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国美金融科技
GOME FINTECH

國美金融科技有限公司

Gome Finance Technology Co., Ltd.

(Incorporated in Bermuda with limited liability)

(Stock Code: 628)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "Board") of directors (the "Directors") of Gome Finance Technology Co., Ltd. (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021. The condensed consolidated interim results are unaudited, but have been reviewed by the Company's audit committee (the "Audit Committee").

HIGHLIGHTS

Revenue for the six months ended 30 June 2022 increased by 7% to RMB39.4 million (for the six months ended 30 June 2021: RMB37.0 million). Operating profit for the six months ended 30 June 2022 increased by 1.2 times to RMB28.5 million (for the six months ended 30 June 2021: RMB12.8 million).

Profit attributable to owners of the Company for the six months ended 30 June 2022 was RMB2.7 million (for the six months ended 30 June 2021: RMB8.9 million).

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: nil).

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

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**39,426**	37,010
Other income and gains	*4*	**13,084**	4,974
Administrative expenses		**(10,113)**	(12,383)
Reversal of/(provision for) expected credit loss on trade and loans receivables		**1,753**	(1,038)
Finance costs	*6*	**(15,666)**	(15,975)
Gains on financial assets at fair value through profit or loss	*5*	**–**	249
Operating profit		**28,484**	12,837
Impairment loss on prepayment for acquisition of TJGCMT	*10*	**(21,000)**	–
Profit before tax	*5*	**7,484**	12,837
Income tax expense	*7*	**(4,753)**	(3,921)
Profit for the period		**2,731**	8,916
Attributable to:			
Owners of the Company		**2,731**	8,916
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic and diluted			
Earnings per share		**RMB0.10 cents**	RMB0.33 cents
Profit for the period		**2,731**	8,916

	Notes	For the six months ended 30 June **2022** ***RMB'000*** **(Unaudited)**	2021 *RMB'000* (Unaudited)
Other comprehensive income/(loss):			
Other comprehensive income/(loss) that may not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation from functional currency to presentation currency		**42,512**	(4,500)
Other comprehensive income/(loss) for the period, net of tax		**42,512**	(4,500)
Total comprehensive income for the period		**45,243**	4,416
Attributable to:			
Owners of the Company		**45,243**	4,416

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	**30 June 2022** *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Non-current assets			
Prepayment	*10*	**398,000**	419,000
Right-of-use assets		**479**	668
Property, plant and equipment		**102**	167
Deferred tax assets		**2,916**	3,360
Total non-current assets		**401,497**	423,195
Current assets			
Trade and loans receivables	*9*	**873,094**	831,701
Prepayments, other receivables and other assets	*10*	**12,536**	10,371
Pledged deposits for bank loans		**981,897**	930,844
Cash and cash equivalents		**223,494**	247,037
Total current assets		**2,091,021**	2,019,953
Current liabilities			
Trade payables	*11*	**1,242**	1,299
Other payables and accruals		**5,180**	5,446
Tax payables		**6,797**	4,748
Interest-bearing bank and other borrowings		**852,000**	851,000
Bonds issued		**29,547**	12,016
Lease liabilities		**298**	650
Total current liabilities		**895,064**	875,159
Net current assets		**1,195,957**	1,144,794
Total assets less current liabilities		**1,597,454**	1,567,989

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Bonds issued		**–**	15,942
Lease liabilities		**164**	–
Total non-current liabilities		**164**	15,942
Net assets		**1,597,290**	1,552,047
Equity			
Equity attributable to owners of the Company			
Share capital		**230,159**	230,159
Reserves		**1,367,131**	1,321,888
Total equity		**1,597,290**	1,552,047

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1 BASIS OF PREPARATION

Corporate information

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

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

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

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34"), and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on HKEx, and should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

Except as described below, the principal accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those adopted the Group's annual financial statements for the year ended 31 December 2021.

Use of estimates and assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities effected in the future. The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as at 1 January 2022.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following amendments to HKFRS issued by the Hong Kong Institute of Certified Public Accountants for the first time for the current period's financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

		Effective for annual reporting periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
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 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

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

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the internal reports reviewed and used by executive directors for strategic decision making. The executive directors consider the business from a product and service perspective. The Group's businesses include commercial factoring business, finance lease business and other financing services segments. Summary of details of the operating segments which are categorised into the following reportable segments:

Operating segments	**Nature of business activities**
Commercial factoring business	Commercial factoring business in 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. Since 2021, the finance lease business was merged to the other financing services business as the finance lease business did 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 of unallocated deposits, gain or loss on financial assets at fair value through profit or loss of unallocated assets, finance costs of bonds issued and unallocated loans and liabilities, exchange loss or gain, impairment loss on prepayment for acquisition of Tianjin Guancheng Mei Tong Electronic Commerce Limited ("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.

There are no intersegment sales or transfers among the segments.

	For the six months ended 30 June 2022 (Unaudited)		
	Commercial factoring business	**Other financing services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Revenue from external customers	**34,931**	**4,495**	**39,426**
Segment results	**30,693**	**2,269**	**32,962**
Reconciliation:			
Bank interest income			**2,787**
Finance costs			**(9,371)**
Exchange gain			**6,011**
Impairment loss on prepayment for acquisition of TJGCMT			**(21,000)**
Unallocated expenses			**(3,905)**
Profit before tax			**7,484**
Income tax			**(4,753)**
Profit for the period			**2,731**

	At 30 June 2022 (Unaudited)		
	Commercial factoring business	**Other financing services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment assets	**1,487,291**	**28,569**	**1,515,860**
Reconciliation:			
Unallocated assets			**976,658**
Total assets			**2,492,518**
Segment liabilities	**379,708**	**3,369**	**383,077**
Reconciliation:			
Unallocated liabilities			**512,151**
Total liabilities			**895,228**

	For the six months ended 30 June 2022 (Unaudited)			
	Commercial factoring business	**Other financing services**	**Unallocated items**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other segment information:				
Depreciation and amortisation	**467**	**151**	**68**	**686**
Reversal of ECL on trade and loans receivables	**(1,753)**	**–**	**–**	**(1,753)**

	For the six months ended 30 June 2021 (Unaudited)		
	Commercial factoring business	Other financing services	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Revenue from external customers	34,134	2,876	37,010
Segment results	25,816	(61)	25,755
<u>*Reconciliation:*</u>			
Bank interest income			3,355
Gains on financial assets at fair value through profit or loss			249
Finance costs			(6,864)
Exchange loss			(4,785)
Loss on disposals of subsidiaries			(23)
Unallocated expenses			(4,850)
Profit before tax			12,837
Income tax			(3,921)
Profit for the period			8,916

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

	For the six months ended 30 June 2021 (Unaudited)			
	Commercial factoring business *RMB'000*	Other financing services *RMB'000*	Unallocated items *RMB'000*	Total *RMB'000*
Other segment information:				
Depreciation and amortisation	467	153	69	689
Provision for/(reversal of) ECL on trade and loans receivables	1,191	(153)	–	1,038

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong	**–**	–
Mainland China	**39,426**	37,010
	39,426	37,010

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

4 REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers not within the scope of HKFRS 15		
Interest income		
— Commercial factoring loans	**34,931**	34,134
— Finance lease receivables	**–**	905
	34,931	35,039
Revenue from contracts with customers within the scope of HKFRS 15		
Financial information service income — point in time	**4,495**	1,971
	39,426	37,010
Other income		
Bank interest income	**7,052**	9,772
Exchange gains	**6,011**	–
Others	**21**	10
	13,084	9,782
Other losses		
Loss on disposals of subsidiaries *(Note)*	**–**	(23)
Exchange losses	**–**	(4,785)
	–	(4,808)
	13,084	4,974

Note:

On 19 March 2021, the Group entered into a sale and purchase agreement to dispose 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 to provide 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 amounted to approximately RMB23,000 in aggregate.

5 PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**4,050**	5,685
Retirement benefit scheme contributions	**455**	703
	4,505	6,388
Depreciation of property, plant and equipment	**68**	72
Depreciation of right-of-use assets	**618**	617
Auditor's remuneration	**520**	490
Short-term leases	**716**	865
Gain on financial assets at fair value through profit or loss *(Note)*	**–**	249

Note:

During the year ended 31 December 2020, the Group placed principal-guaranteed structured deposits in a bank in the PRC with a principal amount of RMB154,000,000 with a fixed term of 365 days. The overall rate of return to the Group was approximately 3.4% per annum. Simultaneously, the Group entered into a currency forward contract to manage its exposure to currency exchange fluctuation on the abovementioned structured deposit, which also included a cross currency swap with a principal amount of RMB154,000,000 at a fixed currency exchange rate of RMB to USD at 6.875 and due in January 2021. The whole arrangement has been designated as financial assets at fair value through profit and loss at 31 December 2020 and was mature and settled in January 2021.

6 FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank and other borrowings	**14,366**	14,649
Bonds issued	**1,288**	1,296
Lease liabilities	**12**	30
	15,666	15,975

7 INCOME TAX

No provision of Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2022 and 2021. Mainland China income tax has been provided at the rate of 25% for the six months ended 30 June 2022 and 2021 on the estimated assessable profits arising in Mainland China during the periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdiction) in which the Group operates.

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Mainland China	**4,309**	4,224
Total current tax	**4,309**	4,224
Deferred tax	**444**	(303)
Total tax charge for the period	**4,753**	3,921

8 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,701,123,120 (six months ended 30 June 2021: 2,701,123,120) in issue during the six months ended 30 June 2022.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of dilution as the Group had no potential dilutive ordinary shares in issue for the six months ended 30 June 2022 and 2021. The basic earnings per share equals to the diluted earnings per share.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**2,731**	8,916

	For the six months ended 30 June	
	2022	2021
	'000	*'000*
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**2,701,123**	2,701,123

9 TRADE AND LOANS RECEIVABLES

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and loans receivables		
Commercial factoring loans *(Note (a))*	**883,960**	844,486
Finance lease receivables *(Note (b))*	**1,113**	1,113
Other trade receivables *(Note (c))*	**755**	589
	885,828	846,188
Provision for ECL	**(12,734)**	(14,487)
	873,094	831,701

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

Notes:

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

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

(c) For other trade receivables arising from other financing services, customers are obligated 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:

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Not yet matured	**878,780**	805,918
Matured for:		
Less than 3 months	**374**	31,559
3 to 6 months	**249**	2,296
7 to 9 months	**10**	–
Over 12 months	**5,302**	5,302
	884,715	845,075
Provision for ECL	**(11,621)**	(13,374)
	873,094	831,701

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

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Non-past due	**–**	–
Past due by: *(Note)*		
More than 120 days past due	**1,113**	1,113
	1,113	1,113
Less: provision for ECL	**(1,113)**	(1,113)
	–	–

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.

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

10 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepayment for acquisition of TJGCMT	**576,000**	576,000
Deposits	**301**	178
Other prepayments	**198**	638
Other receivables	**12,037**	9,555
	588,536	586,371
Impairment loss on prepayment for acquisition of TJGCMT	**(178,000)**	(157,000)
	410,536	429,371

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 note 3 of the Company's financial statements for the year ended 31 December 2021 and 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 Beijing Bosheng Huifeng Business Consulting Co., Limited (the "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 30 June 2022 and 31 December 2021.

During 2021, the Group was notified by the People's Bank of China (the "PBOC") for temporary suspension of the approval process which was considered by the directors of the Company to be a critical condition to complete the acquisition of TJGCMT. As at 30 June 2022 and up to the date when the Group's consolidated financial statements for the six months ended 30 June 2022 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 and six months ended 30 June 2022, the directors of the Company performed an impairment assessment as at 31 December 2021 and 30 June 2022, respectively, 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 are 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 30 June 2022 and 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 as at 31 December 2021, using market approach. As at 30 June 2022, the recoverable amount of the prepayment was estimated to be RMB398 million (31 December 2021: RMB419 million) and an impairment loss of RMB21 million (six months ended 30 June 2021: RMBNil) was recognised during the six months ended 30 June 2022.

Carrying amount analysed for reporting purpose:

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Current assets	**12,536**	10,371
Non-current assets	**398,000**	419,000
	410,536	429,371

11 TRADE PAYABLES

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**796**	853
Over 1 year	**446**	446
	1,242	1,299

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

12 DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

13 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2022 and 31 December 2021.

14 EVENT AFTER THE REPORTING PERIOD

There were no significant events affecting the Group after the reporting period up to 26 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the first half of 2022, Gome Finance Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") recorded a profit before tax of RMB7.5 million for the six months ended 30 June 2022 (the "Interim Period") (2021: RMB12.8 million). The decrease in profit was solely due to the impairment loss on prepayment for acquisition of Tianjin Guancheng Mei Tong Electronic Commerce Limited ("TJGCMT") recognized under the Interim Period which amounted to RMB21 million. Excluding the impairment provision, the Group recorded an operating profit of RMB28.5 million for the Interim Period (2021: RMB12.8 million), the increase of which was mainly due to the exchange gain of RMB6.0 million for the Interim Period (2021: loss of RMB4.8 million). Revenue of the Group slightly increased from RMB37.0 million for the six months ended 30 June 2021 (the "Corresponding Period") to RMB39.4 million for the Interim Period as a result of the increase in financial information service income by RMB2.5 million. Operation of the Group was stable during the Interim Period. The Group maintained its profitability and recorded a net profit of RMB2.7 million for the Interim Period (2021: RMB8.9 million) and the Board did not recommend the payment of any interim dividend for the Interim Period.

Commercial factoring business was the major income source of the Group which contributed around 90% of the operating revenue of the Group during the Interim Period. The Group currently kept its focus on commercial factoring business to ensure the generation of a stable return for the business of the Group. Although the outbreak of the Coronavirus Disease 2019 ("COVID-19") pandemic in several cities in the People's Republic of China (the "PRC") during the Interim Period resulted in lockdown of several cities and seriously affected the overall economy and various industries, the capital market was not affected and the demand for factoring loans in the PRC remained stable. Considering the economic uncertainty under the COVID-19 pandemic, the Group maintained its risk management on new lending and loans receivables at a high standard during the Interim Period and recorded a reversal of expected credit loss ("ECL") of RMB1.8 million for the Interim Period (2021: provision of RMB1.0 million).

The management also closely monitored the development of the other financing services business. In 2020 and 2021, due to the increase in regulatory focus on the fintech industry in the PRC, the number of products for referral was reduced and thus the other financing services business of the Group was affected. In late 2021, the market became stable and various new products which complied with existing regulations were launched. During the Interim Period, the other financing services business benefited from the market environment and successfully turned around to record a segment profit of RMB2.3 million (2021: loss of RMB61,000).

Given that both commercial and production activities may be affected by the ongoing global pandemic, management will monitor and adjust the Group's business plan from time to time. The management will also keep exploring different new business opportunities so as to grow by developing new businesses in order to achieve its long term objective of developing into a market-leading comprehensive financial technology services group.

INDUSTRY ENVIRONMENT

In 2022, the increasingly complex and severe international environment, together with sporadic and repeated domestic pandemic outbreaks, had caused severe adverse impact on economic development and exerted considerable downward pressure on the PRC domestic economy. In order to cope with the extremely complex economic environment, the PRC government has actively taken effective measures. With efficient coordination between domestic pandemic prevention and control and development of economy and society, stepped-up macroeconomic policy adjustments, coupled with the effective implementation of a set of policies and measures to stabilise the economy, the pandemic has been effectively under control and the PRC domestic economy has stabilised and rebounded in the second quarter of 2022.

According to preliminary calculations by the PRC National Bureau of Statistics, the gross domestic product (GDP) for the Interim Period was RMB56,264.2 billion, representing an increase of 2.5% compared with the Corresponding Period on a constant price basis.

During the Interim Period, interest rates of loans in the PRC fell slightly. Leveraging on the encouraging and favourable policies, financial institutions increased their credit support for small low-profit enterprises, resulting in an overall situation of "low prices and increasing volumes" for inclusive credit loans to small low-profit enterprises. As at 30 June 2022, the balance of inclusive credit loans to small low-profit enterprises in the PRC grew by 23.8% year-on-year, which was 12.6% higher than that of other loans. The number of small low-profit enterprises with inclusive credit loans was 52.39 million, representing a year-on-year increase of 36.8%. At the same time, the one-year loan prime rate (LPR) and five-year LPR published by the People's Bank of China (the "PBOC") fell by 10 basis points and 20 basis points respectively. Overall, the quality and efficiency of the financial industry have improved and showed a positive growth.

Guided by policies and macroeconomic development trends, supply-chain financiers are bound to play an ongoing important role in boosting the economy, supporting the recovery of small-low profit enterprises and alleviating the difficulties of enterprises in the future. With the integration of emerging technologies such as the Internet of Things (IoT), big data and block chain, the supply-chain finance industry can effectively connect the upstream and downstream of the industrial chain, achieve synergies by parallel operation and information collaboration among node enterprises in the supply chain, and meet the financing needs of enterprises "along the chain" more efficiently. It is expected that the scale of inclusive credit loans to small low-profit enterprises will maintain the growing momentum.

BUSINESS REVIEW

Benefitting from the advantages of GOME Retail Holdings Limited and its subsidiaries 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").

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. Since 2021, the Group started to grant longer loan period to certain high-quality customers in order to increase profitability and at the same time to maintain credit risk at a low level. The longer loan period granted affected the new lending amount of the Group, which decreased from RMB1.08 billion in the Corresponding Period to RMB826 million in the Interim Period. Although the new lending amount dropped, the Group maintained its average net loan balance at RMB843 million during the Interim Period (2021: RMB829 million), which illustrated the slight growth in the operating scale of the commercial factoring business in the Interim Period. During the Interim Period, interest rate charged to commercial factoring borrowers remained stable, and with the slight increase in average net loan balance, revenue of the commercial factoring business slightly increased to RMB34.9 million (2021: RMB34.1 million). The commercial factoring business is the cornerstone in the future development of the Group as the business has a well established risk management system and it maintained steady growth despite various negative factors in the external environment. Commercial factoring business continuously generated stable return to the Group, and it recorded a profit of RMB30.7 million for the Interim Period (2021: RMB25.8 million).

Other than the commercial factoring business, the Group, through Gome Wangjin (Beijing) Technology Co., Ltd. ("Gome Wangjin"), a wholly-owned subsidiary of the Company, has continued to explore different opportunities in other financing services with its extensive technical experience in the relevant areas. Since 2020, Gome Wangjin mainly engaged in providing operational services to a financial service App and customer referral services to financial institutions through the operation of the App. In 2021, the referral business of the Group was seriously affected due to the strengthened regulatory focus on the fintech industry in China in 2020, and as a result, management simplified the operation in order to sustain the business. Since late 2021, the regulatory environment became stable and various new products which complied with existing regulations were launched. Launching new products attracted customers back to the market, and as a result, both revenue and profit of the other financing services business during the Interim Period significantly improved.

During the Interim Period, prepayment for acquisition of TJGCMT of RMB576 million was further impaired by RMB21 million after management review. For details of the impairment, please refer to the section headed "Impairment loss on prepayment for acquisition" below. 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 order to complete the acquisition.

Notwithstanding the high uncertainties surrounding the overall economic environment, the Group recorded satisfactory results by still being able to improve its operating profit and enjoying a net profit for the Interim Period. The management believes the Group is developing in a stable manner and maintaining the current development strategy will create maximum benefits and higher returns for the Company.

FINANCIAL REVIEW

Results highlights

During the Interim Period, revenue of the Group increased by 7% to RMB39.4 million (2021: RMB37.0 million), which was mainly due to the increase in revenue from other financial services. Revenue from the commercial factoring business slightly increased by 2% during the Interim Period, primarily because the Group extended loan period to certain high quality customers, such increment of which was in line with the increase in average net loan balance. As aforesaid, since late 2021, the regulatory environment became stable, various new products were launched and the market was activated again, and as such, revenue from the other financing services business during the Interim Period increased to RMB4.5 million (2021: RMB2.9 million).

The Group maintained its risk management and credit control over commercial factoring business at a high standard. As a result, the non-performing loan ratio significantly decreased to 0.7% and resulted in a reversal of ECL on trade and loans receivables of RMB1.8 million for the Interim Period (2021: provision of RMB1.0 million).

Administrative expenses decreased by RMB2.3 million for the Interim Period which was mainly due to the decrease in staff cost of RMB1.9 million. Decrease in staff cost was in line with the decrease in headcount from 34 as at 30 June 2021 to 22 as at 30 June 2022 as a result of suspension of the finance lease business and simplification of the operating team. Due to the uncertainty of the external economic environment and considering the maturity of the operations of existing businesses, management simplified the operating team during the Interim Period.

During the Interim Period, as USD appreciated against RMB, the Group with pledged bank deposit of USD146.3 million as at 30 June 2022 recorded an exchange gain of RMB6.0 million for the Interim Period (2021: loss of RMB4.8 million) and resulted in a significant increase in other income and gains.

An impairment loss of RMB21 million was recognised in the prepayment for the acquisition of TJGCMT, which strongly affected the profitability of the Group for the Interim Period. 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, during the Interim Period, the Group recorded an operating profit of RMB28.5 million (2021: RMB12.8 million). Due to the impairment loss on prepayment, profit attributable to owners of the Company decreased to RMB2.7 million (2021: RMB8.9 million) as compared with the Corresponding Period.

Commercial factoring business

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

	For the six months ended 30 June 2022 *RMB'000* **(Unaudited)**	For the six months ended 30 June 2021 *RMB'000* (Unaudited)
Revenue	**34,931**	34,134
Net operating expenses	**(5,991)**	(7,127)
Operating gain	**28,940**	27,007
Reversal of/(provision for) ECL of loans receivables	**1,753**	(1,191)
Segment results	**30,693**	25,816

As mentioned above, both the demand for factoring loans in the PRC and market interest rate remained stable during the Interim Period even under the outbreak of COVID-19 pandemic. The operation of commercial factoring business of the Group was also stable, with the revenue from the commercial factoring business during the Interim Period slightly increased by 2% (RMB0.8 million). As aforesaid, management simplified the operating team during the Interim Period, and the decrease in the headcount of commercial factoring business during the Interim Period also resulted in a decrease in staff cost of RMB0.9 million. In addition, improvement in risk control and credit management resulted in a reversal of ECL of loans receivables of RMB1.8 million in the Interim Period (2021: provision for RMB1.2 million), and as a result, segment profit increased from RMB25.8 million for the Corresponding Period to RMB30.7 million for the Interim Period.

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

	As at 30 June 2022 (Unaudited)		As at 31 December 2021 (Audited)	
	Gross balance	**Provision for ECL**	Gross balance	Provision for ECL
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Normal	**878,658**	**6,319**	805,918	5,274
Special mention	**–**	**–**	30,970	1,539
Substandard	**–**	**–**	2,296	1,259
Doubtful	**–**	**–**	–	–
Loss	**5,302**	**5,302**	5,302	5,302
	883,960	**11,621**	844,486	13,374

Gross balance of normal loan as at 30 June 2022 increased significantly to RMB878.7 million (31 December 2021: RMB805.9 million), which was because (1) some major customers repaid their loan in late 2021 which resulted in a relatively lower overall and normal loan balance as at 31 December 2021; and (2) as at 31 December 2021, a single loan of RMB30.0 million which became overdue just before 31 December 2021 and was classified as a special mention loan was already wholly repaid. All new loans during the Interim Period were settled on time or remained under normal stage, which resulted in a significant drop in non-performing loan ratio and a reversal of ECL for the Interim Period. As at 30 June 2022, the balance of loss loans was wholly covered by the impairment provisions made.

Other financing services business

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

	For the six months ended 30 June 2022 *RMB'000* **(Unaudited)**	For the six months ended 30 June 2021 *RMB'000* (Unaudited)
Revenue	**4,495**	2,876
Net operating expenses	**(2,226)**	(3,090)
Operating gain/(loss)	**2,269**	(214)
Provision for ECL of trade/loans receivables	**–**	153
Segment results	**2,269**	(61)

In 2022, 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. Since January 2021, the financial leasing business was suspended and merged to the other financing services business for segment reporting purpose. However, as all finance lease receivables were already matured in 2021, finance lease business no longer generated any revenue in 2022 (2021: RMB0.9 million). As mentioned before, the regulatory environment became stable, various new products were launched by financial services Apps and the market was activated again, and as such, service fee from referral services during the Interim Period increased to RMB4.5 million (2021: RMB2.0 million) and led to the significant increase in revenue of the other financing services business by 56% as compared with the Corresponding Period.

As all finance lease receivables were matured in 2021 and its outstanding loans receivable balance was only RMB1.1 million with full provision made as at 30 June 2022, principally no more support was needed, and thus, operating cost of other financing services also decreased significantly. Such decrease was mainly contributed by the decrease in staff cost.

As a result of the above, the business successfully turned around to record a segment profit of RMB2.3 million (2021: loss of RMB61,000).

Key operating data of the Group

	For the six months ended 30 June 2022 *RMB'000* **(Unaudited)**	For the six months ended 30 June 2021 *RMB'000* (Unaudited)
Total return on loans (revenue as % of average gross loan balance)	**8.15%**	8.49%
Allowance to loans ratio (impairment allowance as % of gross loan balance)	**1.44%**	4.63%
Non-performing loan ratio (gross non-performing loan balance as % of gross loan balance)	**0.72%**	4.21%
Allowance coverage ratio (impairment allowance as % of gross non-performing loan balance)	**198.50%**	110.09%

Annual interest rate of the commercial factoring business, which generated nearly 90% revenue of the Group, maintained at around 8% to 12% for both periods and the total return on loans maintained at around 8% in both periods. Since 2021, the Group focused on high quality customers with a lower interest rate which also slightly affected return on loans.

As all new loans during the Interim Period were settled on time or remained under normal stage as at 30 June 2022, both allowance to loans ratio and non-performing loan ratio dropped significantly. It was also the result of improved internal control over releasing new lending and credit control. The percentage of allowance coverage ratio maintained at over 100%, meaning that the provisions made wholly covered the gross balances of all non-performing loans. 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 provision for ECL.

Provision for ECL

During the Interim Period, a reversal of ECL of RMB1.8 million was recorded for the commercial factoring business as aforesaid and the provision for ECL as at 30 June 2022 was wholly for loans receivables. During the second half of 2021, management reviewed all balances under the doubtful and loss categories, of which RMB32.5 million was considered as non-recoverable and was written off in order to better reflect the actual loan balance and quality. Therefore, balance of provision significantly dropped from RMB43.0 million as at 30 June 2021 to RMB12.7 million as at 30 June 2022. The movements in provision for ECL of trade and loan receivables are as follows:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At 1 January	**14,487**	45,818
Impairment allowances recognised	**4,501**	5,322
Impairment loss reversed	**(6,254)**	(4,284)
Bad debt allowance written off and transferred out	**–**	(3,860)
At 30 June	**12,734**	42,996

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" or "Bosheng Huifeng") 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 30 June 2022 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.

As at the date of this announcement, the Acquisition is still subject to regulatory approval from the PBOC in the PRC. The latest round of communications with the PBOC regarding the application for regulatory approval was made in May 2022, and a follow up discussion with the PBOC is expected to take place in the late 2022 subject to the progress of the ongoing policy, structural review undertaken by the PRC authorities on the domestic financial industry and the renewal of payment license of TJGCMT. As the PBOC had already reviewed the application materials and had previously indicated that there was no significant outstanding issue with the application, the management of the Group took the view that the PBOC's approval could be obtained as a matter of time. In light of the foregoing, the management of the Group took the view that any decision by the Group to terminate the Acquisition shall only be made after a further period of observation which, based on the currently available information and barring unforeseen circumstances, shall be a period until the end of 2022. The management of the Group would continue to pursue the PBOC's approval for the Acquisition and endeavour to complete the Acquisition within 2022 in light of the strategic value of the Acquisition to the Group.

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

As the PBOC's approval is a critical completion condition, the holding up of the application process could be an indication for impairment, despite the Company's view that the Acquisition could be completed as a matter of time from a commercial perspective. On this basis, the Company performed an impairment assessment using scenario analysis to determine the carrying amount of the Prepayment as at both 30 June 2022 and 31 December 2021.

The impairment assessment involved significant amount of judgement regarding the adopted methodologies, assumptions and inputs, and the same methodology was applied for the Interim Period and the year ended 31 December 2021. Please refer to note 10 to the Company's consolidated financial statements for the six months ended 30 June 2022 above, pages 88 to 89 of the Company's 2021 annual report and note 17 to the Company's consolidated financial statements for the year ended 31 December 2021 for further details. Details of the impairment assessment for the Interim Period are summarized below.

Key assumptions

The following key assumptions were adopted in connection with the impairment assessment as at 30 June 2022:

(a) the Acquisition would be terminated if it could not be completed by the end of 2022;

(b) full refund of the Prepayment could not be received by the Group from the Sellers or through disposal of the entire equity interest of TJGCMT on or before 30 June 2024 (Note 1); and

(c) Ms. Du would dispose of the shares in the Company beneficially owned by her to procure for refund of the Prepayment to the Group on 30 June 2024 (Note 1).

For the purpose of impairment assessment, a remote probability of completion was applied because an official in-principle approval for the Acquisition had not yet been obtained from the PBOC.

Calculations

The Impairment Loss in the amount of RMB21 million was made on the following basis:

(1) the carrying amount of Prepayment as at 31 December 2021 of RMB419 million;

(2) minus the recoverable amount of the Prepayment of RMB398 million.

The recoverable amount of the Prepayment as at 30 June 2022 represented the sum of:

(i) RMB137 million (after rounding adjustments), being the discounted amount of the estimated disposal proceeds receivable by the Group on 30 June 2024 from a court-ordered auction sale of 100% equity interest of TJGCMT. This discounted amount was estimated using the market approach (Note 2) and adjusted by, among others, (a) a discount rate of 25% for sale through liquidation process (Note 3); and (b) the present value of the amount recoverable from the disposal of TJGCMT as at 30 June 2022 (assuming the disposal proceeds could be received in 2 years from 30 June 2022, i.e. by 30 June 2024) based on the rate of return of 5.3% per annum (Note 4); and

(ii) RMB263 million (after rounding adjustments), being the estimated discounted value of 1,653,073,872 shares of the Company (representing approximately 61.2% of the issued share capital of the Company) beneficially owned by Ms. Du through Swiree Capital Limited (a company wholly owned by Ms. Du) (the "Shares", each a "Share") as at 30 June 2022, based on (a) the market value of the Shares at HK$0.305 per Share as at 30 June 2022; (b) a discount due to bulk sales at a discount rate of 39% (Note 5); and (c) the exchange rate of HK$1 to RMB0.8552.

The management of the Group considered that the carrying amount of the Prepayment of RMB398 million as at 30 June 2022 (31 December 2021: RMB419 million) represented an estimated recoverable amount based on the above scenario analysis only but not the actual recoverable amount. In the event that Ms. Du is required to comply with the Undertaking, the actual recoverable amount of the Prepayment will depend on, among others, the actual amount receivable from a sale of 100% equity interest of TJGCMT and the value of her personal assets at that time.

Notes:

1. As the timing of repayment would affect the impairment assessment in respect of the Prepayment, a timeframe of 2 years from 30 June 2022 (i.e. 30 June 2024) was adopted by the Company for the purpose of impairment assessment in respect of the Prepayment. The timeframe had taken into account (i) the assumption that the Acquisition would be terminated by 31 December 2022; and (ii) a sufficiently long buffer period to complete the sale/disposal of the relevant assets after the termination of the Acquisition and for the Group to receive the relevant sale proceeds.

2. A valuation amount of RMB464 million of 100% equity interest of TJGCMT as at 31 December 2021 was assessed by B.I. Appraisals Limited (an independent valuer) using the market approach. The management estimated the value as at 30 June 2022 by adopting the same methodology.

3. The liquidation discount rate was adopted by the Company with reference to certain market cases for the purpose of impairment assessment in respect of the Prepayment.

4. The rate of return of 5.3% was based on the sum of (i) a weight average cost of capital (WACC) of 3.5% and (ii) adjustment on inflation of 1.8% based on the 2021 inflation rate of 0.9% in the PRC extrapolated for 2 years.

5. The discount rate of 39% was arrived at after considering the following factors:

   a. Hedging adjustment: the present value of the Shares upon their disposal in 2 years was assessed by using put option hedging. In this connection, the notional value of a put option over the Shares, assuming a strike price of HK$0.31 per Share, an expected volatility of 60%, a dividend yield of 0, and a tenor of 2 years, was approximately HK$0.09 per Share, which represents approximately 29.6% of the market value of the closing price of HK$0.31 per Share as of 30 June 2022 as quoted on the Stock Exchange. Thus a discount at 29.6% was preliminarily estimated.

   b. Business adjustment: as certain portion of the Group's revenue was attributable to related parties (including GOME Retail Holdings Limited, a company of which Mr. Wong Kwong Yu, the spouse of Ms. Du, is the controlling shareholder), it was presumed that the Group would no longer receive such revenue upon disposal of all of the Shares beneficially owned by Ms. Du, which would have a further discounting effect on the value of the Shares. The further discounting effect was assumed to be 13.4% with reference to the portion of revenue attributable to the relevant related parties for the Interim Period.

Trade and loan receivables

As at 30 June 2022, the Group's gross loan receivables increased to RMB885.1 million (31 December 2021: RMB845.6 million) because longer loan period was granted to new loan disbursements in the Interim Period. As at 30 June 2022, the Group's trade receivables increased to RMB0.8 million (31 December 2021: RMB0.6 million), such increase was in line with the increase in revenue of other financing services business.

Other balance sheet items

As at 30 June 2022, amount of pledged bank deposits increased to RMB981.9 million (31 December 2021: RMB930.8 million), such deposit was pledged to secure bank loan of RMB852 million (31 December 2021: RMB851 million). As at 30 June 2022, original value of pledged bank deposit was USD146.3 million (31 December 2021: USD146 million), during the Interim Period, USD appreciated significantly against RMB, the significant increase was solely due to the changes in exchange rate.

The Company has issued an 8-year corporate bond which is due in 2022 and 2023. As the whole balance was due within one year, the whole balance was classified as current liabilities as at 30 June 2022.

PROSPECT

Although the risks and challenges faced by the PRC in economic development have increased significantly in 2022, the fundamentals of PRC's economic upturn have not changed. With the domestic epidemic prevention and control situation continuing to improve and a package of policies and measures to stabilise the economy taking effect at an accelerated pace, PRC's economy has shown clear signs of recovery.

The PBOC recently announced the "China Regional Financial Activities Report (2022)" (《中國區域金融運行報告(2022)》), which pointed out that although financial services for micro and small enterprises have continued to realise new achievements, they are still facing certain difficulties, one of which is that from the supply side, the accuracy and matching of credit resources supply still needs to be further improved. It is understood that in the second half of 2022, the central bank will continue to increase its efforts in the implementation of sound monetary policy and guide financial institutions to increase their credit support to the economy.

At the macro policy level, a clear and definite development path has been indicated for the supply chain finance industry. Under the guidance of sound monetary policies, the interest rate and cost of the supply chain finance industry is expected to develop in a direction conducive to the expansion of transaction scale. The commercial factoring business of the Group is also developing along this direction and the management expected a stable and sustainable growth in the business. The Group will continue to focus on technology-based finance as its strategic goal, further explore the integration and development of the meta-universe with the supply chain financial industry, further its support for the economy, develop more diversified and differentiated products and service matrix, continue to expand its business income streams, and provide professional and refined financial services to customers while bringing more stable and lucrative returns to shareholders.

Looking ahead, the management will continue to explore different types of businesses, including e-commerce platforms and online retail operations. With the most comprehensive and integrated structure and chain, the Company sticks to the goal of becoming a "shared retail platform operator". The existing financial business and acquisition of the payment company TJGCMT shall realise synergies by professional financial services and qualifications, thereby enhancing the overall value of the Company. To this end, the management will continue to actively pursue the completion of the Acquisition.

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group is sound with strong equity and working capital bases. As at 30 June 2022, the Group's total equity amounted to RMB1,597.3 million (31 December 2021: RMB1,552.0 million) and balance of pledged deposits for bank loans amounted to RMB981.9 million (31 December 2021: RMB930.8 million). As at 30 June 2022, the Group's cash and cash equivalent decreased to RMB223.5 million (31 December 2021: RMB247.0 million). As a financial institution, the management considered such decrease in cash balance is actually an improvement in cash utilization which can also improve profitability of the Group.

During the Interim Period, the Group recorded a total of RMB4.8 million cash outflow (2021: RMB130.6 million) from its operating activities. During the Interim Period, the Group recorded an operating profit of RMB28.5 million which was generated from operating cash inflow, however, such effect was offset by the increase in trade and loan receivables of RMB41.4 million, as a result, an operating cash outflow of RMB4.8 million was recorded. Significant cash outflow from operating activities of RMB130.6 million was recorded in the Corresponding Period due to the significant new lending in that period, of which respective gross loans receivables increased by RMB141.2 million. The Group recorded a cash outflow from investing activities of RMB3.5 million (2021: RMB2.2 million), which mainly represented the payment of additional pledged bank deposit less bank interest income received. The Group recorded a cash outflow from financing activities of RMB15.9 million (2021: RMB21.7 million) as a result of the payment of finance cost. There was no significant change in cash outflow of both investing and financing activities in the Interim Period as compared with the Corresponding Period.

The Group's current ratio as at 30 June 2022 was 2.34 (31 December 2021: 2.31). The Group's gearing ratio, being total liabilities except tax payables as a percentage of the Group's total equity, was 55.6% as at 30 June 2022 (31 December 2021: 57.1%).

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

The Group had no particular seasonal pattern of borrowing. As at 30 June 2022, the Group's bank borrowings were all due within one year, which amounted to approximately RMB852 million (31 December 2021: RMB851 million). All the Group's bank borrowings were made at floating interest rates. The weighted average effective interest rates on secured bank borrowings for the Interim Period were 3.35% to 3.45% per annum.

As at 30 June 2022, the Group's bank borrowings were denominated in RMB, amounting to RMB852 million. As at 30 June 2022, the Group's bond was denominated in HK$, amounting to HK$34.6 million (equivalent to approximately RMB29.5 million).

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

CAPITAL STRUCTURE

During the Interim Period, there was no change in the issued share capital of the Company and the Company's number of issued ordinary shares remained at 2,701,123,120 as at 30 June 2022.

GROUP STRUCTURE

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

For details relating to the acquisition of TJGCMT, please refer to the Company's circular dated 29 June 2017 and the section headed "Acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited" below.

As at 30 June 2022, the Group had no future plans for material investments or capital assets.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE RULES GOVERNING THE LISTING OF SECURITIES (THE "LISTING RULES") ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The information required for disclosure under Rule 13.20 of the Listing Rules in relation to the Group's advance to an entity as at 30 June 2022 is as follows:

Acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited

On 7 June 2017, Xinda Factoring, an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with OPCO, a company incorporated in the PRC with limited liability and owned as to 90% by Ms. Du (the controlling shareholder of the Company) and 10% by Mr. Ding Donghua (an executive Director of the Company who has retired from such role with effect from 27 May 2019), pursuant to which Xinda Factoring agreed to provide an unsecured non-interest loan for an amount of RMB720 million (the "Consideration") to OPCO solely for the purpose to acquire the entire equity interest in TJGCMT. As at 30 June 2022, the Prepayment, i.e. an aggregate amount of RMB576 million, representing 80% of the Consideration, was advanced to OPCO to pay for the Consideration. OPCO will use 90% of the dividends arising from its interest in TJGCMT to repay the loan and OPCO undertakes that if the completion of the Acquisition does not take place, OPCO shall refund the loan (with accrued interest) to Xinda Factoring in full.

Other details of this transaction have been disclosed in the circular of the Company dated 29 June 2017.

The Acquisition was not yet completed up to the date of this announcement and the Group's management continues to endeavour to obtain the requisite regulatory approval from the PBOC and complete the Acquisition in 2022.

As PBOC's approval is a critical completion condition, the holding up of the application process could be an indication for impairment, despite the Company's view that the transaction could be completed as a matter of time from a commercial perspective. On this basis, the Company performed an impairment assessment to determine the carrying amount of the Prepayment as at 30 June 2022, and accumulated impairment loss in the amount of RMB178 million was recognized by the Company. For details of the impairment, please refer to the section headed "Impairment loss on prepayment for acquisition" and note 10 to the Company's consolidated financial statements for the six months ended 30 June 2022 above, pages 88 to 89 of the Company's 2021 annual report, and note 17 to the Company's consolidated financial statements for the year ended 31 December 2021.

As at 30 June 2022, the aggregate amount of RMB576 million advanced to Bosheng Huifeng exceeded 8% under the assets ratio defined under Rule 14.07(1) of the Listing Rules, thereby giving rise to the Company's disclosure obligation under Rule 13.20 of the Listing Rules.

SIGNIFICANT INVESTMENTS

As at 30 June 2022, the Group did not have any significant investments.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2022, certain bank deposits of the Group with a principal amount of approximately RMB981.9 million in total and its interest (31 December 2021: RMB930.8 million and its interest) were pledged to secure banking facilities of the Group and the Group did not have any material contingent liabilities (31 December 2021: Nil).

TREASURY POLICIES AND FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 26 August 2022, Moore Stephens CPA Limited ("Moore") has resigned as the auditor of the Company with effect from 26 August 2022. The Board has resolved, having regard to the recommendation from the Audit Committee, to approve the appointment of Baker Tilly Hong Kong Limited as the new auditor of the Company to fill the casual vacancy following the resignation of Moore with effect from 26 August 2022 and to hold office until the conclusion of the next annual general meeting of the Company.

Save as disclosed, there was no significant event affecting the Group after the Interim Period up to 26 August 2022.

STAFF AND REMUNERATION

The Group employed 22 employees in total as at 30 June 2022 (31 December 2021: 34). The Group pays for social insurance for its PRC employees in accordance with the applicable laws in the PRC. The Group also maintains insurance coverage and contributes to mandatory provident fund schemes for its employees in Hong Kong in accordance with the applicable laws in Hong Kong. The overall aim of the Group's employee and remuneration policy is to retain and motivate staff members to contribute to the continuing success of the Group.

Additionally, the Group also adopted a share option scheme (the "Scheme") on 28 September 2012 to provide long term incentive to Directors and eligible employees, which shall be valid for a period of ten years from that date. Further details of the Scheme is available in the Company's 2021 annual report. The emolument policy for the Group's Directors and senior management is reviewed from time to time by the Company's remuneration committee, and gives consideration to the Group's performance, individual performance and comparable market conditions.

INTERIM DIVIDEND

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining a high standard of corporate governance practices. The primary corporate governance rules applicable to the Company is the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix 14 of the Listing Rules. Throughout the six months ended 30 June 2022, the Company had complied with all code provisions set out in the CG Code, except for the deviations disclosed below.

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

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

Ms. Chen Wei, a former 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. Mr. Zhou Yafei, an executive Director, has been performing the duties of the chairman and the chief executive of the Company as an interim arrangement without formal appointment since the resignation of Ms. Chen Wei on 26 March 2021. The Board considers that 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 will nevertheless review the structure of the Board from time to time and consider suitable candidate to be appointed as the chairman and chief executive of the Company such that the Company can comply with code provision C.2.1 of the CG Code. As the Company did not have a chairman, it could not strictly comply with code provision C.2.7 of the CG Code during the six months ended 30 June 2022. However, the independent non-executive Directors had effective access to 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 communication channels for discussion of the Company's affairs between Mr. Zhou Yafei and other non-executive Directors during the six months ended 30 June 2022.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiry with all the Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Scheme, at no time during the six months ended 30 June 2022 was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with Rule 3.21 of the Listing Rules with primary duties of reviewing and providing supervision over the Group's financial reporting process, internal controls and risk management. As at 26 August 2022, the Audit Committee comprised 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 met with the management on 26 August 2022 to review the accounting standards and practices adopted by the Group and to discuss matters regarding internal control and financial reporting including the Group's unaudited interim results and the interim report for the six months ended 30 June 2022, which have been reviewed by the Audit Committee, before proposing to the Board for approval.

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 interim report for the six months ended 30 June 2022 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 August 2022

As at the date hereof, the 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.