 120 days past due	—	94
More than 120 days past due	1,113	20,174
	<u>1,113</u>	<u>24,816</u>
Less: provision for ECL	<u>(1,113)</u>	<u>(20,144)</u>
	<u>—</u>	<u>4,672</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 following tables sets forth the distribution of trade and loans receivables of the Group by five categories of classification.

	2021		2020	
	Gross balance <i>RMB'000</i>	Provision for ECL <i>RMB'000</i>	Gross balance <i>RMB'000</i>	Provision for ECL <i>RMB'000</i>
<i>Stage 1:</i>				
Normal	806,507	5,274	743,626	3,917
<i>Stage 2:</i>				
Special mention	30,970	1,539	1,455	325
<i>Stage 3:</i>				
Substandard	2,296	1,259	94	45
Doubtful	–	–	274	153
Loss	6,415	6,415	41,378	41,378
	<u>846,188</u>	<u>14,487</u>	<u>786,827</u>	<u>45,818</u>

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

	Year ended 31 December 2021			Total <i>RMB'000</i>
	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>	
As at 1 January 2021	3,917	325	41,576	45,818
Transfer to stage 3	(9)	(325)	334	–
Charge for the year	5,275	1,539	1,259	8,073
Release for the year	(3,909)	–	(218)	(4,127)
Stage transfer	–	–	1,115	1,115
Write-offs and transfer out	–	–	(36,392)	(36,392)
As at 31 December 2021	<u>5,274</u>	<u>1,539</u>	<u>7,674</u>	<u>14,487</u>

	Year ended 31 December 2020			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 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)
As at 31 December 2020	<u>3,917</u>	<u>325</u>	<u>41,576</u>	<u>45,818</u>

	2021 RMB'000	2020 RMB'000
At beginning of year	45,818	43,077
Impairment loss recognised (<i>note 7</i>)	9,188	26,770
Impairment loss reversed* (<i>note 7</i>)	(4,127)	(4,368)
Bad debt allowance written off and transferred out	(36,392)	(19,661)
	<u>14,487</u>	<u>45,818</u>

* 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 RMB6,561,000 (2020: approximately RMB21,445,000) with a carrying amount before provision of approximately RMB7,598,000 (2020: approximately RMB21,478,000).

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.

The Group has concentration risk on trade and loans receivables as it has total outstanding balances as at 31 December 2021 of approximately RMB582,043,000 (2020: approximately RMB705,891,000) from the top five customers, and two (2020: two) of them contributes more than 10% of trade and loans receivables of the Group with an aggregate outstanding balance of approximately RMB388,228,000 (2020: approximately RMB641,448,000).

The Group also has 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 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	RMB'000	RMB'000
Prepayment for acquisition of TJGCMT	576,000	576,000
Deposits	178	204
Other prepayments	638	502
Other receivables	9,555	8,424
	586,371	585,130
Impairment loss on prepayment for acquisition of TJGCMT	(157,000)	–
	429,371	585,130

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

As disclosed in the Company's circular dated 29 June 2017, Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), a subsidiary of the Group, entered into a loan agreement dated on 7 June 2017 with the Beijing Bosheng Huifeng Business Consulting Co., Limited ("OPCO"), a company established in the PRC of which 90% equity interest is owned by Ms. Du Juan, the controlling shareholder of the Company, to provide a non-interest-bearing loan of an amount of RMB720 million to the OPCO solely for the Group's purpose of acquiring the entire equity interest of TJGCMT from independent third parties, Tibet Yang Guan LLP and Mr. Mao Deyi (together the "Sellers").

On 25 July 2017, the OPCO and the Sellers entered into an equity share transfer agreement (the "equity share transfer agreement") pursuant to which the OPCO agreed to buy and the Sellers agreed to sell the entire equity interest of TJGCMT. Upon completion, the OPCO will hold the entire equity interest of TJGCMT. At the same time at completion, Xinda Factoring will then enter into a series of contracts with the OPCO. Through these contracts, in the opinion of the directors of the Company, the Group will have effective control over the finance and operations of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO and TJGCMT. Pursuant to the equity share transfer agreement, if the transaction has not been completed after 24

months of the date of signing of the equity share transfer agreement (i.e. 24 July 2019), the OPCO is entitled to notify the Sellers for terminating the transaction and all prepayment made for the acquisition shall be refunded to the OPCO within 10 days from such notification and the OPCO is liable to refund all prepayment to the Group immediately upon receipt within the 10 days. In 2017, RMB576 million was advanced by the Group to the OPCO and it was recorded as a non-current asset by the Group as of 31 December 2021 and 2020.

During the current year, the Group was notified by the People's Bank of China ("PBOC") for temporary suspension of the approval process which was a critical completion condition for the acquisition of TJGCMT. As at 31 December 2021 and up to the date when the Group's consolidated financial statements for the year ended 31 December 2021 were authorised for issue, the approval from PBOC has not been received. Since the approval process was suspended and considering the overall macro environment in the PRC, the directors of the Company are considering whether or not to terminate the abovementioned equity share transfer agreement in order for the OPCO to get a refund of the RMB576 million from the Sellers and hence a refund of the same amount from the OPCO to the Group.

Given the abovementioned facts and circumstances during the year ended 31 December 2021, the directors of the Company performed an impairment assessment as at 31 December 2021 in respect of the recoverability of the Group's prepayment of RMB576 million to the OPCO. The impairment assessment performed by the management of the Group was based on a scenario analysis described below. The directors of the Company have decided to give some time to wait and see whether or not the acquisition can go ahead. Based on current information available, the Group's current decision was that, if the acquisition could not be completed by the end of 2022, the Group, through the OPCO, will notify the Sellers to terminate the transaction. The OPCO will then request a refund of RMB576 million in accordance with the equity share transfer agreement. If the Sellers could not return the prepayment within 10 days from the date of the notification, the Group will take legal actions against the Sellers and take any other alternative actions which include but not limited to the disposal of the entire equity interest of TJGCMT through an auction by a court. On 23 March 2022, a personal guarantee has been executed by the controlling shareholder, Ms. Du Juan, who also owns 90% of the equity interest of the OPCO, to secure recoverability of the prepayment of RMB576 million. If full refund is not received either from the Sellers or through disposal of entire equity interest of TJGCMT on or before 30 June 2024, Ms. Du Juan undertakes to procure for refund of the prepayment to the Group, on or before 31 December 2024, for any shortfall with her personal assets.

As at 31 December 2021, in performing the impairment assessment, the directors of the Company have also taken into account the probabilities (estimated by the directors of the Company) regarding the completion of the acquisition of TJGCMT, the enterprise value of TJGCMT and the ability of Ms. Du Juan to refund RMB576 million to the Group. The Group has engaged an independent valuer, B.I. Appraisals Limited, to assess the enterprise value of TJGCMT, using market approach. As at 31 December 2021, the recoverable amount of the prepayment was estimated to be RMB419 million and an impairment loss of RMB157 million (2020: Nil) was recognised during the year ended 31 December 2021.

Carrying amount analysed for reporting purpose:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	10,371	9,130
Non-current assets	419,000	576,000
	429,371	585,130

14 TRADE PAYABLES

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	853	6,660
3 to 12 months	–	551
Over 1 year	446	396
	1,299	7,607

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2021, due to the impairment loss on prepayment for acquisition of TJGCMT which amounted to RMB157 million, the Group recorded significant loss before tax of RMB123.5 million (2020: profit of RMB22.6 million). Excluding such impairment, the Group recorded an operating profit of RMB33.5 million, which actually improved compared with 2020. Although revenue of the Group decreased from RMB86.7 million in 2020 to RMB77.4 million in 2021 due to suspension of the financial leasing business, operating profit still increased as the provision for expected credit loss (“ECL”) on trade and loan receivables and other receivables decreased by RMB17.3 million and RMB4.6 million respectively. The Group recorded a loss for the year of RMB128.0 million for the year ended 31 December 2021 (2020: profit of RMB14.3 million) and the Board did not recommended the payment of any dividend for the year ended 31 December 2021.

Commercial factoring business was the major income source of the Group which contributed over 90% of the revenue of the Group during the year ended 31 December 2021. Although the outbreak of the Coronavirus Disease 2019 (“COVID-19”) pandemic in January 2020 seriously affected the global economy and various industries, China’s economy quickly recovered in the second half of 2020 and the demand for factoring loans in the People’s Republic of China (the “PRC”) remained strong in 2020 and 2021. New lending of commercial factoring business of the Group kept increasing from RMB1.8 billion in 2019 to RMB1.9 billion in 2020 and RMB2.0 billion in 2021 and the management expected the increasing trend will continue for 2022. However, considering the economic uncertainty under COVID-19, starting from early 2020, the Group has been strengthening its risk management on new lending and loans receivables. The improvement in risk management and credit control successfully reduced the provision for ECL on trade and loans receivables for the year ended 31 December 2021.

Apart from maintaining stable growth of commercial factoring business, the management also carried out several business reforms in the past two years in order to maintain market share and healthy cash flow of the Group under tough business environment. The suspension of loss making financial leasing business resulted in a decrease in total revenue but it improved overall profitability and the Group can then focus on profit making operations.

In 2021, considering the economic uncertainties under COVID-19, the Group targeted to further develop its commercial factoring business while keeping its risk management on new lending and loans receivables at a high standard to ensure the business of the Group could generate stable return. The management closely monitored the other financing services and adjusted the Group's business plan from time to time. The management also kept exploring different new business opportunities so as to grow by developing new businesses. The management believes the results for the years ended 31 December 2021 and 2020 proved the current strategy of maintaining growth by continuously developing the commercial factoring business and simultaneously exploring new businesses can lead the Group to develop steadily.

INDUSTRY ENVIRONMENT

Over the past year, the world economy has shown a remarkable recovery trend. While major economies such as China and the U.S. have played important roles in leading the recovery, some emerging economies and developing countries were facing difficulties in economic growth, contributing to more divergent economic growth in the world. In addition, issues such as the sharp increase in global inflation pressure, supply chain crisis and energy crisis have posed new challenges to the global economic recovery.

In this macro environment, China achieved the highest economic growth rate among the world's major economies, benefiting from the research and development of treatment and vaccines for COVID-19 and extensive vaccination among the citizens.

In 2021, China's gross domestic product (GDP) grew by 8.1% over the previous year, with the total economic output amounted to RMB114.4 trillion, surpassing RMB110 trillion and ranking second in the world.

In 2021, China's lending interest rates decreased slightly but generally remained stable, and the support for inclusive finance remained strong. The financing for small and micro enterprises showed a trend of "increased volume, expanded coverage and decreased prices". As at the end of 2021, the balance of inclusive loans to small and micro enterprises in China increased by 27.3% year-on-year, and the number of small and micro customers that have been granted inclusive facilities was more than 44 million. The weighted average interest rate of inclusive loans newly issued to small and micro enterprises in November 2021 was 4.98%, down 0.1 percentage point from December 2020. Overall, China's financial system has been running smoothly, with solid supports of financial instruments to the economy.

Looking ahead, in a stable market environment under the guidance of positive policies, the development of inclusive finance empowered by financial technologies in the supply chain financial industry will continue to maintain an orderly growth and develop in the direction of high quality, high standards and high efficiency, and demonstrate a new trend of diversified types and services.

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" (創新推動科技發展、科技驅動金融變革) during 2021.

Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), a wholly-owned subsidiary of the Company, provided prompt and convenient supply chain services to high-quality customers in a prudent way of combining online and offline services. Although the overall financing needs increased during 2020 and 2021, the credit risk on loans receivable also increased due to the economic uncertainties under COVID-19 pandemic. Since mid-2020, the Group focused on improving its business relationship with certain high-quality customers. Although the Group became more prudent in accepting new customers and granting credit limit, the Group still successfully maintained its operating scale and the lending amount of the Group also slightly increased from RMB1.9 billion in 2020 to RMB2.0 billion in 2021. However, since the market interest rate in the PRC decreased and interest rate charged to high quality customers was relatively lower, it resulted in the slight decrease in revenue of the commercial factoring business even though the total lending amount increased. As mentioned above, improvement in risk management and credit control reduced the provision for ECL on trade and loans receivables, and as a result, the commercial factoring business recorded a profit of RMB48.9 million for 2021 (2020: RMB41.4 million). The management believed that the commercial factoring business will be the cornerstone in the future development of the Group as the business has a well established risk management system and it maintained steady growth despite various negative factors in the external environment.

Other than the commercial factoring business, the Group, through Gome Wangjin (Beijing) Technology Co., Ltd. ("Gome Wangjin"), a wholly-owned subsidiary of the Company, has 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. Gome Wangjin has been engaged in providing operational services to a financial service App and customer referral services to financial institutions through the operation of the App since 2019. However from April 2020, the management considered the tough market environment due to the increase in regulatory focus on the fintech industry in China may last for a long period and had simplified the operation in order to sustain the business. Since 2021, the other financial services business included the financial leasing business for management purpose. As all leaseback business was suspended in 2019, revenue from this business contributed only 1.2% of the Group's total revenue for 2021 and its loans receivable balance as at 31 December 2021 was already wholly impaired, thus, the management merged this business with the other financial services business for management purpose to increase cost efficiency.

In the past, the other financing services business mainly referred to the real estate-backed loan and pawn loans business in Mainland China and the money lending business in Hong Kong. To operate the Group's pawn loans financing business in the PRC, the Group entered into various agreements in order to take effective control and enjoy the economic benefits and risks in and/or assets of Guangdong Lido Pawnshop Co. Ltd. (廣東利都典當有限公司) ("Lido Pawnshop"). However, these businesses started to slow down from 2018 and were suspended from 2019, and after reviewing the development plan of the Group, the Group's management considered that the Group would not resume these businesses in the foreseeable future. In March 2021, the Group disposed certain dormant subsidiaries, then in June 2021, the Group terminated the agreements in relation to Lido Pawnshop mentioned above in order to simplify the group structure and save cost. Disposal loss of RMB23,000 was recorded in 2021.

A prepayment for acquisition of TJGCMT of RMB576 million was impaired by RMB157 million after management review. For details of the impairment, please refer to the section headed "Impairment loss on prepayment for acquisition" below. The Group suffered a net loss as a result of this impairment, however, the management considered TJGCMT, the target company of this acquisition as one of the important elements in future strategic development of the Group and therefore will continue to endeavour to obtain the requisite regulatory approval in 2022. In addition, considering the Group recorded an increment in operating profit, operation of the Group for 2021 is still satisfactory.

The management believes that the Group is developing in a stable manner and considers that the uncertainties surrounding the overall economic environment are still high. The management believes maintaining the current development strategy will create maximum benefits and higher returns for the Company.

FINANCIAL REVIEW

Results highlights

During the year ended 31 December 2021, revenue of the Group decreased by 10.7% to RMB77.4 million (2020: RMB86.7 million), which was mainly due to the decrease in revenue from other financial services including the finance lease business. The Group recorded revenue of RMB69.9 million (2020: RMB70.1 million) from commercial factoring services, representing a slight decrease of 0.3% as a result of the decrease in interest rate. Due to the suspension of the financial leasing business, the Group only recorded revenue of RMB7.5 million from the other financing services business during 2021, while revenue contributed by the finance lease business was RMB9.1 million and that of the other financing services was RMB7.5 million in 2020.

As aforesaid, considering the increase in credit risk on loans receivable due to the economic uncertainties under COVID-19, the Group kept improving its risk management and credit control over the commercial factoring business. As a result, the non-performing loan ratio decreased and the provision for ECL on trade and loans receivables was lowered to RMB5.2 million, representing a significant decrease of RMB17.3 million as compared to 2020. In 2020, the Group recorded a provision for ECL of the Group's other receivables of RMB4.7 million as administrative expenses, which was one-off in nature. Apart from the impact of such provision, administrative expenses of the Group also decreased by RMB6.3 million, which was mainly contributed by decrease in business tax and legal and professional fees. Due to the decrease in market interest rate in the PRC in 2021, both fixed deposits and bank loans renewed in 2021 were at a lower interest rate, such that both bank interest income and finance costs decreased and did not have significant impact on profit. Although operating profit increased, income tax expenses decreased in 2021 as a subsidiary successfully utilised its tax loss credit in 2021.

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 contract of RMB8.0 million and also recorded an exchange gain of RMB3.8 million. Such contract was settled in January 2021 and resulted in a gain on financial assets of RMB0.2 million. No other financial assets were held by the Group as at 31 December 2021.

An impairment loss of RMB157,000,000 was recognised in the prepayment for the acquisition of TJGCMT, which strongly affected the profitability of the Group, from profit to loss making. For details of the impairment, please refer to the section headed "Impairment loss on prepayment for acquisition" below. The current accounting treatment illustrated potential loss might be suffered.

Combining the effects above, for the year ended 31 December 2021, the Group recorded operating profit of RMB33.5 million (2020: profit of RMB22.6 million). Loss attributable to owners of the Company increased to RMB128.0 million (2020: profit of RMB14.3 million). Basic loss per share for the year was RMB4.74 cents (2020: earnings per share RMB0.53 cents).

Commercial factoring business

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

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000
Revenue	69,872	70,141
Net operating expenses	(15,755)	(11,476)
Operating earnings	54,117	58,665
Provision for ECL of loans receivables	(5,243)	(17,242)
Segment results	48,874	41,423

As mentioned above, interest rate of the commercial factoring business decreased as a result of decrease in market interest rate and the Group focused on high quality customers with relatively lower interest rate charged, which offset the impact of increase in new lending and the revenue of the Group from the commercial factoring business maintained at approximately RMB70 million for both 2021 and 2020.

Included in net operating expenses, net finance cost, representing bank loan interest less bank interest income, of the commercial factoring business increased by RMB4.1 million due to the enlarged gap between interest rate of bank loan and bank deposit. There was no other material change in operating expenses of the commercial factoring business.

The demand for commercial factoring in the PRC was not seriously affected by COVID-19. However, the increase in credit risk on loans receivable due to the economic uncertainties under COVID-19 became the major challenge of the commercial factoring business. During 2021, the management focused on developing business with high quality customers in order to maintain a balance between credit risk and business growth, and new lending amount for the year was satisfactory with an increased total loan amount as compared with 2020. Although interest rate and revenue decreased, improvement in risk control and credit management helped the commercial factoring business lower its provision for ECL of loans receivables to RMB5.2 million (2020: RMB17.2 million) and resulted in an increase in segment profit from RMB41.4 million for 2020 to RMB48.9 million for 2021.

The Group takes a consistent and objective approach in analyzing loan qualities so as to assess whether there will be impairment losses on loans receivables, taking into account events such as subsequent settlement, default or delinquency in interest or principal payments, and the financial and credit analysis of each individual debtor or a group of debtors. After such analysis, the Group classifies the loans into five different categories as well as three stages based on expected credit losses as required by the 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 2021		31 December 2020	
	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	805,918	5,274	738,791	3,908
Special mention	30,970	1,539	1,400	301
Substandard	2,296	1,259	–	–
Doubtful	–	–	33	20
Loss	5,302	5,302	17,585	17,585
	<u>844,486</u>	<u>13,374</u>	<u>757,809</u>	<u>21,814</u>

Gross balance of normal loan as at 31 December 2021 increased to RMB805.9 million (2020: RMB738.8 million) due to the increase in new lending. Gross balance of special mention loan as at 31 December 2021 increased to RMB31.0 million (2020: RMB1.4 million) mainly due to a single loan of RMB30.0 million which became overdue just before 31 December 2021, and was already wholly repaid after 31 December 2021. As at 31 December 2021, net balance of substandard, doubtful loans and loss loans was RMB1.0 million (2020: RMB13,000), and respective gross amount decreased significantly in 2021 as RMB36.4 million of trade and loan receivables was written off in 2021.

Since most of the new loans during 2021 were settled on time or remained under normal stage and significant impairment was made in 2020 for the loss category, therefore, no significant provision was made during 2021. In addition, non-performing loan ratio of the commercial factoring business dropped as a result of increased internal control over releasing of new lending.

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:

	For the year ended 31 December 2020 <i>RMB'000</i>
Revenue	9,054
Net operating expenses	(4,139)
	<hr/>
Operating earnings	4,915
Provision for ECL of loans receivables	(5,160)
	<hr/>
Segment results	(245)
	<hr/> <hr/>

In 2020, the financial leasing business included the vehicle leaseback business and the mobile phone leaseback business. The vehicle leaseback business was discontinued and the mobile phone leaseback business was suspended during 2019 for risk control and to reserve resources for business with higher potential. Although the businesses were suspended, outstanding loan balance still generated interest income during 2021. However, respective revenue from these businesses kept decreasing from 2019 and the interest income generated decreased from RMB9.1 million in 2020 to RMB0.9 million in 2021. In addition, balance of loans receivables of the financial leasing business as at 31 December 2021 was already wholly impaired. For segment reporting purpose, the financial leasing business was merged to the other financing services business from January 2021.

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 2021 RMB'000	For the year ended 31 December 2020 RMB'000
Revenue	7,529	7,469
Net operating expenses	(6,468)	(5,315)
Operating earnings	1,061	2,154
Reversal provision for ECL of loans receivables	182	–
Segment results	1,243	2,154

Revenue of the other financing services business mainly represented the service fee collected by Gome Wangjin by providing customer referral services to financial institutions through a financial services App, which refers the App users to other financial institutions for borrowing, obtaining credit record and applying for credit card, etc. Revenue was maintained at around RMB7.5 million for both 2021 and 2020 as starting from January 2021, the financial leasing business was merged to the other financing services business for segment reporting purpose. Service fee received by providing customer referral services decreased slightly from RMB7.5 million in 2020 to RMB6.6 million in 2021. 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 decreased afterwards.

Due to the merger of the financial leasing business as mentioned above, the net operating expenses increased. The management considered this tough market environment of other financing services business may last for a long period. Considering that this business was already mature, the management simplified the operation and implemented cost control in order to maintain a positive margin. As a result other financing services business maintained a profit of RMB1.2 million (2020: RMB2.2 million).

During 2021, certain loans receivable of the financial leasing business was recovered and resulted in a reversal of provision for ECL of loans receivables of RMB0.2 million. Net loans receivables of the other financial services business as at 31 December 2021 was nil.

Key operating data of the Group

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Net trade and loans receivables	831,701	741,009
– Net loan balance	831,112	740,667
Gross trade and loans receivable balance	846,188	786,827
– Gross loan balance	845,599	786,485
	For the year ended 31 December 2021	For the year ended 31 December 2020
Total return on loans (interest income/average gross loan balance)	8.06%	8.56%
Allowance to loans ratio (impairment allowance as % of gross loan balance)	1.71%	5.83%
Non-performing loan ratio (gross non-performing loan balance as % of gross loan balance)	0.76%	5.31%
Allowance coverage ratio (impairment allowance as % of gross non-performing loan balance)	225.82%	109.75%

As at 31 December 2021, the Group's gross loan receivables increased to RMB845.6 million (31 December 2020: RMB786.5 million) due to the increase of the amount of new loan disbursements in 2021. In addition, as mentioned aforesaid, substandard, doubtful and loss loans amounted to RMB36.4 million was written off during 2021 and resulted in decrease in respective gross balance and a lower non-performing loan ratio.

Overall interest rate charged to customers in 2021 in relation to commercial factoring loans and financial leasing loans slightly decreased when compared with 2020 as a result of decrease in market interest rate and the Group offered a lower rate to quality customers who were affected by COVID-19, thus, total return on loans slightly dropped.

As aforesaid, most of the new loans during 2021 were settled on time or remained under normal stage that no significant provision was made during 2021 and most of the provision was written off in 2021, thus allowance to loans ratio decreased to 1.7%. Full provision was made for loss category of both commercial factoring business and finance lease business, therefore, the non-performing loan ratio increased to and maintained at 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 provision for ECL

During the year ended 31 December 2021, net amount for the provision for impairment loss on trade and loans receivables was RMB5.1 million (2020: RMB22.4 million). Additional provision was made for the commercial factoring and financial leasing businesses as aforesaid. During 2021, management reviewed all balances under the doubtful and loss categories, significant balance considered as non-recoverable was written off in order to better reflect the actual loan balance and quality. The movements in provision for ECL of trade and loan receivables are as follows:

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000
At the beginning of the period	45,818	43,077
Impairment allowances recognized	9,188	26,770
Impairment loss reversed	(4,127)	(4,368)
Impairment loss write-off and transferred out	(36,392)	(19,661)
	<u>14,487</u>	<u>45,818</u>
At the end of the period	<u>14,487</u>	<u>45,818</u>

Impairment loss on prepayment for acquisition

The impairment loss (the “Impairment Loss”) is attributable to the impairment of the prepayment of RMB576 million (the “Prepayment”) made for the acquisition by Beijing Bosheng Huifeng Business Consulting Co., Limited (the “OPCO”) of 100% equity interest in TJGCMT from independent third parties, Tibet Yang Guan LLP and Mr. Mao Deyi (together, the “Sellers”) (the “Acquisition”). As at 31 December 2021 and up to the date of this announcement, the transaction has not yet been completed and RMB576 million had been paid according to the loan agreement entered into between Xinda Factoring and the OPCO on 7 June 2021 (the “Loan Agreement”) and was recorded as a prepayment by the Group. Details of the Acquisition and the Loan Agreement are set out in the Company’s circular dated 29 June 2017.

The Acquisition is still subject to regulatory approval in the PRC and the management of the Group continues to endeavour to obtain the requisite regulatory approval and complete the Acquisition in 2022, as such, completion of the Acquisition remains uncertain. Considering the significant amount of the Prepayment and the requisite regulatory approval has yet been received, the management reviewed from time to time on the possibility of completion and also the recoverability of the Prepayment. Based on current information available, the Group's current decision was to terminate the Acquisition if the transaction could not be completed by the end of 2022.

If the Group requests to terminate the transaction and the Sellers could not return the Prepayment, the Group can take legal actions against the Sellers and take any other alternative actions which include but are not limited to the disposal of the entire equity interest of TJGCMT through an auction by a court. In addition, the Group obtained an undertaking (the "Undertaking") made by Ms. Du Juan, major shareholder of the OPCO and controlling shareholder of the Company to procure for the refund of the Prepayment and to make up any shortfall with her personal assets to the extent necessary.

However, according to relevant accounting standards, the Impairment Loss of RMB157 million was recognized based on the carrying value of the Prepayment using scenario analysis, i.e. recoverable amount of the Prepayment in the event that the Acquisition is terminated, taking into account, among others, the enterprise value of TJGCMT, the ability of Ms. Du Juan to refund the Prepayment and discount on these values. The management considered the carrying amount of the Prepayment as at 31 December 2021 (being RMB419 million) represented the estimated recoverable amount but not the actual recoverable amount. In the event Ms. Du Juan is required to exercise the Undertaking, the recoverable amount of the Prepayment will depend on the value of her personal assets at that time. When calculating the recoverable amount as at 31 December 2021, the Group has only taken into account the estimated recoverable amount of shares of the Company held by Ms. Du Juan, without taking into account any other personal assets of Ms. Du Juan.

Other balance sheet items

The Group has been investing in certain principal guaranteed structured deposit products offered by a bank from time to time for the purpose of better utilizing the surplus cash arising in the ordinary and usual course of business, details of which are set out under the section headed "Significant Investments" below.

PROSPECTS

In 2021, while the COVID-19 pandemic outbreak around the world placed numerous pressures on the macro economy, the supply chain financial market was generally stable, with steady growth in various businesses and a general decrease in interest rates. These have played a positive role in promoting the development of the real economy, facilitating the industrial chain and supply chain cycle, as well as reducing the costs of enterprises.

In the backdrop of narrowing traditional interest rate spreads and intensifying market competition, the innovative supply chain financial business has provided integrated services including financing, settlement, and consulting to upstream and downstream small and medium-sized enterprises. This has become the focus and transformation direction of various enterprises to develop new businesses in such diversified competitive landscape.

With further development of the industry, technological advancement will accelerate the specialised division of labour and collaboration among enterprises in the industry chain. Currently by adopting technology-based finance as the focus of its strategies and integrating digital technologies such as artificial intelligence, blockchain, cloud computing and big data, the Group targets to create a more professional and refined supply chain financial circulation system with close linkage and diverse functions. The Group will further explore the integration and development of the metaverse with the supply chain financial industry, and establish a diversified and differentiated product and service matrix, so as to expand its sources of business revenue and bring more stable and abundant returns to the shareholders while providing customers with professional and refined financial services.

Looking forward, in order to enhance the overall value of the Company, the management intends to expand into various types of businesses, including e-commerce platform and online-retail agency businesses, with a goal of becoming the “sharing retail platform operator” with the most complete structure and linkage, while the current finance business and TJGCMT, the payment company being acquired, would provide the professional finance capacity and qualification. Therefore, the management is still vigorously promoting the completion of the Acquisition.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s financial position is sound with strong equity and working capital bases. As at 31 December 2021, the Group’s total equity amounted to RMB1,552.0 million, representing a decrease of 8.8% as compared with that as at 31 December 2020. As at 31 December 2021, the Group’s cash and cash equivalents amounted to RMB247.0 million (2020: RMB350.2 million) which was mainly due to the increase in pledged deposits for bank loans.

During the year ended 31 December 2021, the Group recorded cash outflow from its operating activities of RMB52.4 million (2020: inflow of RMB79.1 million). Increase in trade and loans receivables as at 31 December 2021 attributed to significant operating cash outflow for 2021. The Group recorded an outflow from investing activities of RMB60.3 million (2020: inflow of RMB118.9 million). During 2021, pledged bank deposit for securing bank loan increased significantly by RMB222.0 million which offset the proceeds from disposal of financial assets at fair value through profit or loss and resulted to investing cash outflow in 2021. The Group recorded an inflow from financing activities of RMB0.2 million (2020: outflow of RMB155.1 million) as the proceeds from addition in bank loans was similar to the payment of finance costs.

The Group’s current ratio as at 31 December 2021 was 2.31 (2020: 2.37). The Group’s gearing ratio, expressed as percentage of total liabilities except tax payable over the Group’s total equity was 57.1% (as at 31 December 2020: 50.5%). The decrease in current ratio and increase in gearing ratio was due to increase in short term bank borrowings in 2021.

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 2021, 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 RMB878,958,000 (2020: RMB837,723,000). 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 3.35% to 3.45% per annum.

As at 31 December 2021, the Group's borrowings were denominated in RMB and HKD, amounting to approximately RMB851,000,000 and approximately HKD34,195,000 (equivalent to approximately RMB27,958,000), 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 2021, there was no change in the issued share capital of the Company and the number of issued ordinary shares of the Company remained at 2,701,123,120 as at 31 December 2021 and 2020.

GROUP STRUCTURE

On 19 March 2021, the Group entered into a sale and purchase agreement to dispose certain dormant subsidiaries, namely Best Ample Holdings Limited, Goldtip Holdings Limited and Best Review Investments Limited and their respective subsidiaries, to an independent third party at a total consideration of HK\$3.

On 27 May 2021, the Group issued a notice to terminate various agreements between Guangzhou City Yuenqian Investment Consultancy Limited Liability Company (廣州市源謙投資諮詢有限責任公司) (a wholly-owned subsidiary of the Company) ("Yuenqian Investment"), Lido Pawnshop and the registered owners of Lido Pawnshop (the "Registered Owners") with effect from 27 June 2021. The agreements provided the Company with an effective control over and the right to enjoy the economic benefits and risks in and/or assets of Lido Pawnshop, and Lido Pawnshop was accounted for as an indirect wholly-owned subsidiary of the Company. Upon termination of the agreements, Lido Pawnshop was disposed by the Company for accounting purposes.

The above disposals of subsidiaries resulted in loss on disposals of subsidiaries which amounted to approximately RMB23,000 in aggregate.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2021.

For details relating to the acquisition of TJGCMT, please refer to the Company's circular dated 28 June 2017.

As at 31 December 2021, the Group had no future plans for material investments or capital assets.

SIGNIFICANT INVESTMENTS

During 2020, the Group also entered into a swap contract with a bank in order to hedge the exchange risk on a RMB structured deposit product. Both structured deposit products and foreign currency swap contract have been accounted for as "financial assets at fair value through profit or loss" in the Company's consolidated financial statements. During the year ended 31 December 2021, both the swap contract and structured deposit product matured and were settled in January 2021, and since all financial assets were stated at fair value as at 31 December 2020, a fair value gain of RMB0.2 million was recorded and the balance of the financial assets at fair value through profit or loss was nil as at 31 December 2021 (31 December 2020: RMB149.5 million). During 2021, structured deposit products were released and the Group entered into a pledged bank loan as a security for a bank loan, therefore, as at 31 December 2021, amount of these investments decreased to RMB nil (2020: RMB149.5 million) while pledge bank deposits and bank loans increased to RMB930.8 million (2020: RMB734.7 million) and RMB851.0 million (2020: RMB809.5 million), respectively.

Save as disclosed, the Group did not have any significant investments for the year ended 31 December 2021.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group's bank deposits in the amount of RMB930,844,000 (2020: RMB734,704,000) were pledged to secure banking facilities of the Group. No structured deposit was pledged to secure banking facilities of the Group as at 31 December 2021 (2020: RMB154,000,000 and its interest). The Group did not have any material contingent liabilities as at 31 December 2021 and 2020.

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 25 employees in total as at 31 December 2021 (2020: 27). 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 2021, the Company had complied with all code provisions set out in the Corporate Governance Code (the “CG Code”) (*Note*) 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 performed the duties of the chairman and the chief executive of the Company as an interim arrangement without formal appointment of as chairman and chief executive on 30 August 2018 until her resignation on 26 March 2021. Ms. Chen resigned as executive Director on 26 March 2021 and Mr. Zhou Yafei, who has been appointed as an executive Director with effect from 26 March 2021, had performed the duties of the chairman and the chief executive of the Company after resignation of Ms. Chen as an interim arrangement without formal appointment of a new chairman and CEO. The Board considered that while vesting the roles of the chairman and chief executive in the same person can facilitate the execution of the Company’s business strategies and maximize effectiveness of its operation, the Board would nevertheless review the structure of the Board from time to time and would be considering suitable candidate to be appointed as the chairman and chief executive of the Company such that the Company can comply with code provision 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 2021. However, the independent non-executive Directors had effective access to Ms. Chen Wei during her tenure in office, Mr. Zhou Yafei 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 during her tenure in office, Mr. Zhou Yafei and other non-executive Directors during the year ended 31 December 2021.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

Note:

A new CG Code came into effect on 1 January 2022. As the period under review in this announcement is for the year ended 31 December 2021, the CG Code described in this announcement is the CG Code in effect during the year ended 31 December 2021.

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 2021.

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 four independent non-executive Directors, namely Mr. Hung Ka Hai Clement (Chairman), Mr. Lee Puay Khng, Mr. Li Liangwen and Ms. Wang Wanjun.

The Audit Committee has reviewed the audited consolidated financial results of the Company for the year ended 31 December 2021, 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 2021 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, 29 March 2022

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. Lee Puay Khng, Mr. Li Liangwen, Mr. Hung Ka Hai Clement and Ms. Wang Wanjun.