国美金融科技
GOME FINTECH

國美金融科技有限公司
Gome Finance Technology Co., Ltd.

(Incorporated in Bermuda with limited liability)
(Stock Code: 628)

Annual Report 2022

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CORPORATE INFORMATION

BOARD OF DIRECTORS *(Note)*

Executive Director
Mr. Zhou Yafei

Non-executive Director
Ms. Wei Qiuli

Independent Non-executive Directors
Mr. Lee Puay Khng
Mr. Li Liangwen
Mr. Hung Ka Hai Clement
Ms. Wang Wanjun

COMPANY SECRETARY

Ms. Cheng Hiu Ching

AUDIT COMMITTEE *(Note)*

Mr. Hung Ka Hai Clement *(Chairman)*
Mr. Lee Puay Khng
Mr. Li Liangwen
Ms. Wang Wanjun

REMUNERATION COMMITTEE *(Note)*

Mr. Lee Puay Khng *(Chairman)*
Ms. Wei Qiuli
Ms. Wang Wanjun

NOMINATION COMMITTEE *(Note)*

Mr. Li Liangwen *(Chairman)*
Mr. Zhou Yafei
Mr. Hung Ka Hai Clement

STRATEGY COMMITTEE *(Note)*

Ms. Wang Wanjun *(Chairman)*
Mr. Zhou Yafei
Mr. Li Liangwen

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
2nd Floor, Foyer
625 King's Road
North Point
Hong Kong

BANKERS

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

LEGAL ADVISERS

As to Hong Kong Law
Sidley Austin

As to Bermuda Law
Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2912, 29th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

SHARE REGISTRARS

Principal Share Registrar and Transfer Office
MUFG Fund Service (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

STOCK CODE

628

INVESTOR RELATIONS

Website: www.gomejr.com
Email: ir@gomejr.com

EXECUTIVE DIRECTOR'S STATEMENT

Dear Shareholders,

On behalf of GOME Finance Technology Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group"), I would like to present the results of the Group for the year ended 31 December 2022.

In 2022, the global economy continued to recover from the pandemic. However, the persistently high inflation and the successive tightening policies implemented by developed economies are still the main factors affecting the global financial market. According to the estimates of the International Monetary Fund, the global average consumer price index grew by 8.8% in 2022. The global inflation rate in 2022 increased significantly as compared with the 4.7% growth rate in 2021, reaching the highest level of global inflation since the 21st century.

Despite the global economic development remained challenging in 2022, the recovery momentum shown around the world has exceeded expectations when compared with the international financial market at the beginning of 2022, and there is no outbreak of global systemic financial risks.

Given the volatile international environment and the arduous domestic reform, development and stabilisation tasks, and taking into consideration both the domestic and the international situations, the Chinese government coordinated pandemic prevention and control, economic and social development, development and security, and increased macroeconomic control efforts to effectively respond to the impact brought by the unforeseen factors, stabilising the overall macro economy. According to the preliminary calculation of the National Bureau of Statistics, the annual national gross domestic product amounted to RMB121.0207 trillion, representing an increase of 3.0% at constant prices as compared to last year. In 2022, China's financial system has been running smoothly with reasonable and sufficient liquidity, and the stability of total credit growth has been enhanced.

In particular, the Central Government has been promoting supply chain innovation and supporting supply chain finance to serve the real economy in recent years. Supply chain finance plays a more and more important role in facilitating the development of small and micro enterprises and industries. By effectively applying the supply chain finance model, various industries facilitate and drive the corporate relief and sustainable development of enterprises. China's supply chain financial business is bound to enter the stage of rapid growth. The Group adheres to adopting technology-based finance as the focus of its strategic, speeds up the development and application of digital and intelligent technology in the field of supply chain finance, actively strengthens risk management and compliance construction, and maintains steady development. The Group has already achieved positive results in providing customers with more secure, stable and efficient supply chain financial services.

Looking forward, the Group will continue to integrate the distribution scenarios of the industrial chain, capitalise on the trend of corporate digitalisation, establish a more diversified and differentiated product and service matrix, so as to continue 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.

EXECUTIVE DIRECTOR'S STATEMENT

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

Zhou Yafei
Executive Director

Beijing, 31 March 2023

OVERVIEW

During the year ended 31 December 2022, after the impairment loss on prepayment for acquisition of Tianjin Guancheng Mei Tong Electronic Commerce Limited ("TJGCMT") which amounted to RMB51 million, the Group recorded a profit before tax of RMB3.5 million (2021: loss of RMB123.5 million). Excluding such impairment, the Group recorded an operating profit of RMB54.5 million (2021: RMB33.5 million) compared with 2021. Revenue of the Group increased slightly from RMB77.4 million in 2021 to RMB80.2 million in 2022 due to increase in financial information service income. Increase in operating profit was a combined result of increase in other income RMB7.1 million, and decrease in administrative expenses RMB3.6 million, provision for expected credit loss ("ECL") on trade and loan receivables RMB5.0 million and finance cost RMB2.5 million. The Group recorded a loss of RMB5.6 million for the year ended 31 December 2022 (2021: RMB128.0 million) and the board of directors (the "Board") did not recommend the payment of any dividend for the year ended 31 December 2022 (2021: nil).

Commercial factoring business was the major income source of the Group which contributed around 87% of the revenue of the Group during the year ended 31 December 2022 and the Group currently kept its focus on commercial factoring business to ensure the generation of a stable return for the business of the Group. Although the outbreak of the Coronavirus Disease 2019 ("COVID-19") pandemic in the People's Republic of China (the "PRC") during 2022 resulted in lockdown of several cities and seriously affected the overall economy and various industries, capital market and the demand for factoring loans in the PRC remained stable. In 2022, considering the economic uncertainties under COVID-19, the Group developed its commercial factoring business while keeping its risk management on new lending and loans receivables at a high standard and continuing to control operating cost at low level, as a result, profit from commercial factoring business increased from RMB48.9 million in 2021 to RMB58.4 million in 2022.

The management closely monitored the other financing services. In late 2021, the market became stable and various new products which complied with existing regulations were launched, given such market opportunities, the management developed this business again. During 2022, the other financing services business benefited from the market environment that its segment profit increase significantly to RMB5.9 million (2021: RMB1.2 million).

The Group's long term objective is being a market-leading comprehensive financial technology services group. The management kept exploring different new business opportunities so as to grow by developing new businesses, the management believes 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.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY ENVIRONMENT

In 2022, against the backdrop of the convergence and combination of changes unseen in a century, coupled with the challenging situations arising from the global pandemic and turbulent geopolitical landscape, the world economy faced an increasing downward risk. Faced with a rough international environment and the demanding and challenging task to achieve stable development through reform, the PRC government coordinated the overall domestic situations with international situations, balanced pandemic prevention and control with economic and social development, integrated development and safety and ramped up macroeconomic control efforts to effectively overcome the impact of unexpected factors and maintain macroeconomic stability.

According to preliminary calculations by the PRC National Bureau of Statistics, China's gross domestic product (GDP) for the year of 2022 was RMB121.0207 trillion, representing an increase of 3.0% compared with 2021 on a constant price basis. In the beginning of the second quarter of 2022, the PRC economy experienced a downturn affected by certain unexpected factors. The PRC government timely introduced a package of policies and measures to withstand the downward pressure and promote stable recovery of the economy.

In 2022, the PRC's financial system operated smoothly and market liquidity was maintained at a reasonable and adequate level, with the stability of total credit growth enhanced. According to the 2022 Financial Statistics Report published by the People's Bank of China, RMB loans increased by RMB21.31 trillion, representing an increase of RMB1.36 trillion as compared to that of 2021. The outstanding social financing increased by 9.6% year-on-year, while increments of social financing amounted to RMB32.01 trillion, representing an increase of RMB668.9 billion as compared to that of 2021.

In 2022, the PRC government increased credit support for key areas and weak links in the real economy and continued to improve its credit structure. In particular, the balance of inclusive credit loans to small low-profit enterprises grew by 23.8% year-on-year, which was 12.7 percentage points higher than that of other loans. The number of small low-profit enterprises with inclusive credit loans was 56.52 million, representing a year-on-year increase of 26.8%. In 2022, the comprehensive financing cost of the real economy also decreased significantly, with the one-year LPR and five-year LPR fell by 15 basis points and 35 basis points respectively. The weighted average interest rate of loans newly issued to enterprises in 2022 was 4.17%, down 34 basis points from 2021. Overall, the real economy has benefit greatly in terms of bringing down comprehensive financing costs and improving financing efficiency.

While the overall environment for supply chain improved and the weighted average interest rate of newly issued corporate loans decreased, the Company remained prudent due to high market risk, focusing on business with familiar customers and holding off additional market expansion. The Company's supply chain business remained steady and increased slightly.

In recent years, the supply-chain finance has become more and more prominent in facilitating the development of the real economy, especially to small low-profit enterprises. Driven by policies and macroeconomic development trend, various industries have driven and promoted the relief of real economy by the effective application of supply chain finance model and sustained development. With the integration of digital 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 further expand the coverage of supply-chain finance to provide digital, scenario-based and diversified financing services for more small low-profit enterprises. It is expected that the scale of inclusive credit loans to small low-profit enterprises will maintain a growing momentum.

BUSINESS REVIEW

Benefitting from GOME Retail Holdings Limited'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).

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. 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 slightly decreased from RMB2.05 billion in 2021 to RMB1.96 billion in 2022. Although the new lending amount dropped, the Group maintained its average net loan balance at around RMB890 million during both 2022 and 2021, which illustrated that the operating scale of the commercial factoring business had remained stable. Interest rate charged to commercial factoring borrowers also remained stable in 2022 and 2021, as a result, revenue of the commercial factoring business was similar in both years (2022: RMB70.1 million; 2021: RMB69.9 million). Improvement in risk management and credit control reduced the provision for ECL on trade and loans receivables by RMB5.0 million, together with the decreased in finance cost and staff cost, the commercial factoring business recorded a profit of RMB58.4 million for 2022 (2021: RMB48.9 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 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. These new products attracted customers back to the market, and as a result, both revenue and profit of the other financing services business significantly improved in 2022.

A prepayment for acquisition of TJGCMT of RMB576 million was impaired by RMB157 million in 2021 and further impaired by RMB51 million in 2022 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 2023. In addition, considering the Group recorded an increment in operating profit, operation of the Group for 2022 is still satisfactory.

The management believes that the Group is developing in a stable manner and considers that the economic uncertainties due to COVID-19 will be slowly reduced in 2023. 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 2022, revenue of the Group increased by 3.6% to RMB80.2 million (2021: RMB77.4 million), which was mainly due to the increase in revenue from other financial services. Commercial factoring services of the Group remained stable in 2022 that the Group recorded revenue of RMB70.1 million (2021: RMB69.9 million). 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 for 2022 increased to RMB10.1 million (2021: RMB6.6 million).

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 to 0% (2021: 0.76%) and the provision for ECL on trade and loans receivables during the year was lowered to RMB12,000, representing a decrease of RMB5.0 million as compared to 2021.

Administrative expenses of the Group also decreased by RMB3.6 million, which was mainly contributed by decrease in staff cost of RMB3.2 million. The decrease in staff cost was in line with the decrease in headcount from 25 as at 31 December 2021 to 22 as at 31 December 2022 as a result of the 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 continued simplifying the operating team in 2022.

During 2022, as HKD appreciated against RMB, the Group recorded an exchange gain of RMB10.0 million (2021: loss of RMB0.3 million) and resulted in a significant increase in other income and gains. Due to the repayment of bank loans and decrease in interest rate in 2022, both bank interest income and finance costs decreased and did not have significant impact on profit.

An impairment loss of RMB51 million (2021: RMB157 million) was recognised in the prepayment for the acquisition of TJGCMT in 2022, 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 that potential loss might be suffered.

Combining the effects above, for the year ended 31 December 2022, the Group recorded operating profit of RMB54.5 million (2021: profit of RMB33.5 million). Loss attributable to owners of the Company decreased to RMB5.6 million (2021: RMB128.0 million). Basic loss per share for the year was RMB0.21 cents (2021: RMB4.74 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 2022 *RMB'000*	For the year ended 31 December 2021 *RMB'000*
Revenue	**70,090**	69,872
Net operating expenses	**(11,667)**	(15,755)
Operating earnings	**58,423**	54,117
Provision for ECL of loans receivables	**(43)**	(5,243)
Segment results	**58,380**	48,874

As mentioned above, both the demand for factoring loans in the PRC and interest rate remained stable during 2022 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 slightly increased by 0.3% (RMB0.2 million).

Included in net operating expenses, net finance cost, representing bank loan interest less bank interest income, of the commercial factoring business decreased by RMB2.4 million due to the repayment of bank loan of RMB496 million in late 2022. As aforesaid, management continued simplifying the operating team and the decrease in the headcount resulted decrease in staff cost. There was no other material change in operating expenses of the commercial factoring business in 2022.

In addition, improvement in risk control and credit management resulted in a decrease in ECL of loans receivables by RMB5.0 million, as a result, segment profit increased from RMB48.9 million for 2021 to RMB58.4 million for 2022.

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 2022, the management focused on developing business with high quality customers in order to maintain a balance between credit risk and business growth, both new lending amount and average net loan balance for the year was satisfactory with an increased in segment profit as compared with 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 2022		31 December 2021	
	Gross balance	**Impairment provision**	Gross balance	Impairment provision
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Normal	**929,281**	**8,068**	805,918	5,274
Special mention	**–**	**–**	30,970	1,539
Substandard	**–**	**–**	2,296	1,259
Doubtful	**–**	**–**	–	–
Loss	**–**	**–**	5,302	5,302
	929,281	**8,068**	844,486	13,374

Gross balance of normal loan as at 31 December 2022 increased significantly to RMB929.3 million (as at 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 RMB31.0 million which became overdue just before 31 December 2021 and was classified as a special mention loan was already wholly repaid. All new loans were settled on time or remained under normal stage, which resulted in a significant drop in non-performing loan ratio and a decrease of ECL for 2022.

Since most of the new loans during 2022 were settled on time or remained under normal stage, no significant provision was made during 2022. As as 31 December 2022, all overdue loan had already been written off.

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 2022 *RMB'000*	For the year ended 31 December 2021 *RMB'000*
Revenue	**10,129**	7,529
Net operating expenses	**(4,237)**	(6,468)
Operating earnings	**5,892**	1,061
Reversal provision for ECL of loans receivables	**31**	182
Segment results	**5,923**	1,243

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 into other financing services business for segment reporting purpose. As mentioned above, 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 2022 increased to RMB10.1 million (2021: RMB6.6 million) and led to the significant increase in revenue of the other financing services business by 53%.

As all finance lease receivables were matured in 2021 and its outstanding loans receivable balance was wholly written off as at 31 December 2022, operating cost of other financing services also decreased significantly mainly contributed by the decrease in staff cost.

As a result of the above, the business successfully recorded a significant increase in segment profit from RMB1.2 million for 2021 to RMB5.9 million for 2022.

Key operating data of the Group

	For the year ended 31 December 2022	For the year ended 31 December 2021
Total return on loans (interest income/average gross loan balance)	**7.86%**	8.06%
Allowance to loans ratio (impairment allowance as % of gross loan balance)	**1.05%**	1.71%
Non-performing loan ratio (gross non-performing loan balance as % of gross loan balance)	**0.00%**	0.76%
Allowance coverage ratio (impairment allowance as % of gross non-performing loan balance)	**NA**	225.82%

Annual interest rate of the commercial factoring business, which generated nearly 90% revenue of the Group, maintained at around 8% to 15% for both years and the total return on loans maintained at around 8% in both years. Since 2021, the Group had focused on high quality customers with a lower interest rate which also slightly affected return on loans.

As all new loans during 2022 were settled on time or remained under normal stage as at 31 December 2022, both allowance to loans ratio and non-performing loan ratio dropped significantly. In addition, during 2022, loss loans amounted to RMB6.4 million was written off such that the absence of substandard, doubtful and loss loans balance as at 31 December 2022 resulted in 0% non-performing loan ratio and no allowance coverage ratio. The percentage of allowance coverage ratio was over 100% or not available, 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.

Loan quality analysis and provision for ECL

During the year ended 31 December 2022, net amount for the provision for ECL on trade and loans receivables was RMB12,000 (2021: RMB5.1 million). Additional provision was made for the commercial factoring due to the increase in gross loan balance. During both years, management reviewed the 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 2022 *RMB'000*	For the year ended 31 December 2021 *RMB'000*
At the beginning of the period	**14,487**	45,818
Charge for the year	**8,114**	9,188
Release for the year	**(8,102)**	(4,127)
Write-off	**(6,431)**	(36,392)
At the end of the period	**8,068**	14,487

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 2022 and up to the date of this report, the Acquisition has not yet been completed and RMB576 million had been paid according to the loan agreement entered into between Xinda Factoring and OPCO on 7 June 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 annual report, the Acquisition is still subject to regulatory approval from the People's Bank of China ("PBOC") in the PRC. The latest round of communications with the PBOC regarding the application for regulatory approval was made in May 2022, and the Group will submit updated application materials to the PBOC according to the requirements of the PBOC. A follow up discussion with the PBOC is expected to take place within 2023 subject to the progress of the ongoing policy and structural review undertaken by the PRC authorities on the domestic financial industry. As TJGCMT has completed the renewal of the payment license in January 2023, and 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, should be expected to take place in late 2023. The management of the Group would continue to pursue the PBOC's approval for the Acquisition and endeavour to complete the Acquisition within 2023 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 the PRC. In addition, the Group has obtained an undertaking (the "Undertaking") from Ms. Du Juan ("Ms. Du"), a major shareholder of 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.

Given the above mentioned facts and circumstances, there is uncertainty on timing for completion of the Acquisition, and therefore the Company performed an impairment assessment in respect of the recoverability of the prepayment. Please refer to pages 90 to 91 of this annual report and note 17 to the Company's consolidated financial statements for further details.

The management considers the expected cash flow from it and assess the impairment based on the following calculations:

Key assumptions

The following key assumptions were adopted in connection with the impairment assessment as at 31 December 2022:

(a) the Acquisition would be terminated if it could not be completed by the end of 2023;

(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; 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.

Calculations

The Impairment Loss in the amount of RMB51 million (2021: RMB157 million) was made on the following basis:

(1) opening carrying amount of the Prepayment of RMB419 million (2021: RMB576 million);

(2) minus the recoverable amount of the Prepayment of RMB368 million (2021: RMB419 million) which was arrived after taking into account of (i) the estimated disposal proceeds receivable by the Group of the net tangible assets of TJGCMT; and (ii) the estimated value of those assets of Ms. Du used as to guarantee the Prepayment as at 31 December 2022.

The management of the Group considered that the carrying amount of the Prepayment as at 31 December 2022 represented an estimated recoverable amount based on the above analysis only but not the actual recoverable amount. In the event that Ms. Du is required to fulfill 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 Ms. Du's personal assets at that time.

Other balance sheet items

As the interest gap between bank borrowings and pledged bank deposit kept enlarging in 2021 and 2022, during 2022, the Group changed to finance operation of subsidiaries in the PRC by surplus fund of the Company, instead of subsidiaries' borrowings from bank secured by deposit of the Company, in order to save finance cost. RMB483.5 million bank loan was repaid in 2022 and respective pledged bank deposit amounted to USD84.2 million was released. As a result, both pledged deposit of bank loans and interest-bearing bank borrowings decreased significantly as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Despite the unstable foundation for the PRC's economic recovery, the considerable triple pressure from shrinking demand, supply shocks, and weaker expectations, as well as the turbulent external environment intensified the effect brought to the PRC's economy, the PRC's economy boasts strong resilience, great potential and ample vitality. With the effects of various policies continue to emerge, the overall economic performance is expected to rebound next year.

In terms of the overall international economic development trend, the International Monetary Fund (the "IMF") issued the latest World Economic Outlook on 31 January 2023, revising the global growth forecast for 2023 upward from 2.7% to 2.9%, with most of the major economies' growth rates revised upward by varying degrees. This also marks the first time since 2022 that the IMF has raised its forecasts for economic growth in 2023.

Against the backdrop of a general consensus that the global economy is expected to rebound, small low-profit enterprises will undoubtedly receive more support from inclusive finance and generate more momentum for development. The Central Economic Work Conference held at the end of 2022 specifically pointed out that stable monetary policy needs to be precise and effective, and that financial institutions will be guided to increase their support in the fields for small low-profit enterprises, technological innovation, and green development.

Based on the current expectation of macroeconomic future, it is expected that monetary policy will continue to reduce interest rates and reserve requirement ratio and continue to be appropriately accommodative. The interest rate and cost of the supply chain finance industry is expected to continue to develop in a direction conducive to the expansion of transaction scale. The Group will continue to focus on technology-based finance as its strategic goal, further explore the integration and development of the emerging technology industry 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 its 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 Group's financial position is sound with strong equity and working capital bases. As at 31 December 2022, the Group's total equity amounted to RMB1,632.3 million, representing an increase of 5.2% as compared with that as at 31 December 2021. As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB303.1 million (as at 31 December 2021: RMB247.0 million) which was mainly due to the release of pledged deposits for bank loans after repayment of bank borrowings.

During the year ended 31 December 2022, the Group recorded cash outflow from its operating activities of RMB21.3 million (2021: outflow of RMB52.4 million). Increase in operating profit resulted in improvement of operating cash outflow. The Group recorded an inflow from investing activities of RMB585.6 million (2021: outflow of RMB60.3 million). As mentioned above, RMB989.7 million pledged bank deposit for securing bank loan was released during 2022 upon repayment of bank borrowings resulted to investing cash inflow in 2022. The Group recorded an outflow from financing activities of RMB527.6 million (2021: inflow of RMB0.2 million) due to the repayment of bank loan of RMB851.0 million and the payment of finance costs, whereas in 2021, the Group borrowed additional loan secured by bank deposit which led to cash inflow from financing activities and outflow from investing activities.

The Group's current ratio as at 31 December 2022 was 4.1 (as at 31 December 2021: 2.31). The Group's gearing ratio, expressed as percentage of total liabilities except tax payable over the Group's total equity was 24.1% (as at 31 December 2021: 57.1%). The increase in current ratio and decrease in gearing ratio was due to the repayment of bank borrowings in 2022.

The Group has issued an 8-year corporate bond with total principal amount of HKD35 million, HKD15 million was due and settled in 2022, HKD20 million will be due in 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 2022, 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 RMB367.5 million (as at 31 December 2021: RMB851.0 million). 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 2022, the Group's borrowings were denominated in RMB and HKD, amounting to RMB367.5 million and approximately HKD19,917,000 (equivalent to approximately RMB17,789,000), respectively (as at 31 December 2021: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

During the year ended 31 December 2022, 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 2022 and 2021.

GROUP STRUCTURE

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

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

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

As at 31 December 2022, the Group had no future plans for material investments or capital assets.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments as at 31 December 2022 and 2021.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2022, the Group's bank deposits in the amount of RMB430,393,000 (as at 31 December 2021: RMB930,844,000) were pledged to secure banking facilities of the Group. The Group did not have any material contingent liabilities as at 31 December 2022 and 2021.

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 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 22 employees in total as at 31 December 2022 (as at 31 December 2021: 25). The Group pays for social insurance for its PRC employees in accordance with the applicable laws in the PRC. The Group also maintains insurance coverage and contributes to mandatory provident fund schemes for its employees in Hong Kong in accordance with the applicable laws in Hong Kong. During the year ended 31 December 2022, the Group had no forfeited contribution available to reduce its contribution to the pension schemes. The overall aim of the Group's employee and remuneration policy is to retain and motivate staff members to contribute to the continuing success of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Zhou Yafei

Mr. Zhou Yafei ("Mr. Zhou"), aged 55, was appointed as an executive director of the Company with effect from 26 March 2021. Mr. Zhou is currently a member of the Nomination Committee and the Strategy Committee of the Company. Mr. Zhou was the Chief Financial Officer of GOME Appliance Co., Ltd. from 2000 to 2004, and subsequently remained in his position as the Chief Financial Officer for GOME Retail Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 493), from 2004 to 2008 after the injection of GOME Appliance Co., Ltd. into GOME Retail Holdings Limited in 2004, and has been the executive vice president of GOME Holding Group Company Limited (incorporated in Beijing, the PRC) since 2009. Mr. Zhou has over 20 years of experience in PRC accounting, finance and tax consulting. He is a registered accountant (non-practising) and a registered tax agent (non-practising) in the PRC. Mr. Zhou graduated from the Beijing Institute of Technology with a master's degree.

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

NON-EXECUTIVE DIRECTOR

Ms. Wei Qiuli

Ms. Wei Qiuli ("Ms. Wei"), aged 55, was appointed as a non-executive director of the Company with effect from 5 September 2016. Ms. Wei is currently a member of the Remuneration Committee of the Company. Ms. Wei has been acting as vice president and senior vice president of GOME Retail Holdings Limited (國美零售控股有限公司) ("GOME Retail") (stock code: 0493) responsible for administrative and brand management matters since November 2006 and 2012, respectively, and as an executive director of GOME Retail between January 2009 and June 2011. She was appointed as chairman of decision-making committee of GOME Retail in March 2018 and responsible for the medium- to long-term strategic planning, group organizational planning as well as planning and implementation of human resources training. Ms. Wei obtained a Bachelor of Philosophy degree from Capital Normal University in 1990 and a Master of Business Administration degree from the China Europe International Business School in 2013.

Ms. Wei is a director of Gome Telecom Equipment Co., Ltd. (國美通訊設備股份有限公司) (formerly known as Sanlian Trading Company Holding Limited (三聯商社股份有限公司)) which is listed on the Shanghai Stock Exchange (stock code: 600898).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Puay Khng

Mr. Lee Puay Khng ("Mr. Lee"), aged 67, was appointed as an independent non-executive director of the Company with effect from 10 August 2021. He is currently the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He has over 26 years of experience in investment, financing and mergers and acquisitions in the China market. He has extensive networks and resources in the corporate sectors and investment communities in Singapore and China. Mr. Lee has provided consulting services to many companies and has successfully completed numerous collaborations, mergers and acquisitions, corporate internationalisations and overseas listing projects.

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

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

Mr. Li Liangwen

Mr. Li Liangwen ("Mr. Li"), aged 70, was appointed as an independent non-executive director of the Company with effect from 10 August 2021, He is currently the chairman of the Nomination Committee of the Company and a member of the Audit Committee and the Strategy Committee of the Company. He was an independent non-executive director of the Company on 5 September 2016 to 29 May 2019. Mr. Li has over 40 years of experience in the insurance industry. Mr. Li was appointed as an independent director of 廈門金美信消費金融責任有限公司 in 2018.

In 1975, Mr. Li joined the People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) ("PICC Group"). From August 2007 to March 2012, Mr. Li was appointed as the deputy general manager of PICC Group and from September 2009 to December 2013, Mr. Li acted as executive director of PICC Group. In April 2007, Mr. Li was appointed as the vice chairman of the board of directors and president of PICC Life Insurance Company Limited of the PICC Group (中國人民人壽保險股份有限公司). From December 2005 to April 2007, Mr. Li was a director and president of China Life Property and Casualty Insurance Company Limited (中國人壽財產保險股份有限公司). From June 2002 to December 2005, Mr. Li was the vice president of China Life Insurance Company Limited. Mr. Li graduated from Hebei Normal University in July 1975 with a university level qualification majoring in English.

From 2015 to 2018, Mr. Li was an independent director of Shanghai New Huangpu Real Estate Co., Ltd. (上海新黃浦置業股份有限公司) (Shanghai A share stock code: 600638). From December 2013 to April 2016, Mr. Li acted as the non-executive director of Industrial Bank Co., Ltd. (興業銀行股份有限公司) (Shanghai A share stock code: 601166).

Mr. Hung Ka Hai Clement

Mr. Hung Ka Hai Clement ("Mr. Hung"), aged 67, was appointed as an independent non-executive director of the Company with effect from 31 October 2016. He is currently the chairman of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before he took up the chairman role of Deloitte China from 2014 to 2016. He retired from the chairman role of Deloitte China with effect from June 2016. When Mr. Hung was working with Deloitte China, he had assumed various leadership roles, including, the office managing partner of Deloitte Shenzhen Office and Guangzhou Office. He was also a member of the China Management Team of Deloitte China. Later on, Mr. Hung assumed the role of the southern audit leader and the deputy managing partner of the southern region (including the regions of Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global.

Mr. Hung served as the Guangzhou Institute of Certified Public Accountants consultant from 2004 to 2014. During the period between 2006 to 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. He has also been appointed by the Ministry of Finance of People's Republic of China as an expert consultant. Mr. Hung is a life member of The Institute of Chartered Accountants in England and Wales. Mr. Hung graduated from the University of Lincoln (formerly known as Huddersfield University) in the United Kingdom with a Bachelor degree in Accountancy.

Mr. Hung has been appointed as 1) as an independent non-executive director of SY HOLDINGS GROUP LIMITED (formerly known as Sheng Ye Capital Limited) (stock code: 8469, the listing of the shares of which has been transferred to the Main Board (stock code: 6069) from the GEM of the Stock Exchange with effect from 24 October 2019) since 19 June 2017 and subsequently resigned on 15 July 2022; 2) as a non-executive director of High Fashion International Limited (stock code: 0608) since 1 December 2017: 3) as an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019; 4) as an independent non-executive director of China East Education Holdings Limited (stock code: 0667) since 12 June 2019; 5) as an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 0993) since 13 December 2019; 6) an independent non-executive director of Skyworth Group Limited (stock code: 0751) since 18 March 2020; 7) as an independent non-executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725) since 16 July 2021; 8) as an independent non-executive director of Tibet Water Resources Limited (stock code: 1115) on 31 December 2019 and subsequently resigned on 30 June 2021; and 9) as an independent supervisor of the supervisory committee of Ping An Insurance (Group) Company of China, Ltd., whose shares are both listed on the Stock Exchange (stock code: 2318) and Shanghai Stock Exchange (stock code: 601318), since 18 July 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Wanjun

Ms. Wang Wanjun ("Ms. Wang"), aged 38, was appointed as an independent non-executive director of the company with effect from 26 November 2021. She is currently the chairman of the Strategy Committee and a member of the Remuneration Committee and Audit Committee of the Company. She has worked in funds, investment banks and accounting firms for 13 years. She has extensive experience in investment transactions and asset management, and has extensive networks and resources in the banking and investment sectors.

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

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

SENIOR MANAGEMENT

Mr. Zhao Feng

Mr. Zhao Feng ("Mr. Zhao"), aged 48, was appointed as Vice-President of Finance of the Group with effect from 1 November 2021. Mr. Zhao has over 26 years of experience in financial management, and formerly served as the Chief Financial Officer and Secretary to the Board of Haier Consumer Finance Co., Ltd., the Vice President and the Chief Financial Officer of Wanda Inclusive Finance Group as well as the Financial Officer of China Life Insurance Co., Ltd.. Mr. Zhao obtained a bachelor's degree in Engineering from Zhongnan University of Economics and Law in 1995, a master's degree in Business Administration from the City University of Macau (formerly known as Asia International Open University (Macau)) in June 1999 and a master's degree in Management Science and Engineering from the Southeast University in May 2002. Mr. Zhao has the qualifications as an international certified public accountant and a senior economist.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of Gome Finance Technology Co., Ltd. (the "Company") is pleased to present its report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise commercial factoring, financial leasing and other financial services in the People's Republic of China (the "PRC"), details of which are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2022, discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Management Discussion and Analysis section from pages 5 to 19 of this Annual Report.

Details of the risks associated with the operation of the Group are set out in the Risk Factors section from pages 37 to 38 of this Annual Report and the financial risk management objectives and policies of the Group are shown in note 32 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is provided in the Management Discussion and Analysis section from pages 8 to 15 of this Annual Report.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided in the Environmental, Social, and Governance Report from pages 54 to 87 of this Annual Report.

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship and motivating staff and creating a sustainable return to the Group. We are committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live.

ENVIRONMENTAL PROTECTION

As a responsible business participant, the Group strictly endeavoured to comply with laws and regulations regarding environmental protection.

RELATIONSHIP WITH EMPLOYEES

The employees of the Group are one of the most important assets and stakeholders of the Group and their contribution and support are valued at all times. As at 31 December 2022, Group employed a total of 22 employees. The Group regularly reviews compensation and benefits policies according to industry benchmark as well as the individual performance of employees. Other fringe benefits are provided to employees. The Group pays for social insurance for its PRC employees in accordance with the applicable laws in the PRC. The Group also maintains insurance coverage and contributes to mandatory provident fund schemes for its employees in Hong Kong in accordance with the applicable laws in Hong Kong. The overall aim of the Group's employee and remuneration policy is to retain and motivate the management and staff members to contribute to the continuing success of the Group.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss on page 95 and consolidated statement of profit or loss and other comprehensive income on page 96 of this Annual Report.

The Directors did not recommend the payment of a final dividend for the years ended 31 December 2022 and 2021.

DIVIDEND POLICY

Any declaration of dividends will be determined at the Board's full discretion depending upon a number of factors including, without limitation, the distributable profit of the Company, the working capital requirement of the Group, business environment and availability of investment opportunities and will be subject to the approval of the shareholders of the Company. Pursuant to the Bye-laws of the Company, the Board may also pay interim dividends from time to time if justified by the profits of the Company. There can be no assurance that dividends of any amount will be declared or distributed in any given year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 170 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 24 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2022, there were no equity-linked agreements entered into during the year or subsisting at 31 December 2022 that would or may result in the Company issuing Shares or that requires the Company to enter into any agreements that would or may result in the Company issuing Shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2022.

SHARE OPTION SCHEME

The Company's share option scheme was adopted on 28 September 2012 as an incentive to the Group's employees and business associates (the "Scheme"). The Scheme shall be valid for a period of ten years from that date.

The maximum number of shares in respect of which option may be granted under the Scheme of the Company may not exceed 10% of the issued share capital of the Company at the date of adoption of the Scheme. The maximum entitlement of each eligible participant in the total number of shares issued and to be issued upon exercise of options granted under the Scheme of the Company in any 12 month period shall not exceed 1% of the total number of shares in issue.

On 5 September 2014, the 10% limit on the Scheme was refreshed by the shareholders of the Company at a special general meeting. Following the refreshment, the Company may grant options to eligible participants under the Scheme to subscribe for up to 60,157,078 shares, being 10% of the shares of the Company in issue as at such date.

During the year ended 31 December 2022, no share options have been granted, exercised, cancelled or lapsed under the Scheme. As at 31 December 2022 and 31 December 2021, there was no outstanding share option under the Scheme. As at the date of this report, the Scheme had already expired.

PRE-EMPTIVE RIGHTS

As at 31 December 2022, there are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution to shareholders, calculated in accordance with the provision of the Companies Act 1981 of Bermuda (as amended), amounted to nil (as at 31 December 2021: nil).

DONATION

No charitable donation was made by the Group for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the percentage of revenue attributable to the Group's top five customers is less than 30% and there was no customer who individually contributed over 10% of the Group's revenue. The Group is principally engaged in financial business and there was no major supplier to the Group during the year.

Save as disclosed above, none of the Directors or any of their close associates or any shareholders which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital has any beneficial interest in the Group's five largest customers.

RELATED PARTY TRANSACTIONS

Except certain transactions disclosed under "Connected transactions and disclosure pursuant to Rule 13.20 of the Listing Rules" and "Continuing connected transactions" below, the other related party transactions set out in note 29 to the consolidated financial statements either did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), or fell within the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules but were exempted from the connected transaction requirements under Rules 14A.73 or 14A.90 of the Listing Rules.

The transactions disclosed under "Connected transactions and disclosure pursuant to Rule 13.20 of the Listing Rules" and "Continuing connected transactions" below have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS AND DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

The information required for disclosure under Rule 14A.71 of the Listing Rules in relation to the Group's connected transactions conducted during the year and/or under Rule 13.20 of the Listing Rules in relation to the Group's advance to an entity as at 31 December 2022 (as the case may be) is as follows:

Acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited

On 7 June 2017, Gome Xinda Commercial Factoring Limited ("Xinda Factoring"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with Beijing Bosheng Huifeng Business Consulting Co., Limited (北京博盛匯豐商業諮詢有限公司) ("Bosheng Huifeng"), a company incorporated in the PRC with limited liability and owned as to 90% by Ms. Du (the controlling shareholder of the Company) and 10% by Mr. Ding Donghua (an executive Director of the Company who has retired from such role with effect from 27 May 2019), pursuant to which Xinda Factoring agreed to provide an unsecured non-interest loan for an amount of RMB720 million (the "Consideration") to Bosheng Huifeng solely for the purpose to acquire the entire equity interest in Tianjin Guanchuang Mei Tong Electronic Commerce Limited ("TJGCMT") (the "Acquisition"). As at 31 December 2021, an aggregate amount of RMB576 million, representing 80% of the Consideration, was advanced to Bosheng Huifeng to pay for the Consideration (the "Prepayment"). Bosheng Huifeng will use 90% of the dividends arising from its interest in TJGCMT to repay the loan and Bosheng Huifeng undertakes that if the completion of the Acquisition does not take place, Bosheng Huifeng shall refund the loan (with accrued interest) to Xinda Factoring in full.

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

The Acquisition was not yet completed up to the date of this report and the Group's management continues to endeavour to obtain the requisite regulatory approval from the People's Bank of China ("PBOC") and complete the Acquisition in 2023.

As at 31 December 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.

CONTINUING CONNECTED TRANSACTIONS

The information required for disclosure under Rule 14A.71 of the Listing Rules in relation to the Group's continuing connected transactions conducted during the year ended 31 December 2022 is as follows:

Factoring Service Framework Agreement

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

Parties:	(i) The Company (ii) Swiree
Term:	From 1 January 2022 to 31 December 2024 (both days inclusive)
Subject:	Pursuant to the Factoring Service Framework Agreement, members of the Group may grant commercial factoring loans to the suppliers (the "GOME Suppliers") of GOME Retail Holdings Limited ("GOME") and its subsidiaries (the "GOME Group") and/or connected person(s) of the Company who are connected with the GOME Group, Mr. Wong Kwong Yu ("Mr Wong", the husband of Ms. Du) and/or Ms. Du (the controlling shareholder of the Company) (collectively the "Connected Factoring Loan Borrowers") from time to time, which are conditional upon transfer of the relevant accounts receivable of such GOME Suppliers (being trade payables of the GOME Group) and/or the relevant accounts receivable of such connected persons to the Group (the "Connected Factoring Loans"). The Connected Factoring Loan Borrowers shall pay interest and/or other charges (such as penalty interest, early repayment charge and costs incurred in relation to debt collection, if applicable) to the relevant members of the Group for the factoring services.
Guiding principles for providing Connected Factoring Loans:	(i) The members of the Group may from time to time and in view of their business demand enter into separate factoring agreements with the Connected Factoring Loan Borrowers, which shall comply with the terms and conditions as set out in the Factoring Service Framework Agreement. (ii) The Company will limit the aggregate revenue generated from the Connected Factoring Loans to not more than RMB24,000,000, RMB27,000,000 and RMB30,000,000 for the years ending 31 December 2022, 2023 and 2024, respectively.

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

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

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

Reasons for the continuing connected transactions

The commercial factoring business is the main source of income for the Group and will be the cornerstone for the future development of the Group. The demand for factoring loans from connected persons of the Company who are connected with the Connected Factoring Loan Borrowers represent an opportunity for the Group to expand its commercial factoring business and achieve better economies of scale.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed the aforementioned continuing connected transactions (other than the transactions contemplated under "Factoring Service Framework Agreement" which cover the period after the reporting period of this annual report) and confirmed that the transactions were entered into:

i. in the ordinary course of business of the Group;

ii. either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third party; and

iii. in accordance with the terms of the relevant agreements that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors for the year ended 31 December 2022 and up to the date of this report of the directors were:

Executive Director:

Mr. Zhou Yafei

Non-executive Director:

Ms. Wei Qiuli

Independent Non-executive Directors:

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

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, Mr. Zhou Yafei and Mr. Hung Ka Hai Clement will retire from office by rotation at the forthcoming annual general meeting. Mr. Zhou Yafei and Mr. Hung Ka Hai Clement, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 20 to 24 of this Annual Report. The Board considered the executive Directors of the Company to be the senior management of the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than normal statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed under the section headed "Connected Transactions and Disclosure Pursuant to Rule 13.20 of the Listing Rules" and "Directors' Remuneration" disclosed in note 8 to the consolidated financial statements, no transactions, arrangements and contract of significance, to which the Company, its fellow subsidiaries, its subsidiaries or its holding company was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2022 or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and the administration of the whole or any substantial part of the business of the Company and the Group were entered into or existed during the year.

COMPETING INTERESTS

In so far as the Directors are aware, as at 31 December 2022, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as is known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in Shares and Underlying Shares in the Company

Ordinary shares of HK$0.1 each of the Company ("Shares")

Name of Shareholder	Nature of interests	Number of shares held in the Company	% of the issued share capital of the Company *(Note 4)*	Notes
Swiree	Beneficial owner	1,653,073,872	61.20	1
Ms. Du Juan	Corporate interest	1,653,073,872	61.20	1
Mr. Wong Kwong Yu	Spouse interest	1,653,073,872	61.20	2
Richlane Ventures Limited ("Richlane")	Beneficial owner	295,512,312	10.94	3
Mr. Ko Chun Shun, Johnson ("Mr. Ko")	Beneficial owner	5,000,000	0.19	3
	Corporate interest	295,512,312	10.94	3
	Corporate interest	38,978,000	1.44	3

Notes:

1. As Ms. Du Juan wholly and beneficially owned Swiree, she was deemed to be interested in 1,653,073,872 Shares held by Swiree by virtue of the SFO.

2. Mr. Wong Kwong Yu, being the spouse of Ms. Du Juan, was also deemed to be interested in 1,653,073,872 Shares by virtue of the SFO.

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

4. As at 31 December 2022, the total number of issued Shares was 2,701,123,120.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any person (other than Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this Annual Report.

PERMITTED INDEMNITY PROVISION

Pursuant to Bye-law number 168 of the Company's Bye-laws, every Director, other officer and auditor of the Company shall be entitled to be indemnified and secured harmless out of assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by him as a Director, auditor or other officer of the Company about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

SUBSEQUENT IMPORTANT EVENTS

Subsequent to 31 December 2022 and up to the date of this annual report, no important event affecting the Group had occurred.

REMUNERATION POLICY OF THE DIRECTORS

The emoluments of the Directors are recommended by the Remuneration Committee of the Company, having regard to the Company's operating results, individual performance and/or comparable market statistics. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation.

Details of the remuneration of the Directors are set out in note 8 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices.

Details of the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 39 to 53 of this Annual Report.

CHANGE OF DIRECTOR'S INFORMATION

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

(1) Mr. Hung has resigned as an independent non-executive director of SY HOLDINGS GROUP LIMITED (formerly known as Sheng Ye Capital Limited) (stock code: 6069) on 15 July 2022, and has been appointed as an independent supervisor of the supervisory committee of Ping An Insurance (Group) Company of China, Ltd., whose shares are both listed on the Stock Exchange (stock code: 2318) and Shanghai Stock Exchange (stock code: 601318), since 18 July 2022.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022 were audited by Baker Tilly Hong Kong Limited ("Baker Tilly") whose terms of office will expire upon the forthcoming annual general meeting of the Company. A resolution for the re-appointment or appointment of the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

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

On behalf of the Board

Zhou Yafei
Executive Director

Beijing, 31 March 2023

The Group's businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could affect the Group's businesses, financial condition, results of operations or growth prospects. These factors are by no means exhaustive or comprehensive, and there may be other factors in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice for you to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

Credit risk and risks of money laundering

The Group is selective about its customers and will only deal with creditworthy parties. In order to minimize the credit risk and risks of money laundering, the Group has formulated policies on credit and anti-money laundering, and delegated a team to determine credit limits, approve credit, monitor progress in recovering overdue debts and implement anti-money laundering measures. For further details please refer to note 16 and note 32 to the consolidated financial statements.

Management of key customers

The Group relies on certain major customers from the factoring and finance lease businesses. During the year ended 31 December 2022, the proportion of aggregate amount of revenue attributable to the Group's five largest customers has dropped significantly, representing only approximately 29% (2021: 85%) of the Group's revenue for the year. The major customers of the factoring business are PRC based distributors. The Group strived to diversify its businesses and broaden its customer base through the launching of new business area and the continuing development of its existing business. On the other hand, given our well-established business relationships, the present customers of the factoring business may continue to account for a relatively large percentage of the Group's sales in the coming year.

RISKS ASSOCIATED WITH THE PRC

Changing economic and relevant policies in the PRC

While the PRC economy has experienced significant growth in the past 20 years or more, such growth has been uneven and the PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. In addition, the PRC government also exercises significant control over PRC economic growth through contain monetary policies controlling the overall interest rate, foreign currency outflow and monetary reserve of banks. These measures may benefit or have negative effect on the Group's operations. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business, results of operations or financial condition.

RISK FACTORS

Changing license requirement in the PRC

There is no specific banking or insurance license required for carrying on factoring loan and finance lease businesses in the PRC which are the major operations of the Group. However, companies operating these businesses should hold business license with the relevant business scope. The relevant members of the Group have fulfilled certain requirements included paid-up capital requirement, management personnel with relevant experience and complete and well-established internal control system in order to obtain the business licenses with the relevant business scope. There is no assurance that future changes in the PRC's law or policies will not require banking and insurance license for the existing business of the Group.

The board (the "Board") of directors (the "Directors") of Gome Finance Technology Co., Ltd. (the "Company") is committed to maintaining high standard of corporate governance practices. The primary corporate governance rules applicable to the Company is the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has applied the principles of the CG Code to its corporate governance structure and practices as described in this report. Unless otherwise stated, the code provisions of the CG Code in this corporate governance report referred to those contained in Appendix 14 of the Listing Rules in force during the year ended 31 December 2022 and as at 31 December 2022. Throughout the year ended 31 December 2022, the Company had complied with all code provisions set out in Part 2 of the CG Code, except for deviation disclosed below.

Code provision C.2.1 and Code provision C.2.7

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

Mr. Zhou Yafei, ("Mr. Zhou") who has been appointed as an executive Director with effect from 26 March 2021, had performed the duties of the chairman and the chief executive of the Company as an interim arrangement without formal appointment of a new chairman and CEO. The Board considered that while vesting the roles of the chairman and chief executive in the same person can facilitate the execution of the Company's business strategies and maximize effectiveness of its operation, the Board would nevertheless review the structure of the Board from time to time and would be considering suitable candidate to be appointed as the chairman and chief executive of the Company such that the Company can comply with code provision C.2.1 of the CG Code. As the Company did not have a chairman, it could not strictly comply with code provision C.2.7 of the CG Code during the year ended 31 December 2022. However, the independent non-executive Directors had effective access to Mr. Zhou and other senior management of the Company at all material times to discuss any potential concerns or questions and follow-up meeting(s) could be arranged, if necessary. The Company considers that there were sufficient channels and communications for discussion of the Company's affair between Mr. Zhou and other non-executive Directors during the year ended 31 December 2022.

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 2022.

BOARD OF DIRECTORS

During the year ended 31 December 2022 and up to the date of this report, there was no change in the structure of the Board. As at the date of this report, the Board comprises six Directors and its composition is set out as follows:

Executive Director
Mr. Zhou Yafei

Non-Executive Director
Ms. Wei Qiuli

Independent Non-Executive Directors
Mr. Lee Puay Khng
Mr. Li Liangwen
Mr. Hung Ka Hai Clement
Ms. Wang Wanjun

The Board possesses a balanced mix of skills and expertise which supports the continuing development of the Company. The executive Directors have accumulated sufficient and valuable experience to hold their positions in order to ensure that their fiduciary duties have been carried out in an efficient and effective manner. The Board is responsible for setting the Company and its subsidiaries (collectively, the "Group") strategic direction and overseeing the business performance of the Group while business operations are delegated to qualified management under the supervision of the executive Directors. The Board also monitors the financial performance and the internal controls of the Group's business operations. The senior management is responsible for the day-to-day operations of the Group.

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 20 to 24 of this Annual Report. None of the members of the Board is related to one another.

The Company has four independent non-executive Directors representing more than one-third of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules. The Board has received from each independent non-executive Director an annual confirmation of his/her independence and considers that all the independent non-executive Director are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

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

Chairman and CEO

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

Mr. Zhou Yafei had performed the duties of the chairman and the chief executive of the Company as an interim arrangement without formal appointment of a new chairman and CEO. The roles and responsibilities of the Chairman and the CEO are set out as follows:

Chairman is mainly responsible for:

- ensuring that good corporate governance practices and procedures are established;

- ensuring that all Directors are properly briefed on issues arising at Board meetings and that all Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;

- encouraging all Directors to make a full and active contribution to the Board's affair and to voice their concerns even with different views, allowing sufficient time for discussion of issues, ensuring that Board decisions fairly reflect Board consensus, and taking the lead to ensure that it acts in the best interests of the Group;

- ensuring that appropriate steps are taken to provide effective communication with shareholders and their views are communicated to the Board as a whole; and

- promoting a culture of openness and debate by facilitating the effective contribution of independent non-executive Directors in particular and ensuring constructive relations between executive and independent non-executive Directors.

CEO is responsible for, among other things:

- organizing and manage the Group's business;

- leading the corporate team to implement the strategies and plans established by the Board; and

- coordinating overall daily business operations of the Group.

Board Diversity

The Board has adopted a policy on board diversity (the "Board Diversity Policy") on 26 March 2013. The Company considers that Board appointment should be based on merits that complement and expand the skills, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

As at 31 December 2022, the Group had 22 full time employees in total with 12 female employees and 10 male employees, representing 55% and 45% of the workforce, respectively. The Group targets to further improve the current level of female representation over time.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee of the Company would make recommendations to the Board with respect to the appointment or re-appointment of the Directors and other related matters for determination by the Board. New Director(s) is expected to have expertise in relevant area to make contribution to the Company, complement the diversity profile of the Board and to have sufficient time to participate in the decision making process of the Company. Each of Mr. Zhou Yafei, Ms. Wei Qiuli, Mr. Lee Puay Khng, Mr. Li Liangwen, Mr. Hung Ka Hai Clement and Ms. Wang Wanjun has entered into an appointment letter with the Company and is subject to retirement by rotation once every three years in accordance with the Company's Bye-laws.

Bye-law number 86(2) of the Bye-laws provides that: (1) any director appointed by the Board to fill a casual vacancy shall hold office only until the next general meeting of the Company after his/her appointment, or (2) any director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company. Any Directors appointed shall then be eligible for re-election. Pursuant to Bye-law number 87(1) of the Bye-laws, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company at least once every three years. All retiring Director shall be eligible for re-election. Accordingly, all Directors shall be subject to retirement by rotation and re-election at the annual general meeting of the Company under the Bye-laws.

ROLES AND FUNCTIONS OF THE BOARD AND THE MANAGEMENT

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

BOARD MEETINGS

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results, as well as corporate governance, financial, capital, remuneration and mergers and acquisition matters. During the year under review, six Board meetings were held and the Company's annual general meeting ("AGM") was held on 28 June 2022. The attendance of each Director (who held office during the year under review) at the Board meetings and the AGM during the year under review is set out as follows:

Name of Directors	Attendance of the AGM	Number of Board meetings attended/held
Executive Director		
Mr. Zhou Yafei	✓	5/6
Non-Executive Director		
Ms. Wei Qiuli	✓	5/6
Independent Non-Executive Directors		
Mr. Lee Puay Khng	✓	6/6
Mr. Li Liangwen	✓	6/6
Mr. Hung Ka Hai Clement	✓	6/6
Ms. Wang Wanjun	✓	6/6

During the year ended 31 December 2022, the Board had dealt with matters covering mainly the Group's overall strategy, annual and interim results, internal control, corporate governance, capital, financial, and acquisition matters.

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of regular Board meetings (or reasonable notice for all other meetings) is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a Board meeting. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

ACCESS TO INFORMATION

All Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including relevant rules and regulations and are able to make further enquiries when necessary. Sufficient explanation and information have been provided to the Board to enable the Board to make an informed assessment of financial and other information put before it for approval. They also have unrestricted access to the advices and services of the Company Secretary. A monthly update which gives a balanced and concise assessment of the Company's performance, position and prospects in sufficient details is provided to all Directors to enable the Board as a whole and each Director to discharge their duties. The Board has also agreed that the Directors may seek independent professional advice in performing their Directors' duties at the Company's expenses.

MECHANISMS TO ENSURE INDEPENDENT VIEWS AND INPUT

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

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

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

DIRECTORS INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company provides regular updates on the business performance of the Group to the Directors. The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to Directors will be arranged whenever necessary. For newly appointed Directors, an induction will be provided so as to ensure that they have appropriate understanding of the Group's business and of their duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

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

Name of Directors	Courses/Seminars provided/accredited by professional body	Reading materials
Executive Director		
Mr. Zhou Yafei	✓	✓
Non-Executive Director		
Ms. Wei Qiuli	–	✓
Independent Non-Executive Directors		
Mr. Lee Puay Khng	✓	✓
Mr. Li Liangwen	✓	✓
Mr. Hung Ka Hai Clement	✓	✓
Ms. Wang Wanjun	✓	✓

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to directors and employees; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board has performed the corporate governance duties as set out above during the year ended 31 December 2022.

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the executive of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for this purpose.

BOARD COMMITTEES

The Board has established four committees with specific responsibilities as described below. The terms of reference of the remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and audit committee (the "Audit Committee") of the Company are posted on the websites of the Company and the Stock Exchange.

REMUNERATION COMMITTEE

As at 31 December 2022, the Remuneration Committee comprised three members including two independent non-executive Directors, namely Mr. Lee Puay Khng (the Chairman) and Ms. Wang Wanjun, and one non-executive Director, namely Ms. Wei Qiuli.

It is responsible for reviewing and making recommendations on all elements of the executive Director's and senior management's remuneration. The fees of non-executive Directors are determined by the Board. No individual Director is involved in decisions relating to his/her own remuneration. The Remuneration Committee has adopted the model under code provision E.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual Directors and senior management. Meetings of the Remuneration Committee shall be held at least once a year.

For the year ended 31 December 2022, there was one meeting held by the Remuneration Committee to review the remuneration packages of the Directors for the year ended 31 December 2021 and make recommendation on the remuneration packages of the Directors and the senior management for the year ended 31 December 2022.

Details of the remuneration paid to Directors and the remuneration to the five highest paid employees by band for the year ended 31 December 2022 are disclosed in notes 8 and 9 to the consolidated financial statements.

Details of the remuneration paid to members of senior management by band for the year ended 31 December 2022 are set out as below:

	2022	2021
Nil to HKD1,000,000	**7**	12

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

Members	No. of meeting(s) attended/held
Mr. Lee Puay Khng *(Chairman)*	1/1
Ms. Wei Qiuli	1/1
Ms. Wang Wanjun	1/1

NOMINATION COMMITTEE

As at 31 December 2022, the Nomination Committee comprised three members including two independent non-executive Directors, namely Mr. Li Liangwen (the Chairman) and Mr. Hung Ka Hai Clement, and one executive Director, namely Mr. Zhou Yafei.

Meetings of the Nomination Committee shall be held at least once a year.

It is responsible for, amongst others, reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the required blend of skills, knowledge and experience, reviewing the Board Diversity Policy and its measurable objectives, as well as reviewing the nomination policy for the Nomination, appointment and re-appointment of Directors.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. A circular setting out information as required pursuant to the applicable laws, rules and regulations of the proposed candidates will be sent to the shareholders. When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the financial services, banking and other related industries;

(c) commitment in respect of sufficient time and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's articles of association and other applicable rules and regulations. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

As mentioned under "Board of Directors – Board Diversity" above, the Board has adopted the Board Diversity Policy. The Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and length of service. All appointments of directors will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the year ended 31 December 2022, one meeting was held by the Nomination Committee to (i) review the structure, size and composition of the Board; (ii) nominate the Director for re-election at the 2022 annual general meeting; (iii) assess the independence of the independent non-executive Directors with reference to the requirements under the Listing Rules; and (iv) discuss and agree on the measurable objectives to increase the ratio of female members over time when selecting and making recommendations on eligible candidates for Board appointments for achieving diversity of the Board.

Based on the Nomination Committee's review for the year ended 31 December 2022, the Nomination Committee considers that the measurable objectives for achieving diversity of the Board with reference to the Board Diversity Policy have been satisfactorily implemented and that there is sufficient diversity in the Board for the Company's corporate governance and business development needs. In particular, taking into account the Group's business and specific needs as well as the presence of two female Directors out of a total of six Directors, the Company considers that it has achieved gender diversity at the Board level and targets to further improve the current level of female representation.

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

Members	No. of meeting(s) attended/held
Mr. Li Liangwen *(Chairman)*	1/1
Mr. Zhou Yafei	1/1
Mr. Hung Ka Hai Clement	1/1

AUDIT COMMITTEE

As at 31 December 2022, the Audit Committee comprised four independent non-executive Directors, namely Mr. Hung Ka Hai Clement (the Chairman), Mr. Lee Puay Khng, Mr. Li Liangwen and Ms. Wang Wanjun.

The Audit Committee is responsible for reviewing the Group's financial statements, overseeing the Group's financial reporting, risk management and internal control systems, handling the relationship with the Company's external auditor and making recommendations to the Board. None of the members of the Audit Committee is a partner of the former or existing auditors of the Company. The Audit Committee has adopted the principles set out in the CG Code. Meetings of the Audit Committee shall be held at least twice a year.

The Audit Committee has access to and maintains an independent communication with the external auditors and the management to ensure effective information exchange on all relevant financial accounting matters. During the year ended 31 December 2022, there were five meetings held by the Audit Committee to (i) review the work done by external auditor, the relevant fees and terms of engagement, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance; (ii) review and discuss with the auditor the audited financial statements and the unaudited interim financial statements, with recommendations to the Board for approval; (iii) review the internal control system covering financial, operational, procedural compliance and risk management functions; and (iv) consider the independence of the auditor, review the auditor's remuneration and recommend to the Board the auditor's appointment.

The Chairman of the Audit Committee, Mr. Hung Ka Hai Clement, possesses appropriate professional qualification in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules.

Attendance of the Audit Committee during the relevant year is set out below:

Members	No. of meeting(s) attended/held
Mr. Hung Ka Hai Clement *(Chairman)*	3/4
Mr. Lee Puay Khng	4/4
Mr. Li Liangwen	4/4
Ms. Wang Wanjun	4/4

STRATEGY COMMITTEE

As at 31 December 2022, the Strategy Committee comprised one executive Director, Mr. Zhou Yafei, and two independent non-executive Directors, Mr. Li Liangwen and Ms. Wang Wanjun. The Strategy Committee is chaired by Ms. Wong Wanjun.

The principal duties of the Strategy Committee include drawing up long-term development strategies and significant investments on financing plans of the Company, proposing capital investment for operation projects, and conducting studies and making recommendations on important matters that would affect the development of the Company.

COMPANY SECRETARY

Ms. Suen Yu May Sammi was the company secretary of the Company (the "Company Secretary") until her resignation with effective from 20 February 2023. Ms. Cheng Hiu Ching was then appointed as the Company Secretary on 20 February 2023. Each Company Secretary had complied with Rule 3.29 of the Listing Rules in respect of professional training during the year under review.

EXTERNAL AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the total remuneration for the audit services and permissible non-audit services provided by Baker Tilly, the Company's external auditor, amounted to approximately RMB1,100,000 and RMBNil, respectively.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2022, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

The Directors acknowledge their responsibility to prepare the financial statements as set out on pages 95 to 169 of this Annual Report. The statement of the external auditors about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 88 to 94 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to maintain effective risk management and internal control systems of the Company in order to manage rather than eliminate risks of failure to achieve business objectives, and to provide reasonable but not absolute assurance against material misstatement or loss.

During the year ended 31 December 2022, the Company implemented various policies and procedures for internal audit and risk management at each aspect of its operation. The internal audit function monitors compliance with policies and procedures and the effectiveness of risk management and internal control structures across the Group and its principal divisions.

The Board had conducted an annual review on the systems of internal control and risk management of the Company. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Based on the assessment made by the management of the Group, it is considered that the Group's internal control and risk management systems are effective and adequate for its present requirements, but areas of improvement have been identified and appropriate measures have been put in place to manage the risks. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthening the Company's control environment and processes.

During the year ended 31 December 2022, the Company had in place policy and procedural guidelines for the disclosure of inside information. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information (as defined under the SFO). Also, the Company endeavours to keep Directors, senior management and employees appraised of the latest regulatory updates.

SHAREHOLDERS' RIGHTS

Procedures for convening a special general meeting

Shareholders shall have the right to request the Board to convene a special general meeting of the Company. Shareholders holding in aggregate of not less than one-tenth of the paid up capital of the Company may send a written request to the Board of the Company to request for special general meeting.

The written requisition, duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the Company's head office and principal place of business in Hong Kong at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong or at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act") once a valid requisition is received.

Procedures for shareholders to put forward proposals at general meetings

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

(a) any number of members representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or

(b) not less than 100 members holding shares in the Company.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the Company's head office and principal place of business in Hong Kong at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong or at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act once valid documents are received.

If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should follow the "Procedures for shareholders to propose a person for election as a Director", which can be found on the website of the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send in their enquiries and concerns to the Board in writing via the following channel:

The Board of Directors/Company Secretary
Gome Finance Technology Co., Ltd.
Suite 2912, 29th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

Shareholders may also make enquiries with the Board at general meetings of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has established a shareholders' communication policy and reviews it on a regular basis to ensure its effectiveness. The Board is committed to providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to shareholders, additional information of the Group is also available to shareholders on the website of the Company.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice (amended to not less than 21 clear days on 28 June 2022) is given. The chairman of the Board and Directors are available to answer questions on the Group's business at the meeting. Subject to the Bye-laws, all shareholders shall have statutory rights to call for special general meetings and put forward agenda items for consideration in the general meetings. All resolutions at the general meeting will be decided by way of poll save for purely procedural or administrative matters which may be voted on by a show of hands, where applicable.

The Group values feedback from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

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

CONSTITUTIONAL DOCUMENTS

The amended and restated bye-laws of the Company was approved and adopted on 28 June 2022 in substitution for, and to the exclusion of, the existing bye-laws of the Company, the details of which are set out in the circular of the Company dated 26 May 2022. Save as disclosed above, there were no changes in the constitutional documents of the Company during the year ended 31 December 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 Sustainable Development Management

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

With commitment to sustainability, the Group publishes this ESG Report to disclose information on material ESG issues of the Group. This includes compliance in operation, product responsibilities, green office, employees' interests and giving back to the community, which will be discussed in the following sections.

This ESG Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and in accordance with the material ESG issues identified from the Stakeholders' Questionnaire. Information disclosed and presented in this ESG Report follow the four Reporting Principles required by the ESG Reporting Guide, i.e., materiality, quantitative, balance and consistency. In preparing the ESG Report, the Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant key performance indicators ("KPIs"), and there is no change from previous year in the way the ESG Report has been prepared. The application of materiality is detailed in the section headed "Material Issue and Matrix" of this ESG report.

SCOPE AND REPORTING BOUNDARY

The scope of the ESG Report covers the Group's principal business operations and activities in Beijing during 1 January 2022 to 31 December 2022 (the "Reporting Period"), which is the provision of the financial services business line. The Group will continue to examine other potential ESG aspects to determine whether they are required to be included in the ESG Report.

MESSAGE FROM THE BOARD

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

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. Against this challenging backdrop, our Group remained resilient and we are proud that our staffs were able to produce excellent results. We are grateful to our staffs, business associates and partners for their perseverance in supporting our clients and the community in these challenging times.

The Group's ability to navigate through the complex business environments stems from our strong corporate governance and sound risk management. Along with our Board's extensive experience and strong network in various industries, the Group has been able to remain resilient and to maintain a high-quality service for our diverse clientele. The Group will continue to align our business practices to an international standard and to further contribute to the community.

The Coronavirus Disease 2019 ("COVID-19") pandemic and economic uncertainty has elevated the importance of long-term sustainability and the integration of ESG risk management into our business strategy. We established a cross-departmental ESG working group for a better implementation of ESG practices and control systems in the Group's operations and businesses. The working group comprise members designated by the management team spanning across finance department, HR & admin department, product and sales department, as well as legal and compliance department. The main responsibilities of the working group consist of determining material ESG issues and monitoring business performance against ESG metrics and initiatives across our business activities. Through effective ESG risk management, we believe this is vital for the sustainable growth of our Group.

In 2022, we fulfilled our corporate social responsibility in multiple dimensions. Our Group has actively developed energy conservation measures and emissions reduction initiatives. We aim to demonstrate our commitment to support the transition to a net-zero economy and to ultimately contribute to our nation's carbon neutrality goal. As employees are the core assets for the success of the Group, we will continue to facilitate employee's growth through providing an array of training courses. We will also ensure there are sufficient safety measures in the workplace to protect our employees from COVID-19 which will minimize business disruptions.

In the upcoming year, we look forward to supporting our community, and becoming a long-term partner with our clients and business partners. As we incorporate the core values of ESG, we aim to pursue a brighter future with all of our stakeholders.

COMMUNICATION WITH STAKEHOLDERS

To create long-term value in business for stakeholders, it is essential to understand their concerns and expectations. The Group engages its key stakeholders, including customers, the government, regulatory authorities, shareholders and investors, employees, supplier/business associates, peer enterprises and industry associations as well as local community, from time to time through various communication channels, such as meeting, survey, online platforms and etc.

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

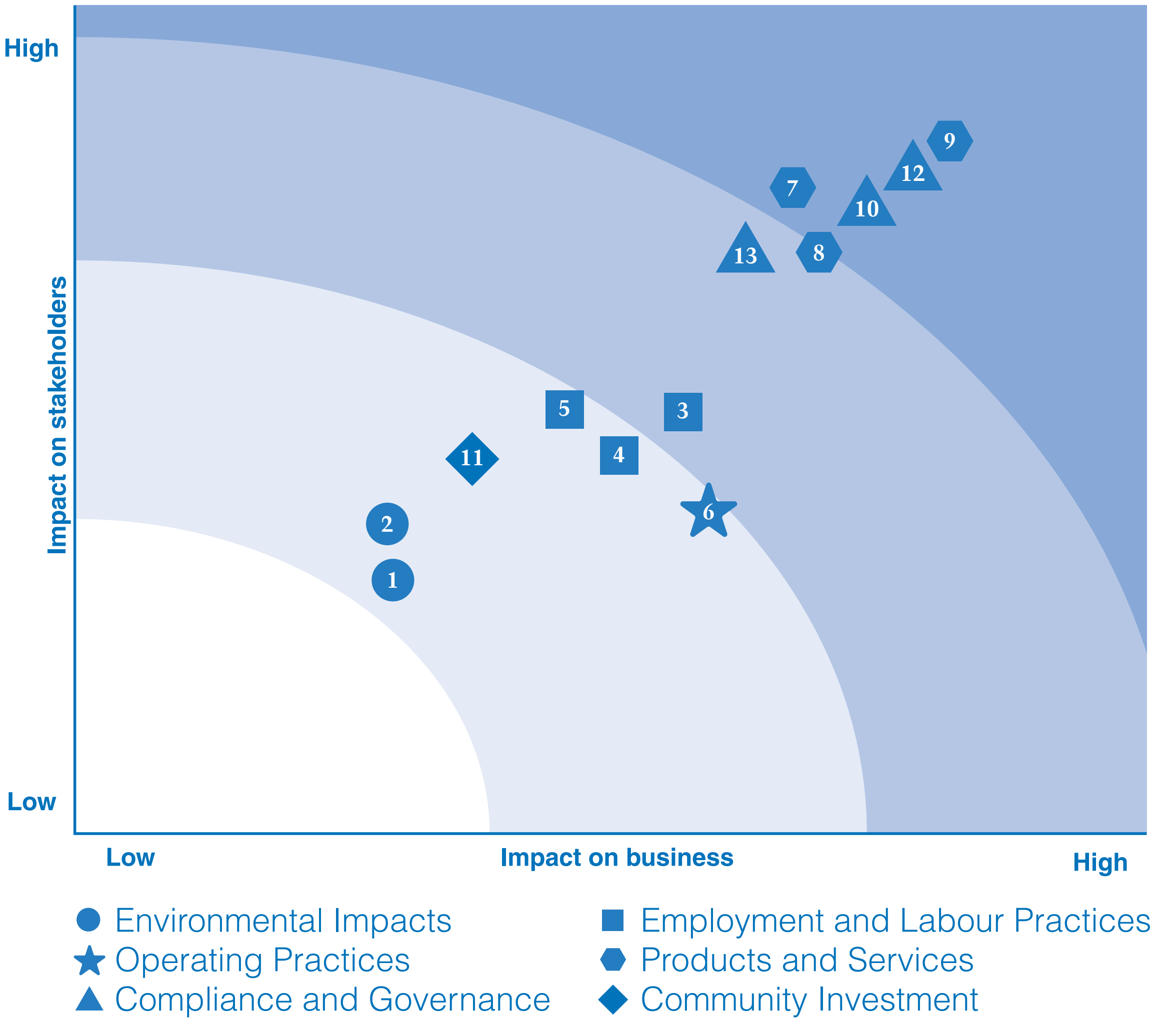
Stakeholders		**Suggestions and Expectations**	**Methods of Communications and Feedback**
Internal	Employees	• Training opportunities and career development • Employee legal rights • Remuneration and compensation package • Occupational health and safety • Support and care for employees	• Employee feedback questionnaire • Internal seminars and training course • Intranet • WeChat official account • Team building activities and staff-caring events
	Shareholders and Investors	• Risk management • Sustainable and stable investment return • Participation in decision-making process • Protection of shareholders' rights and interests • Effective corporate governance • Transparency and information disclosure • Compliance in business operations	• Annual general meetings and shareholder meetings • Regular external reports • Company announcements and newsletters • Monitoring of public opinion from media • Investor relations mailbox and enquiry hotline • Official company website
External	Customers	• Privacy protection measures • Service quality • Responsiveness to customer enquires • Protection of consumer rights	• Complaint mechanism • Social medial and corporate website • Customer satisfaction surveys • Customer service hotlines

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

MATERIAL ISSUES AND MATRIX

The Group has identified ESG issue that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG report, internal policies, industry trends and the Sustainability Accounting Standards Board's Materiality Map. The ESG issues have been analyzed with reference to an array of factors, including the Group's overall strategy, development, and goals and targets.

The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact. The assessment results are shown below:



ESG Issues

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

Based on the aggregated scores given by the Group's stakeholders through the questionnaire, we have mapped out and prioritized 13 sustainability issues, falling into six categories including Environmental Impacts, Employment and Labour Practices, Operating Practices, Products and Services, Compliance and Governance and Community Investment, thus reflecting their relevance to the Group and their perceived overall importance to the ESG.

The Group received 20 questionnaires responses from our stakeholders this year. The Group conducted a statistical analysis on the scores of each topic, and classified and summarized the recommendations and expectations. Our matrix presents a more balanced overview on our stakeholders' perspective on the Group's ESG issues. Our results of stakeholders' perspectives on the material ESG issues are consistent with the current changes in the global ESG landscape, which are caused by the complex operating environment, regulatory changes and market developments.

In summary, while all stakeholder groups have concerns about governance related issues, internal and external stakeholder groups have particularly put their focus on products and services related issues respectively. Details of the key topics and concerns raised by our stakeholders and how we responded to their concerns are found in various sections of this ESG Report.

2 Compliance and Governance – Robust Governance Structure and Committed Leadership

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

2.1 Corporate Governance

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

Being the Group's highest governing body, the Board consists of executive director(s), non-executive director(s), and independent non-executive directors. The Board is responsible for the overall governance, supervision and regular review of the Group, with the goal of bringing in long-term benefits for the Group and the stakeholders. The Board has accumulated sufficient experience to carry out its duty and possesses a balanced mix of skills and expertise which supports the continuing development of the Group.

The Board is responsible for setting the Group's strategic direction, overseeing the business performance of the Group, ensuring the effectiveness of risk management and its corresponding internal control system of the Group, and delegating the Group's management to take charge of implementing relevant policies and measures. The Group has established a governance structure to enhance its management of ESG issues. The Board has an overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing and adopting the ESG-related strategies and targets of the Group, reviewing the Group's performance annually against the targets, and revising the strategies as appropriate if significant variance from the target is identified. In order to exert governance over the ESG issues, the Group has set up an ESG Working Group that comprises of members from middle to senior management, including compliance department head, director of supply chain department and human resources business partner. It serves as a supportive role to the Board in implementing the ESG-related strategies and targets, conducting materiality assessments of ESG issues and prioritising them, and promoting the implementation of respective measures. Under the authority of the Board, the ESG Working Group assists in collecting ESG data from respective functional department, monitoring the implementation of the measures, investigating deviation from the targets, and liaising with the respective functional department to take prompt rectification actions. The ESG Working Group reports to the Board about the ESG performance of the Group and the effectiveness of the ESG management system on a semi-annual basis.

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

Please refer to the section headed "Corporate Governance Report" in the 2022 Annual Report of the Group for more details relating to the Group's corporate governance practices and status, and the respective roles of the Board and its committees.

Governance structure

Board	• The Board is responsible for the overall decision-making, overseeing the formulation, administration, and assessment of the ESG system.
ESG Working Group	• The ESG Working Group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.
Functional Department	• Functional department is responsible for the execution of implemented measures to achieve the set strategies and targets.

2.2 *Internal Control and Protection from Risks*

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

On the basis of establishing an effective risk management system, and in accordance with the relevant laws and regulations and the articles of association of the Group, the Group formulated the Internal Control System to establish an internal control mechanism with defined duties and effective checks and balances. The Group adheres to the concept of "compliance value creation" and actively implements compliance management to prevent practical compliance risk. The Group continues to strengthen the organizational leadership, improve the compliance management organization and functions, and to ensure the orderly and healthy development of the business of each department. The Group also follows its standardized business procedures to effectively prevent risks such as legal liabilities and regulatory penalties as a result of irregular operation and operational management. In addition, the Group constantly reinforces the establishment of internal control system and improves various systems including internal control management, risk management and customer service to ensure compliance operation.

The Board and the senior management take important roles in the risk management system and the internal control compliance system of the Group – the former oversees the business approach while the latter monitors the risks in the Group's businesses. Board meetings and meetings with senior management, external and internal auditor are held regularly. Internal Audit Reports and Risk Assessment Reports are also provided to the Board annually as reference. Senior management is responsible for identifying the risks that impact the businesses and operations. Frequent departmental meetings help the senior management to monitor the identified risks closely. Up-to-date financial and operational data also keeps the awareness of senior management on the changes in business and economic environment.

Adhering to the four principles of "comprehensiveness, adaptability, independence and integrated development", the Group maintains the Three Lines Model for risk management, comprising relevant functional departments and business units, risk management center and control and audit center, to continuously optimize the risk management system. The Group has a sound and complete risk management structure in comprehensive risk management, with defined responsibilities for the board of directors, board of supervisors (if applicable) and operating management of each subsidiary. Operating mechanisms such as identification, evaluation, monitoring, measurement and reporting of risks has been running smoothly, effectively preventing all kinds of risks.

2.3 Anti-corruption Management

The Group continued to strengthen discipline inspection and supervision, and vigorously promoted the construction of moral integrity and anti-corruption management. The Group implements the Internal Audit Charter of Gome Finance Technology Co., Ltd. in accordance with the Oversight Law of the People's Republic of China (《中華人民共和國監察法》) and the relevant laws and regulations to strengthen the internal auditing procedures and eliminate potential malpractices. The Supply Chain Finance Non-compliance By-laws and Punishment Regulations of Gome Finance Technology Co., Ltd. further defines staff's violations and specifies the corresponding penalties, and to ensure the staff's compliance in business development. During the Reporting Period, the Group continues to uphold the value of moral integrity, fulfilled its responsibilities and strengthened supervision and anti-corruption training.

Implementation of responsibility

- Implement the responsibilities of moral integrity construction and anti-corruption works to each management personnel
- Finalize important documents from important meetings on moral integrity construction
- Implement the arrangements for moral integrity construction and anti-corruption works and call for full member conferences

Strengthening supervision and reporting reception

- The Senior Management leads the heads of each business divisions and centers in supervising the prevention of corruption behaviors including treats, gifts, cards and offers
- The Group oversees the audit center and seriously handles every reporting letter and by conducting prompt investigation and report

Anti-corruption training

- Adhere to the collective study once every quarter*
- Release new rules and regulations and timely provide training to relevant operational staff
- Carry out anti-corruption projects and conduct integrity and anti-corruption training for the departments involved in supervision and audit work*

Note:

* Such activity has been suspended during the Reporting Period due to the implementation of social distancing measure during the outbreak of COVID-19. However, employees still received periodically anti-corruption training materials in order to stay abreast of these issues.

The Group implements an internal monitoring mechanism to provide double-guarantee for the Group's compliance in operation through the establishment of supervision and anonymous reporting channels. Employees can report to the Group's Supervision and Audit center on a confidential basis, any misconduct, dishonesty, corruption, illegal activity or wrongdoing within the Group. Upon receipt of such reports, the Supervision and Audit department of the Group will promptly conduct investigations on the reported cases of non-compliance, corruption or briberies and take appropriate actions against the violating personnel in accordance with the rules and regulations after reporting to the superiors.

2.4 Anti-money Laundering ("AML")

The Group's core businesses include commercial factoring and other financial services in Mainland China. Pursuant to its businesses, anti-money laundering is considered as an important aspect of the risk management of the Group.

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

To reinforce the anti-money laundering practice, the Group incorporated an anti-money laundering department and formulated the Anti-Money Laundering Internal Control Policy of Gome Finance Technology Co. Ltd. (the "AML policy") in the Reporting Period. The AML department comprises members from each business unit, information technology center, compliance and government affairs department and monitoring center, the responsibilities of each party in the department are outlined as follows:

Information technology center	Each business unit	Compliance and government affairs department	Monitoring center
• To build and maintain an AML system which adopts fintech big data technology, providing a reliable and systematic platform for each party to identify, monitor and audit customers' information in accordance with the AML policy	• To review the customers' identity and transaction records, to assess customers' risk level and to identify suspicious transactions from time to time through the AML systems • To follow up on high risk customers and suspicious transactions with monitoring center and to propose possible action plans	• To formulate and update AML related policies and guidelines in accordance with the laws and regulations, and to educate the employees in respect of the Group's AML policies and procedure	• To supervise the AML practice implemented in the business operation and the maintenance of the AML related records • To investigate and to respond to the suspicion cases reported by each business unit and from the whistle-blowers

Pursuant to its online financing services business, the Group has formulated its own Know-Your-Customer (KYC) policy. The KYC policy integrates with the AML system, creating a customer digital information database, launching customer investigation and transaction review, assessing and updating risk level on a regular basis, and maintaining early risk warning.

The AML system allows each business unit to assess the risk level of the customer upon creation of account and to classify the customer accounts in accordance with the AML policy into three categories, i.e., high risk, moderate risk and low risk. If the customer account is classified as high risk, the Group will recall the loan and suspend the services provided immediately according to the AML policy.

The AML system is able to detect and label questionable transactions as red, orange and yellow warning signals representing high credit risk, moderate credit risk and low credit risk respectively. Transaction that triggered the system to issue warning signals will be reviewed monthly by the risk management center, and will be investigated by the corresponding business unit by looking into the operation of the corresponding customer. Site visit may be needed in some circumstances. The credit risk level of each labelled transaction will be finalized by the risk management center according to the investigation result.

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

1. Freezing account balance;

2. Freezing credit;

3. Suspending application of new loan;

4. Calling partial prepayment before maturity;

5. Claiming for additional guarantee; and

6. Accelerating the maturing of loan.

To prevent its employees from participating in any money laundering activities and to prohibit them from providing assistance to any person or organization that attempts to engage in criminal behavior or illegal activity, the Group requires its employees, who are responsible for reviewing client information, to complete an AML training within 3 months from his/her commencement date of employment. The Group also provides one to two AML trainings to employees from each business unit and those relevant to compliance operations every financial year to watch out for moral risks, as well as to increase the employees' awareness and skills of anti-money laundering.

During the Reporting Period, no AML training was held due to the outbreak of COVID-19, but the AML policy remained in force. The below table discloses the AML-related issues in respect of the Group:

AML-related issues	**Year ended 31 December 2022**
Number of customer account that have one or more high risk transaction(s) triggering the issue of red warning signal by the AML system	–
Number of customer account regarded as high risk by the risk management center after investigation	–
Number of money laundering transaction recognized by the Group	–
Number of litigation arising from money laundering	–

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

2.5 Whistle-blowing policy

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

3 Products and Services - Development of Financial Technology with Innovation

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

3.1 Customer Information and Privacy and Customer Services

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

Protecting Customer Privacy

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

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

Quality Customer Services

The Group continues to enhance customer relationship management, keeping feedback channels unblocked and improving customer satisfaction.

During the Reporting Period, the Group conducted staff training timely to ensure that employees are familiar with the industry and the Group's business conditions, so as to effectively settle loan application and factoring process enquiries raised by customers through phone calls and other online communication platforms.

In addition, there are clearly defined customer service standards in place, under which false publicity and marketing activities are not allowed.

Account managers are arranged for on-site visits at appropriate times to take follow-up actions subsequent to loan drawdowns. During the Reporting Period, in light of the situation of COVID-19, account managers contacted most of the customers through phone call at least once every month for understanding their business size, operation and the capital needs. The account managers were provided with adequate protective equipment before carrying out on-site visit to the core customers.

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

3.2 Product Responsibility, Observing and Protecting Intellectual Property Right

The Group commits to serving the real economy by leveraging its business advantages. Focusing on supply chain finance with factoring loan including Credit Cloud Loan, the Group provides liquidity for the real economy to revitalize assets.

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

4 Employment and Labour Practices – Working Closely with the Employees for Great Benefits

The Group always views "people" as the most precious wealth of a Group. Internally, the Group adopts the human management concept and properly protects the legal rights and interests of employees. The Group takes good care of employees and pays attention to their trainings to create a cohesive corporate culture, and at the same time, devotes to giving back to the community, fostering a harmonious relationship with the community through community care and support work.

4.1 Employee's Growth

Talents are the core competitiveness of the Group. As always, the Group develops the ability of every employee and facilitates their growth by identifying key positions, establishing a talent echelon, regulating the management process, sustaining improvement of employees' professional development path, refining the system of employee training and development and creating a comprehensive award colligation mechanism.

The Group refines its job ranking system to perfect the talent development path. The positions in non-technical hierarchy and technical hierarchy are well organized. According to employees' work experience, knowledge, skills and other factors, the Group identified the hierarchy and rank which the employees are positioned in, as well as the corresponding salary standard. For identifying talents and maintaining a sound employee promotion path, the Group carries out its appraisal on monthly basis. The monthly performance bonus will be reviewed with reference to the employees' appraisal results, so as to ensure that all employees can enjoy fair and smooth promotion opportunities.

The Group provides diverse professional training courses to all employees on different tiers, raising competence in their current positions. Through these courses, knowledge, skills, working methods of the employees are enhanced, realizing their personal values in the process of common development with the Group. The Group divides its employees' development requirements through GOME Finance Technology Training Management Measures, matching the resources required for development in accordance with the actual needs of employees. Training works are proceeded in an orderly manner, thus effectively raises the professional quality of our employees and increases the corporation's soft power. During the Reporting Period, the Group has provided a total of 1,024 hours of training to the employees. The breakdown of training data during the Reporting Period is as follows:

Percentage of Employees Trained by Grade and Average Training Hours of the Group in 2022

	Percentage of Employees Trained	Average Training Hours
Senior Level	25%	43
Middle Level	44%	41
General	31%	64
Total	73%	47

Percentage of Employees Trained by Gender and Average Training Hours of the Group in 2022

	Percentage of Employees Trained	Average Training Hours
Male	50%	51
Female	50%	43
Total	73%	47

4.2 Employee's Interests

The Group is in strict compliance with the laws and regulations such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), and it sticks to legitimate employment and prevents child labour and forced labour from happening at all costs. The Group employs people through fair and open channels, adhering to equal opportunity employment and the principle of matching positions with the right people. Any forms of discrimination such as gender, ethnicity, marital status, and religion is strictly prohibited in employment process, remuneration system, training, and promotion mechanism.

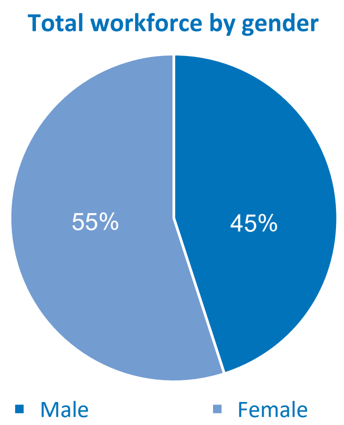
Recruitment process of the Group is subject to a stringent internal review process that includes verifying personal information of applicants. For instance, the recruitment department collects the identity proof from candidates to ensure that their age fulfil the requirements as stipulated by the law.

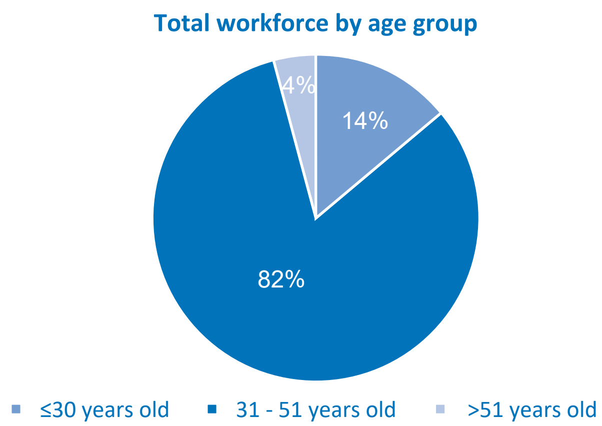
The Group has also set out the "Employee's Dismissal or Resignation Management Policy" in the Employee Handbook to detail the flow of employee resignation, lay-offs and exit formalities to provide more information to employees, preventing misunderstandings and fostering harmonious relationships with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

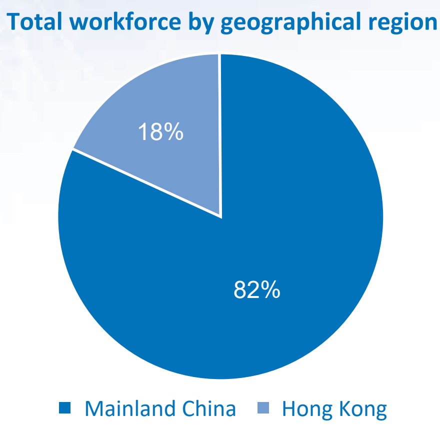
The employment of forced and child labour is strictly prohibited. If management discovers irregular employment of child labour or forced labour, the Group will immediately terminate the contract, ascertain the causes of such irregular employment and accountabilities of relevant recruitment staff to eliminate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

The Group established comprehensive management system of human resources, including avoidance of nepotism policy whereby employees shall abstain from appointment or business dealings relating to families or relatives, thereby safe-guarding the equal development opportunity of employees and providing a development platform for diversified talents. Hoping to recruit the most talented from the job market, the Group provides attractive remuneration packages to employees. Our employees are entitled to the basic statutory festive holidays, general holidays, marriage leave, maternity leave, paternity leave, and compassionate leave, with the standard of 5 work days per week and 8 work hours per day. Based on the regular evaluation of employees' work outcomes, the Group's expectations on its employees, and employees' difficulties encountered are mutually communicated. The Group makes contributions to the "Five Social Insurances and One Housing Fund" and supplementary medical insurance for all our contract employees, with their coverage rate reaching 100%.

As at 31 December 2022, the Group had 22 full time employees in total with 12 female employees and 10 male employees, representing 55% and 45% of the workforce, respectively. The breakdowns of the Group's workforce by gender, age group and geographical region are as follows:







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

Employee Turnover Rate	As at 31 December 2022
Overall employee turnover rate	27%
By Gender	
Male	20%
Female	33%
By Age Group	
≤ 30 years old	67%
31 – 51 years old	22%
> 51 years old	–%
By Geographical Region	
Mainland China	28%
Hong Kong	25%

4.3 Employee Cares

The Group provides a comfortable working environment for our employees and has set up a special activity room for our employees as a place for rest, where shoulder and neck massages are provided to employees from time to time for the relieve of fatigue. Moreover, employees are also provided with diversified welfare policies such as holiday gifts, employees' birthday parties and afternoon tea. At the same time, the Group cares for the employees' health. Medical examination is arranged for the employees annually.

The outbreak of COVID-19 brought huge challenges to the Group. One of the crucial tasks was to promote the resumption of work and production. During this special period, it was even more important to safeguard the health rights of employees and care about their physical and mental health. During the Reporting Period, the Group proactively distributed disinfection materials and medical masks to employees, conducted regular health examinations for employees on necessary business trips and conducted health lectures in various forms and offered medical consultation services. Also, the Group complied with the Guidelines for prevention and control of office premises during the epidemic of new coronavirus pneumonia (《新型冠狀病毒肺炎流行期間辦公場所防控指引》) issued by Beijing Center for Disease Prevention and Control to implement the preventive measures and the notice issued by Beijing Government to arrange work from home and rotation duties for its staff in order to prevent crowd gathering and office infection.

During the Reporting Period, the Group timely released related knowledge-based newsfeed on pandemic prevention and control for all employees via email to raise their awareness of risks. In this way, the Group could guarantee their security and enable employees to resume work safely in an exhaustive and multidimensional manner, thus achieving zero infection in workplace. All these efforts have made great contribution to the normal operation of each business line of the Group. Despite the relaxations of restrictions related to pandemic prevention, the Group will still closely monitor the situation and provide support when necessary. During each of the past three years including the Reporting Period, there were no fatalities or loss of productivity due to work injuries.

5 Community Investment – Giving Back to the Society

5.1 Community Development

As a member of the community, the Group is enthusiastic about social welfare and proactive in assuming corporate social responsibility, and giving back to the community with love. The Group actively responded to Gome Group's advocacy of promoting public welfare and encouraged employees to participate in all kinds of welfare activities such as community assistance, caring visits and donation of books activities, facilitating the harmonious development of community. During the Reporting Period, the Group had not organized any community and charity activities due to the COVID-19 pandemic. Going forward, the Group will explore volunteer opportunities and organise relevant activities in the future after the COVID-19 situation is improved and restrictions are lifted.

6 Operating Practices – Positioned for the 21st century

6.1 Supply Chain Management

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

In order to ensure the supply chain of the Group is in compliance with environmental and social regulation and to promote sustainable development along the supply chain, the Group requires suppliers and purchasers to satisfy the requirements of integrity and standardized procurement. Suppliers with more environmentally friendly practices and high-quality standards, such as suppliers who obtained ISO 14001 certification, would be more favorable in the selection process. Also, the Group supports the purchase of environmentally-friendly products and services to minimize the environmental impact caused by its business operations. The Group regulates the anti-corruption management and performance of the suppliers, requiring all suppliers to enter into service contracts with the Group and to sign the Integrity Cooperation Agreement. The agreement states finer provisions such as "no acceptance of private banquets is allowed" and "no acceptance of gifts in kind, cash or coupons or shopping cards is allowed", and requires purchasers to strictly comply with the Group's integrity system, such that corruption, bribery and behaviors which violate operation with integrity can be rooted out. The Group performs regular evaluation on suppliers' performances to ensure their compliance with the standards and requirements of the Group.

During the Reporting Period, the Group did not engage in production and processing business. Although certain amounts of office supply were purchased, these only took up an insignificant portion of the Group's expenditure during the Reporting Period. The Board considered the associated environmental and social risks are immaterial, as such, further information and the distribution of suppliers are not disclosed in this ESG Report.

7 Environmental Impacts - Green Innovation to Protect the Earth

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

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

During the Group's daily operations, the consumption of purchased heat is the major activity that generates the air pollutants. During the Reporting Period, the air emission data is as follows:

	Year ended 31 December	
Air Emissions (kg)[1]	**2022**	**2021**
Nitrogen oxide (NOx)	0.941	0.834
Sulphur oxide (SOx)	0.005	0.004

	Year ended 31 December	
Air Emissions Intensity (kg/capita)[2]	**2022**	**2021**
Nitrogen oxide (NOx)	0.0523	0.0379
Sulphur oxide (SOx)	0.0003	0.0002

During the Reporting Period, the Group generated 0.941 kg of nitrogen oxide (NOx) and 0.005 kg of sulphur oxide (SOx). To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the air emissions intensity between 90% to 120% of the level of baseline year ended 31 December 2022 in the next reporting period.

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

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

Greenhouse gases generated from human activities is one of the significant drivers of global warming which affect the lives of the present and future generation. Therefore, the Group is concerned about the importance of monitoring and mitigating the GHG emission in our operations. The Group's GHG emissions mainly arose from the emissions generated by the purchased heat and purchased electricity of the office and the Group's operation did not generate any direct (Scope 1) GHG emissions during the Reporting Period.

In order to reduce the impact of air emissions and GHG emissions and strives to achieve environment sustainability, the Group has implemented various mitigating measures stated in the section headed "Energy Conservation and Emissions Reduction". During the Reporting Period, the GHG emissions generated by the Group is shown as follows:

	Year ended 31 December	
GHG Emissions (tonnes CO_2-e)	**2022**	**2021[3]**
Scope 2 – Energy Indirect Emissions (Gaseous fuel consumption from purchased heat)[4]	25.89	22.95
Scope 2 – Energy Indirect Emissions (Electricity consumption)	10.48	10.96
Total Amount of GHG Produced during the Reporting Period (tonnes CO_2-e):	36.37	33.91
The intensity of GHG Produced during the Reporting Period (tonnes CO_2-e)/capita):[5]	2.02	1.54

During the Reporting Period, the GHG emission intensity of the Group has slightly increased. It is mainly due to the resuming operations and business activity which led to a rise in the GHG emissions level despite there was a decrease in the number of employees when compared to the previous reporting period. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the total GHG emission intensity between 90% to 120% of the level of baseline year ended 31 December 2022 in the next reporting period.

[3] The GHG emissions for the 2021 reporting period are reinstated and disclosed in accordance with "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange for meaningful comparison.

[4] The emission factor of the energy indirect emissions (gaseous fuel consumption from purchased heat) is 0.11 tCO_2/GJ according to "Requirements for Carbon dioxide emission accounting and reporting Heat production and supply enterprises".

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

7.2 Waste Management

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

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

During the Reporting Period, an insignificant portion of hazardous wastes was generated such as cleaning chemicals, pesticides, electrical equipment, batteries and fluorescent light bulbs from the Group's office operations, which had been properly disposed of in accordance with the abovementioned process.

For domestic wastes, the Group sets up different kinds of dustbins in the office area to separate kitchen wastes, recyclable wastes and other wastes and guides the employees to classify wastes properly. In addition, cleaning staff is arranged to clear the wastes at regular intervals every day and carry out disinfection of the dustbins. Due to the characteristics of the Group's business, the operating activities will not have material impact on natural resources, or involve the use of packaging materials.

	Year ended 31 December	
	2022	**2021**
Total Non-hazardous Waste Consumed (in tonnes)	118.13	130.15
Intensity of Non-hazardous Waste Consumed (tonnes/capita)[6]	6.56	5.92

6 For the Hong Kong office, no non-hazardous consumption has been generated during the Reporting Period. Hence, the figures disclosed have only included the consumption in Mainland China and the intensity has only included the employees in Mainland China.

During the Reporting Period, the intensity of non-hazardous waste consumed increased by 11%. Although the non-hazardous waste consumption level slightly decreased, it decreased by a proportion less than the decrease in the number of employees. Thus, the intensity of non-hazardous waste consumed increased. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the intensity of non-hazardous waste consumed between 90% to 120% of the level of baseline year ended 31 December 2022 in the next reporting period.

7.3 Use of Resources

The Group's consumption of resources was mainly attributable to electricity and water.

Energy Consumption

The Group treasures the use of electricity. Through the implementation of a variety of measures stated in the section headed "Energy Conservation and Emissions Reduction", the Group is committed to achieving energy conservation. The Group believed that it will be effective in raising awareness of employees' energy-saving initiatives and reducing energy consumption in the long run.

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

	Year ended 31 December	
Energy Consumption (kWh)	**2022**	**2021**
Purchased Heat	65,369.50	57,950.05[8]
Purchased Electricity	18,378.57	17,963.56
Total Amount of Energy Consumption (kWh)	83,748.07	75,913.61
Energy Consumption Intensity (kWh/capita)[7]	4,652.67	3,450.62

During the Reporting Period, the energy consumption intensity of the Group increased. It is mainly due to the resuming operations and business activity which led to a rise in the energy consumption level despite there was a decrease in the number of employees when compared to the previous reporting period. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the energy consumption intensity between 90% to 120% of the level of baseline year ended 31 December 2022 in the next reporting period.

7 For the Hong Kong office, relevant electricity consumption fees are included in the management fees, thus there is no separate consumption data. Also, Hong Kong office did not consume any purchased heat during the Reporting Period. Hence, the figures disclosed have only included the consumption in Mainland China and the intensity only includes the employees in Mainland China.

8 The energy consumption of purchased heat in 2021 has been presented in kWh based on 208.62 GJ.

Water Consumption

The Group also treasures the preciousness of water resources. Through the implementation of a variety of measures the stated in headed section "**Energy Conservation and Emissions Reduction**", the Group is committed to achieving water conservation. The Group believed that it will be effective in raising awareness of employees' water-saving initiatives and reducing water consumption in the long run. During the Reporting Period, the Group had no issue in sourcing water that is fit for purpose.

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

	Year ended 31 December	
Water Consumption (m^3)	**2022**	**2021**
Water Consumption	165.39	152.00
Water Consumption Intensity (m^3/capita)[9]	9.19	6.91

During the Reporting Period, the water consumption intensity of the Group have increased by 33%. It is mainly due to the resuming operations and business activity which led to a rise in the water consumption level despite there was a decrease in the number of employees when compared to the previous reporting period. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the water consumption intensity consumed between 90% to 120% of the level of baseline year ended 31 December 2022 in the next reporting period.

7.4 *Energy Conservation and Emissions Reduction*

The Group strictly abides by the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other relevant laws and regulations, actively promotes the concept of green and low-carbon office, and practices the concept of green development from small actions. By introducing the Regulations on the Management of Green Office (《綠色辦公管理規定》), it advocates green office and low-carbon commute, encouraging employees to save water and electricity, so as to minimize the impact of daily operations on the environment.

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

During the Reporting Period, the Group continued to implement the concept of green and low-carbon office, by taking the following measures:

- Advocating "Paperless Office", "Recycling of Paper", "Environment-friendly Printing" and etc. to reduce the consumption of paper. All documents of the Group were submitted for approval through the OA office system and circulated via electronic means. Electronically stored documents were no longer printed. For documents that did need to be printed, recycled paper or double-sided printing was recommended, and for the documents of no significance, used paper was recommended.

- Advocating the "Reuse of Office Supplies". It is advisable to replace the internal consumed parts to extend the normal consumption of office supplies. Replaced consumption parts, such as toner cartridges, printer ink cartridges, batteries, plastic products and paper cartons, were required to be placed in designated cabinets, and dealt with by cleaning personnel on a daily basis, and then recycled and reused periodically through special channels.

- Advocating "Water and Electricity Saving". Energy-saving lights were used in the offices and environmental protection signs were posted to encourage employees to reduce the use of elevators and save energy. All electronic appliances are switched off when they are not in operation.

- Advocating "Green Dining". The Group prepared microwave ovens for employees, and encouraged them to bring their own lunch boxes to minimize the use of disposable lunch boxes.

- Advocating "Green Commute". Employees were encouraged to commute or go on a business trip by public transport instead of driving or taking a taxi as much as possible when not urgent, without carrying important documents.

7.5 *Climate Change*

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

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

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

HKEX ESG REPORTING GUIDE CONTENT INDEX

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
A. Environmental			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Environmental Impacts – Green Innovation to Protect the Earth	
A1.1	The types of emissions and respective emissions data.	Air Emissions and Greenhouse Gas Emissions	
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emission in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Air Emissions and Greenhouse Gas Emissions	
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Not applicable	There was no hazardous waste generated from our business operations.
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Waste Management	
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Air Emissions and Greenhouse Gas Emissions, Waste Management, Energy Conservation and Emissions Reduction	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
Aspect A2: Use of Resources			
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.		Use of Resources, Energy Conservation and Emissions Reduction	
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Consumption	
A2.2	Water consumption in total and intensity.	Use of Resources – Water Consumption	
A2.3	Description of energy use efficiency initiatives and results achieved.	Energy Conservation and Emissions Reduction	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources, Energy Conservation and Emissions Reduction	
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Not applicable	As we provide financing services, the Group does not produce any tangible products that require packaging.
A3: The Environmental and Natural Resources			
General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.		Environmental Impacts, Energy Conservation and Emissions Reduction	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Energy Conservation and Emissions Reduction	
A4: Climate Change			
General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Climate Change	
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
B. Social			
B1: Employment and Labour Practices			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Employment and Labour Practices – Working Closely with the Employees for Great Benefits	
B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee's Interests	
B1.2	Employee turnover rate by gender, age group and geographical region.	Employee's Interests	
B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Employee Cares	
B2.1	Number and rate of work-related fatalities.	Employee Cares	
B2.2	Lost days due to work injury.	Employee Cares	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Cares	
B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Employee's Growth	
B3.1	The percentage of employees trained by gender and employee category.	Employee's Growth	
B3.2	The average training hours completed per employee by gender and employee category.	Employee's Growth	

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
B4: Labour Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to preventing child and forced labour.		Employee's Interests	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee's Interests	
B4.2	Description of steps taken to eliminate such practices when discovered.	Employee's Interests	
B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Supply Chain Management	
B5.1	Number of suppliers by geographical region.	Not applicable	As we provide financing services, our business does not involve purchases of material products or services.
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Customer Information and Privacy and Customer Services, Product Responsibility, Observing and Protecting Intellectual Property Right	
B6.1	Percentage and total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	As we provide financing services, we do not sell physical products.
B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Information and Privacy and Customer Services	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility, Observing and Protecting Intellectual Property Right	
B6.4	Description of quality assurance process and recall procedures.	Not applicable	As we provide financing services, we do not sell physical products that will be subject to recall.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer Information and Privacy and Customer Services	

KPI	Environmental, Social and Governance Report	Disclosed in	Remarks
B7: Anti-corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-Corruption Management, Anti-money Laundering	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption Management, Anti-money Laundering	
B7.2	Description of prevention measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Corruption Management, Anti-money Laundering	
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption Management, Anti-money Laundering	
B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community Investment – Giving Back to the Society	
B8.1	Focus areas of contribution.	Community Development	
B8.2	Resources contributed to the focus area.	Community Development	

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Gome Finance Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 95 to 169, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of commercial factoring loan receivables	
We identified the valuation of commercial factoring loan receivables as a key audit matter due to the use of judgements and estimates by management in assessing the expected credit losses ("ECL") of commercial factoring loan receivables. The Group adopts complex models with a number of underlying assumptions in the measurement of ECL of its commercial factoring loan receivables. These assumptions relate to future macroeconomic conditions and the creditworthiness of borrowers. The Group uses judgements and estimates in the measurement of ECL in accordance with the requirements of HKFRS 9 "Financial Instruments", such as: • Criteria for identifying whether there has been a significant increases in credit risk • Parameters of ECL measurement • Forward-looking information • Modification of contractual cash flows As disclosed in note 16 to the consolidated financial statements, the carrying amount of commercial factoring loan receivables as at 31 December 2022 is RMB921,213,000 (net of allowance for ECL of RMB8,068,000).	Our procedures in relation to valuation of commercial factoring loan receivables included: – inquiring the Group's management to understand the approach adopted on ECL models. – obtaining an understanding of key controls relating to how management estimates impairment of commercial factoring loan receivables. – assessing the debtors' repayment ability and evaluating the reasonableness of the Group's commercial factoring loan receivables grading on a sample basis. – reviewing the Group's historical loss experience and assessing the fair values of collaterals. – evaluating the reasonableness of the key parameters of the ECL model. – testing mathematical accuracy of the loss allowance for ECL. – checking relevant disclosures in the consolidated financial statements in compliance with relevant accounting standards.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of prepayment for acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited ("TJGCMT")	
We identified the impairment assessment of prepayment for acquisition of TJGCMT as a key audit matter due to the uncertainty on the timing of the completion of the acquisition and the recoverability of the prepayment thereon if the acquisition is not going to proceed further. As described in note 17 to the consolidated financial statements, the Group made a prepayment of RMB576,000,000 in 2017 in connection with the proposed acquisition of TJGCMT to Beijing Bosheng Huifeng Business Consulting Co., Limited ("OPCO"), a company controlled by Ms. Du Juan, the controlling shareholder of the Company. On 25 July 2017, OPCO and the sellers of TJGCMT, (the "Sellers") entered into an equity share transfer agreement (the "Transfer Agreement"), pursuant to which OPCO agreed to buy and the Sellers agreed to sell the entire equity interest of TJGCMT (the "Transaction"). Pursuant to the Transfer Agreement, after 24 months of the date of signing of the Transfer Agreement, if the Transaction has not been completed, OPCO is entitled to notify the Sellers for cancelling the Transaction and all prepayment made for the Transaction shall be refunded to OPCO. The Group was notified by the People's Bank of China (the "PBOC") for temporary suspension of the approval process in relation to the Transaction since 2021. As at 31 December 2022 and up to the date of the Group's consolidated financial statements for the year ended 31 December 2022 were authorised for issue, the approval from the PBOC has not been obtained and the payment of RMB576,000,000 made by the Group to OPCO since 2017 continues to be recorded as a prepayment by the Group.	Our procedures in relation to impairment assessment of prepayment for acquisition of TJGCMT included: – discussing with the Group's management about the progress of the acquisition and enquiring the reason for the delay in completion. – confirming with the Group's management their intention to consider whether or not to cancel the Transfer Agreement as the approval from the PBOC has not been received as at 31 December 2022 and up to the date of these financial statements. – reviewing the loan agreement and the Transfer Agreement. – checking the payment for the loan drawn by OPCO and the transfer from OPCO to the Sellers. – arranging confirmations to OPCO and the Sellers to verify the existence of the prepayment. – performing search of company background information on OPCO and TJGCMT. – obtaining an understanding of the management's process and basis adopted in the impairment assessment of the prepayment. – evaluating the reasonableness of the key assumptions of the impairment assessment. – obtaining and reviewing the personal guarantee executed by Ms. Du Juan and assessing her ability to repay the shortfall.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of prepayment for acquisition of Tianjin Guanchuang Mei Tong Electronic Commerce Limited ("TJGCMT") (continued)	
On 23 March 2022, a personal guarantee has been executed by Ms. Du Juan to secure the recoverability of the prepayment of RMB576,000,000. If a full refund is not received either from the Sellers or through disposal of the 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 2022, the management of the Group performed an impairment assessment regarding the recoverability of such prepayment, taking into account the ability of the Sellers and Ms. Du Juan to refund RMB576,000,000 to the Group. An impairment loss of RMB51,000,000 (2021: RMB157,000,000) was recognised during the year ended 31 December 2022.	– testing mathematical accuracy of the impairment loss. – checking relevant disclosures in the consolidated financial statements.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another independent auditor whose report dated 29 March 2022 expressed an unmodified opinion on those consolidated financial statements.

Other information

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

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

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

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

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT (continued)

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 31 March 2023

Del Rosario, Faith Corazon
Practising certificate number P06143

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	**80,219**	77,401
Other income and other gains and losses	5	**25,121**	18,039
Administrative expenses		**(20,582)**	(24,188)
Provision for expected credit loss on trade and loans receivables, net	16	**(12)**	(5,061)
Finance costs	7	**(30,238)**	(32,738)
Operating profit		**54,508**	33,453
Impairment loss on prepayment for acquisition of TJGCMT	17	**(51,000)**	(157,000)
Profit/(loss) before tax	6	**3,508**	(123,547)
Income tax expense	10	**(9,146)**	(4,436)
Loss for the year		**(5,638)**	(127,983)
		RMB cents	RMB cents
Loss per share			
—Basic	12	**(0.21)**	(4.74)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Loss for the year	**(5,638)**	(127,983)
Other comprehensive income/(expense):		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	**85,905**	(21,160)
Other comprehensive income/(expense) for the year, net of tax	**85,905**	(21,160)
Total comprehensive income/(expense) for the year	**80,267**	(149,143)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Prepayment	17	**368,000**	419,000
Property, plant and equipment	13	**31**	167
Right-of-use assets	14	**1,803**	668
Deferred tax assets	23	**2,033**	3,360
Total non-current assets		**371,867**	423,195
Current assets			
Trade and loan receivables	16	**921,235**	831,701
Prepayments, deposits and other receivables	17	**9,364**	10,371
Pledged deposits for bank loans	18	**430,393**	930,844
Cash and cash equivalents	18	**303,099**	247,037
Total current assets		**1,664,091**	2,019,953
Current liabilities			
Trade payables	19	**50**	1,299
Other payables and accruals	20	**6,106**	5,446
Tax payables		**10,419**	4,748
Bank borrowings	21	**367,500**	851,000
Bonds issued	22	**17,789**	12,016
Lease liabilities	14	**1,214**	650
Total current liabilities		**403,078**	875,159
Net current assets		**1,261,013**	1,144,794
Total assets less current liabilities		**1,632,880**	1,567,989

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Bonds issued	22	**–**	15,942
Lease liabilities	14	**566**	–
Total non-current liabilities		**566**	15,942
Net assets		**1,632,314**	1,552,047
Equity			
Share capital	24	**230,159**	230,159
Reserves	26	**1,402,155**	1,321,888
Total equity		**1,632,314**	1,552,047

Approved and authorised for issue by the board of directors on 31 March 2023 and were signed on its behalf by:

Zhou Yafei
Director

Wei Qiuli
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		Reserves							
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Revaluation reserves RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000	Total equity RMB'000
At 1 January 2021	230,159	1,944,601	520,838	87,072	603	(79,510)	(1,002,573)	1,471,031	1,701,190
Loss for the year	–	–	–	–	–	–	(127,983)	(127,983)	(127,983)
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	(21,160)	–	(21,160)	(21,160)
Total comprehensive expense for the year	–	–	–	–	–	(21,160)	(127,983)	(149,143)	(149,143)
At 31 December 2021	230,159	1,944,601	520,838	87,072	603	(100,670)	(1,130,556)	1,321,888	1,552,047
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(5,638)**	**(5,638)**	**(5,638)**
Exchange differences on translation from functional currency to presentation currency	**–**	**–**	**–**	**–**	**–**	**85,905**	**–**	**85,905**	**85,905**
Total comprehensive income/ (expense) for the year	**–**	**–**	**–**	**–**	**–**	**85,905**	**(5,638)**	**80,267**	**80,267**
Release upon deregistration of subsidiaries (note 28)	**–**	**–**	**–**	**–**	**(603)**	**–**	**603**	**–**	**–**
At 31 December 2022	**230,159**	**1,944,601**	**520,838**	**87,072**	**–**	**(14,765)**	**(1,135,591)**	**1,402,155**	**1,632,314**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Profit/(loss) before tax:		**3,508**	(123,547)
Adjustments for:			
Bank interest income	5	**(14,742)**	(17,969)
Finance costs	7	**30,238**	32,738
Gains on financial assets at fair value through profit or loss ("FVTPL")	6	**–**	(247)
Write-off of prepayments, deposits and other receivables	6	**–**	23
Provision for expected credit loss on trade and loan receivables, net	16	**12**	5,061
Impairment loss on prepayment for acquisition of TJGCMT	17	**51,000**	157,000
Depreciation of property, plant and equipment	13	**142**	142
Depreciation of right-of-use assets	14	**1,211**	1,234
Exchange gains	5	**(1,494)**	(312)
Loss on disposal of subsidiaries	5	**–**	23
Operating cash flows before movements in working capital		**69,875**	54,146
Increase in trade and loan receivables		**(89,545)**	(95,753)
Decrease in prepayments, deposits and other receivables		**1,091**	984
Decrease in trade payables		**(898)**	–
Increase/(decrease) in other payables and accruals		**195**	(6,124)
Cash used in operations		**(19,282)**	(46,747)
Income tax paid		**(2,371)**	(5,647)
Net cash used in operating activities		**(21,653)**	(52,394)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Withdrawal of pledged deposit for bank loans		**989,691**	734,132
Placement of pledged deposit for bank loans		**(419,258)**	(956,145)
Interest received		**15,154**	15,584
Proceeds from redemption of financial assets at FVTPL		**–**	146,158
Net cash outflow on disposal of subsidiaries	28	**–**	(12)
Net cash from/(used in) investing activities		**585,587**	(60,283)
Cash flows from financing activities			
Repayment of bank borrowings	33	**(851,000)**	(809,500)
Interest and other finance charges paid	33	**(30,126)**	(40,147)
Redemption of bonds	33	**(12,801)**	–
Repayment of principal portion of lease liabilities	33	**(1,216)**	(1,202)
New bank borrowings raised	33	**367,500**	851,000
Net cash (used in)/from financing activities		**(527,643)**	151
Effect of foreign exchange rate changes		**19,771**	9,335
Net increase/(decrease) in cash and cash equivalents		**56,062**	(103,191)
Cash and cash equivalents at beginning of year		**247,037**	350,228
Cash and cash equivalents at end of year, representing by			
Cash and bank balances (excluding pledged deposits)	18	**303,099**	247,037

The accompanying notes form an integral part of these consolidated financial statements.

1 CORPORATE AND GROUP INFORMATION

Gome Finance Technology Co., Ltd. (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business in Hong Kong is located at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The Company's immediate holding company and ultimate holding company is Swiree Capital Limited, a company incorporated in the British Virgin Islands. The ultimate controlling party is Ms. Du Juan.

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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2022 (%)	2021 (%)	Principal activities
Ability Wealth Holdings Limited	British Virgin Islands	Hong Kong dollars ("HKD") 390,000 Ordinary	**100#**	100#	Investment holding
Guangzhou City Yuenqian Investment Consultancy Limited Liability Company*	Mainland China	HKD750,000 Registered capital	**100**	100	Consultation service
Gome Xinda Commercial Factoring Limited* ("Xinda Factoring")	Mainland China	Renminbi ("RMB") 1,000,000,000 Registered capital	**100**	100	Commercial factoring
Tianjin Gome Financial Leasing Company Limited*	Mainland China	RMB500,000,000 Registered capital	**100**	100	Financial leasing
Gome Wangjin (Beijing) Technology Co., Ltd.*	Mainland China	RMB50,000,000 Registered capital	**100**	100	Financial information service

Directly held by the Company

* These subsidiaries are registered as wholly-foreign-owned enterprises under the law of The People's Republic of China (the "PRC").

1 CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the years ended 31 December 2022 and 2021 or formed a substantial portion of the net assets of the Group as at 31 December 2022 and 31 December 2021. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("FVTPL") which have been measured at fair value. These financial statements are presented in Renimnbi ("RMB") which is different from the Company's functional currency of Hong Kong dollars ("HKD"), and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for each of the reporting period. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the preparation of the consolidated financial statements for the year ended 31 December 2022, 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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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 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.

2.3 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendment to Hong Kong Interpretation 5 (Revised)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (Revised)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

    (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

    (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement: Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 and HKFRS Practice Statement: Disclosure of Accounting Policies (continued)

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

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarter building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	33.3%
Furniture and fixtures	20% to 33.3%
Motor vehicle	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Licences

Licences with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Right-of-use assets

The Group mainly leases office premises as right-of-use assets. Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, any lease payments made at or before the commencement date less any lease incentives received, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lease liabilities (continued)

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when the financial instrument has been downgraded within the five-tier loan classification or the debtor's contractual payments (including principal and interest) are past due for certain days.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. Irrespective of the above, the Group considers that default has occurred when the financial instrument is overdue and remained unsettled despite follow-up actions have been taken.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Commercial factoring loan receivables:

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

Finance lease receivables:

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

- Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For other trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has applied loss rates which are referenced to the default rates adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash and bank balances, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Interest income

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

Revenue from contracts with customers

Revenue from contracts with customers is recognised when (or as) a performance obligation is satisfied, i.e. when control of services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government (the "Mainland Scheme"). The subsidiaries are required to contribute a percentage of the basic salaries of its employees to the Mainland Scheme to fund their retirement benefit obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the Mainland Scheme is to pay the ongoing required contributions under the Mainland Scheme mentioned above. Contributions under the Mainland Scheme are charged to profit or loss as incurred as they become payable in accordance with the rules of the central pension scheme.

Employee leave entitlement

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Entities incorporated/registered in Mainland China determine RMB as their functional currency, while entities incorporated/registered outside Mainland China determine HKD as their functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserves. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year ended 31 December 2022.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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

Up to 31 December 2022, prepayment of RMB576,000,000 (2021: RMB576,000,000) was advanced to Beijing Bosheng Huifeng Business Consulting Co., Limited ("OPCO"), a company 90% owned by a controlling shareholder of the Company, solely for the Group's purpose of acquiring the entire equity interest in TJGCMT (the "Transaction") and it was recorded as a non-current prepayment in the consolidated statement of financial position. During the year ended 31 December 2021, the Group was notified by the People's Bank of China (the "PBOC") for temporary suspension of the approval process of the Transaction. Taking into account the approval process being suspended and the overall macro environment in the PRC, the management of the Group has performed an impairment assessment in respect of the recoverability of the prepayment. An impairment loss of RMB51,000,000 (2021: RMB157,000,000) was recognised during the year ended 31 December 2022. Further details are included in note 17.

Impairment of trade and loan receivables

The policy for impairment of trade and loan receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Further details are included in note 16.

4 OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that certain bank interest income, gains on financial assets at FVTPL, certain finance costs, exchange gains/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 current and non-current assets with the exception of corporate assets which are not allocated to an individual reportable segment. Segment liabilities include all current and non-current liabilities with the exception of corporate liabilities which are unallocated to an individual reportable segment.

4 OPERATING SEGMENT INFORMATION (continued)

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

4 OPERATING SEGMENT INFORMATION (continued)

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

	Year ended 31 December 2022			
	Commercial factoring business RMB'000	Other financing services RMB'000	Unallocated items RMB'000	Total RMB'000
Other segment information:				
Depreciation and amortisation	912	299	142	1,353
Provision for ECL on trade and loan receivables	43	(31)	–	12

4 OPERATING SEGMENT INFORMATION (continued)

	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
Reconciliation:			
Gains on financial assets at FVTPL			247
Exchange losses			(312)
Impairment loss on prepayment for acquisition of TJGCMT			(157,000)
Loss on disposals of subsidiaries			(23)
Unallocated bank interest income			6,256
Unallocated finance costs			(14,607)
Other unallocated expenses			(8,225)
Loss before tax			(123,547)
Income tax expense			(4,436)
Loss for the year			(127,983)

4 OPERATING SEGMENT INFORMATION (continued)

	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
Reconciliation:			
Unallocated corporate assets			968,946
Total assets			2,443,148
Segment liabilities	378,682	3,227	381,909
Reconciliation:			
Unallocated corporate liabilities			509,192
Total liabilities			891,101

	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 loan receivables	5,243	(182)	–	5,061

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	RMB'000
Mainland China	**80,219**	77,401

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

(b) Non-current assets

	2022	2021
	RMB'000	RMB'000
Hong Kong	**–**	136
Mainland China	**1,834**	699
	1,834	835

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

Information about major customers

There was no customer who individually contributed over 10% of the Group's revenue for the year ended 31 December 2022.

Interest income derived from commercial factoring loan 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.

5 REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

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

	2022 RMB'000	2021 RMB'000
Revenue not within the scope of HKFRS 15		
Interest income from		
Commercial factoring loan receivables	**70,090**	69,872
Finance lease receivables	**–**	912
	70,090	70,784
Revenue within the scope of HKFRS 15		
Financial information service income – at a point in time	**10,129**	6,617
	80,219	77,401
Other income		
Bank interest income	**14,742**	17,969
Others	**334**	158
	15,076	18,127
Other gains and losses		
Loss on disposals of subsidiaries (note 28)	**–**	(23)
Exchange gains/(losses)	**10,045**	(312)
Gains on financial assets at FVTPL	**–**	247
	10,045	(88)
	25,121	18,039

6 PROFIT/(LOSS) BEFORE TAX

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

	2022 **RMB'000**	2021 RMB'000
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8)):		
Wages and salaries	**9,037**	12,102
Retirement benefit scheme contributions	**896**	1,024
	9,933	13,126
Write-off of prepayments, deposits and other receivables	**–**	23
Provision for ECL on trade and loan receivables (note 16)	**12**	5,061
Impairment loss on prepayment for acquisition of TJGCMT (note 17)	**51,000**	157,000
Auditor's remuneration	**1,100**	878
Depreciation of property, plant and equipment (note 13)	**142**	142
Depreciation of right-of-use assets (note 14)	**1,211**	1,234

7 FINANCE COSTS

An analysis of finance costs is as follows:

	2022 **RMB'000**	2021 RMB'000
Interest expenses on:		
Bank borrowings	**27,502**	30,076
Bonds issued	**2,694**	2,602
Lease liabilities	**42**	60
	30,238	32,738

8 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 **RMB'000**	2021 RMB'000
Fees	**1,296**	1,270
Other emoluments:		
Salaries, allowances and benefits in kind	**–**	–
Pension scheme contributions	**–**	–
	–	–
	1,296	1,270

(a) Independent non-executive directors

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

	2022 **RMB'000**	2021 RMB'000
Mr. Hung Ka Hai, Clement	**273**	267
Mr. Lee Puay Khng (Note i)	**273**	105
Mr. Li Liangwen (Note i)	**273**	105
Ms. Wang Wanjun (Note ii)	**273**	26
Mr. Cao Dakuan (Note iii)	**–**	163
Mr. Wan Jianhua (Note iv)	**–**	241
Mr. Zhang Liqing (Note iii)	**–**	163
	1,092	1,070

8 DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pensions scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2021				
Executive directors				
Mr. Zhou Yafei	77	–	–	77
Ms. Chen Wei (Note vi)	23	–	–	23
Non-executive director				
Ms. Wei Qiuli	100	–	–	100
	200	–	–	200

8 DIRECTORS' REMUNERATION (continued)

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

Notes:

(i) Mr. Lee Puay Khng and Mr. Li Liangwen were appointed as independent non-executive directors on 10 August 2021.

(ii) Ms. Wang Wanjun was appointed as an independent non-executive director on 26 November 2021.

(iii) Mr. Cao Dakuan and Mr. Zhang Liqing retired as independent non-executive directors on 10 August 2021.

(iv) Mr. Wan Jianhua retired as an independent non-executive director on 26 November 2021.

(v) Mr. Zhou Yafei was appointed as an executive director on 26 March 2021. Mr. Zhou Yafei is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(vi) Ms. Chen Wei retired as an executive director on 26 March 2021.

For the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

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

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2022 and 2021 included none of the directors. Details of the remuneration for the year of the 5 (2021: 5) non-director highest paid employees are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**2,938**	3,334
Pension scheme contributions	**255**	206
	3,193	3,540

9 FIVE HIGHEST PAID EMPLOYEES (continued)

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

	2022	2021
Nil to HKD1,000,000	**4**	5
HKD1,000,001 to HKD1,500,000	**1**	–
	5	5

For the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the non-director highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

10 INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 December 2022 and 2021. PRC Enterprise Income Tax has been provided at the rate of 25% for the year ended 31 December 2022 (2021: 25%) on the estimated assessable profits arising in Mainland China during the year.

	2022 **RMB'000**	2021 RMB'000
Current income tax		
– Mainland China	**7,819**	2,333
Total current tax	**7,819**	2,333
Deferred tax (note 23)	**1,327**	2,103
Total tax expense for the year	**9,146**	4,436

10 INCOME TAX (continued)

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

	2022 RMB'000	2021 RMB'000
Profit/(loss) before tax	**3,508**	(123,547)
Tax at the statutory tax rates	**531**	(31,503)
Tax effect of income not taxable for tax purpose	**(3,526)**	(2,424)
Tax effect of expenses not deductible for tax purpose	**11,679**	40,259
Tax effect of tax losses not recognised	**1,212**	2,842
Tax effect of temporary differences not recognised	**–**	1
Utilisation of tax losses previously not recognised	**(472)**	(905)
Utilisation of deductible temporary differences previously not recognised	**(278)**	(3,836)
Adjustments in respect of current tax of previous periods	**–**	1
Others	**–**	1
Tax expense	**9,146**	4,436

11 DIVIDENDS

The directors did not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

12 LOSS PER SHARE

The calculations of basic loss per share are based on:

	2022	2021
	RMB'000	RMB'000
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(5,638)**	(127,983)

	2022	2021
	'000	'000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**2,701,123**	2,701,123

Diluted loss per share is not presented as the Company does not have any dilutive potential ordinary shares for the years ended 31 December 2022 and 2021.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Motor vehicle RMB'000	Total RMB'000
Cost:				
At 1 January 2021	3,715	1,773	1,585	7,073
Disposals	–	(4)	–	(4)
Disposal of subsidiaries	(1,798)	(1,114)	(890)	(3,802)
Exchange difference	–	–	(20)	(20)
At 31 December 2021 and 1 January 2022	1,917	655	675	3,247
Disposals	–	(4)	–	(4)
Exchange difference	–	1	62	63
At 31 December 2022	1,917	652	737	3,306
Accumulated depreciation:				
At 1 January 2021	3,715	1,664	1,297	6,676
Charge for the year	–	4	138	142
Disposals	–	(4)	–	(4)
Disposal of subsidiaries	(1,798)	(1,041)	(880)	(3,719)
Exchange difference	–	–	(15)	(15)
At 31 December 2021 and 1 January 2022	1,917	623	540	3,080
Charge for the year	–	1	141	142
Disposals	–	(4)	–	(4)
Exchange difference	–	1	56	57
At 31 December 2022	**1,917**	**621**	**737**	**3,275**
Net carrying value:				
At 31 December 2022	–	31	–	31
At 31 December 2021	–	32	135	167

14 LEASES

The Group as a lessee

(a) Right-of-use assets

	Office premises RMB'000
At 1 January 2021	1,902
Depreciation charge for the year	(1,234)
At 31 December 2021 and 1 January 2022	668
Modification of lease terms	2,346
Depreciation charge for the year	(1,211)
At 31 December 2022	**1,803**

(b) Lease liabilities

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

	Office premises	
	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**650**	1,852
Modification of lease terms	**2,346**	–
Accretion of interest recognised during the year	**42**	60
Repayments	**(1,258)**	(1,262)
Carrying amount at 31 December	**1,780**	650
Lease liabilities payables:		
Within one year	**1,214**	650
Within a period of more than one year but not exceeding two years	**566**	–
	1,780	650
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,214)**	(650)
Amount due for settlement after 12 months shown under non-current liabilities	**566**	–

14 LEASES (continued)

The Group as a lessee (continued)

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

	Office premises	
	2022	2021
	RMB'000	RMB'000
Interest on lease liabilities	**42**	60
Depreciation charge of right-of-use assets	**1,211**	1,234
Expense relating to short-term leases	**1,543**	1,612
Total amount recognised in profit or loss	**2,796**	2,906

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

	2022	2021
	RMB'000	RMB'000
Within operating activities	**1,543**	1,612
Within financing activities	**1,258**	1,262
Total cash flow for leases	**2,801**	2,874

15 OTHER INTANGIBLE ASSETS

	Pawn shop licence RMB'000	Computer software RMB'000	Total RMB'000
Cost:			
At 1 January 2021	4,656	25,541	30,197
Disposal of subsidiaries	(4,656)	–	(4,656)
Write-off	–	(25,541)	(25,541)
At 31 December 2021, 1 January 2022 and 31 December 2022	**–**	**–**	**–**
Accumulated amortisation:			
At 1 January 2021	–	18,041	18,041
Write-off	–	(18,041)	(18,041)
At 31 December 2021, 1 January 2022 and 31 December 2022	**–**	**–**	**–**
Accumulated impairment losses:			
At 1 January 2021	4,656	7,500	12,156
Disposal of subsidiaries	(4,656)	–	(4,656)
Write-off	–	(7,500)	(7,500)
At 31 December 2021, 1 January 2022 and 31 December 2022	**–**	**–**	**–**
Net carrying value:			
At 31 December 2022	**–**	**–**	**–**
At 31 December 2021	–	–	–

16 TRADE AND LOAN RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade and loan receivables		
Commercial factoring loan receivables (Note (a))	**929,281**	844,486
Finance lease receivables (Note (b))	**–**	1,113
Other trade receivables (Note (c))	**22**	589
	929,303	846,188
Provision for ECL	**(8,068)**	(14,487)
	921,235	831,701

Notes:

(a) For commercial factoring loan receivables arising from the Group's commercial factoring business, customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The loan periods range from 90 to 360 days (2021: 90 to 360 days). The effective interest rates of the commercial factoring loans range from 8% to 12% (2021: 8% to 15%) per annum as at 31 December 2022.

As at 31 December 2022, the commercial factoring loan receivables with aggregate carrying amounts of RMB929,281,000 (2021: RMB836,291,000) were collateralised by the customers' accounts receivables with aggragate fair values of approximately RMB949,765,000 (2021: RMB880,865,000).

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

	2022 RMB'000	2021 RMB'000
Not yet matured	**929,281**	805,918
To be matured in:		
3 months or less	**–**	30,970
3 to 6 months	**–**	2,296
6 to 12 months	**–**	–
Over 12 months	**–**	5,302
	929,281	844,486
Provision for ECL	**(8,068)**	(13,374)
	921,213	831,112

16 TRADE AND LOAN RECEIVABLES (continued)

Notes: (continued)

(a) (continued)

As at 31 December 2022, none of the Group's loan receivables were past due.

As as 31 December 2021, included in the Group's loan receivables were debtors with aggregate carrying amount of RMB30,182,000 (net of RMB8,100,000 of provision for ECL) which were past due as at the reporting date, of which RMB29,431,000 (net of RMB1,539,000 of provision for ECL) had been past due less than 30 days and RMB751,000 (net of RMB6,561,000 of provision for ECL) had been past due 90 days or more. The directors of the Company considered those loans past due more than 90 days are credit-impaired.

(b) For finance lease receivables arising from the Group's finance lease business, customers were obliged to settle the amounts according to the terms set out in the relevant contracts. ECL of RMB1,113,000 was fully provided on the Group's finance lease receivables with aggregate gross carrying amount of RMB1,113,000 which carried an effective interest rates ranged from 6.96% to 13% per annum and aged over 365 days based on due dates for the year ended 31 December 2021.

The balance was written off in accordance with the Group's accounting policy during the year ended 31 December 2022.

(c) 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. As at 31 December 2022 and 31 December 2021, none of the Group's other trade receivables were past due.

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

	2022		2021	
	Gross balance RMB'000	**Provision for ECL RMB'000**	Gross balance RMB'000	Provision for ECL RMB'000
Stage 1:				
Normal	**929,303**	**8,068**	806,507	5,274
Stage 2:				
Special mention	**–**	**–**	30,970	1,539
Stage 3:				
Substandard	**–**	**–**	2,296	1,259
Doubtful	**–**	**–**	–	–
Loss	**–**	**–**	6,415	6,415
	929,303	**8,068**	846,188	14,487

16 TRADE AND LOANS RECEIVABLES (continued)

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

	Stage 1 (12-month ECL) RMB'000	Stage 2 (lifetime ECL (not credit-impaired)) RMB'000	Stage 3 (lifetime ECL (credit-impaired)) RMB'000	Total RMB'000
At 1 January 2021	3,917	325	41,576	45,818
Transfer of stage	(9)	(325)	334	–
Charge for the year	5,275	1,539	1,259	8,073
Release for the year	(3,909)	–	(218)	(4,127)
Additional ECL due to stage transfer	–	–	1,115	1,115
Write-off	–	–	(36,392)	(36,392)
At 31 December 2021 and 1 January 2022	5,274	1,539	7,674	14,487
Charge for the year	8,068	–	46	8,114
Release for the year	(5,274)	(1,539)	(1,289)	(8,102)
Write-off	–	–	(6,431)	(6,431)
At 31 December 2022	8,068	–	–	8,068

Included in the above provision for ECL of trade and loan receivables is provision for credit-impaired trade and loan receivables of nil (2021: RMB6,561,000) with a gross carrying amount of nil (2021: RMB7,312,000).

The credit-impaired trade and loan receivables related to customers that were in financial difficulties and/or were in default in interest and/or principal payments.

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

The Group has concentration risk on trade and loan receivables as it has total outstanding balances as at 31 December 2022 of RMB602,953,000 (2021: RMB582,043,000) from the top five customers, and four (2021: two) of them contributes more than 10% of trade and loan receivables of the Group with an aggregate outstanding balance of RMB518,711,000 (2021: RMB388,228,000).

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

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

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayment for acquisition of TJGCMT (Note)	**576,000**	576,000
Deposits	**203**	178
Other prepayments	**583**	638
Other receivables	**8,578**	9,555
	585,364	586,371
Impairment loss on prepayment for acquisition of TJGCMT	**(208,000)**	(157,000)
	377,364	429,371
Carrying amounts analysed for reporting purpose:		
Current assets	**9,364**	10,371
Non-current assets	**368,000**	419,000
	377,364	429,371

Note:

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 Beijing Bosheng Huifeng Business Consulting Co., Limited ("OPCO"), a company established in the PRC of which 90% equity interest is owned by Ms. Du, the controlling shareholder of the Company, to provide a non-interest-bearing loan of RMB720 million to OPCO solely for the Group's purpose of acquiring the entire equity interest of TJGCMT from independent third parties, Tibet Yang Guan LLP and Mr. Mao Deyi (together the "Sellers").

On 25 July 2017, OPCO and the Sellers entered into an equity share transfer agreement (the "Transfer Agreement") pursuant to which OPCO agreed to buy and the Sellers agreed to sell the entire equity interest of TJGCMT. Upon completion, OPCO would hold the entire equity interest of TJGCMT. At the same time at completion, Xinda Factoring would then enter into a series of contracts with OPCO. Through these contracts, in the opinion of the directors of the Company, the Group will have effective control over OPCO and will enjoy the entire economic interests and benefits generated by OPCO and TJGCMT. Pursuant to the Transfer Agreement, if the transaction has not been completed after 24 months of the date of signing of the Transfer Agreement (i.e. 24 July 2019), OPCO is entitled to notify the Sellers for terminating the transaction and all prepayment made for the acquisition shall be refunded to OPCO within 10 days from such notification and 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 OPCO and it was recorded as a prepayment under non-current asset by the Group as of 31 December 2022 and 31 December 2021.

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Note: (continued)

The Group was notified by 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 since 2021. As at 31 December 2022 and up to the date the Group's consolidated financial statements for the year ended 31 December 2022 were authorised for issue, the approval from PBOC has not been obtained.

Taking into account the approval process being suspended and the overall macro environment in the PRC, the directors of the Company are considering whether or not to terminate the Transfer Agreement in order for OPCO to get a refund of RMB576 million from the Sellers and hence a refund of the same amount from OPCO to the Group. Given the abovementioned facts and circumstances, the directors of the Company performed an impairment assessment in respect of the recoverability of the Group's prepayment of RMB576 million to OPCO. Based on information currently available, if the acquisition could not be completed by the end of 2023, the Group, through OPCO, will notify the Sellers to terminate the transaction. OPCO will then request a refund of RMB576 million in accordance with the Transfer Agreement. If the Sellers could not return the prepayment within 10 days from the date of 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 in the PRC. On 23 March 2022, a personal guarantee has been executed by Ms. Du to secure recoverability of the prepayment of RMB576 million. If a 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 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 2022, the recoverable amount of the prepayment was estimated to be RMB368 million (2021: RMB419 million) and a further impairment loss of RMB51 million (2021: RMB157 million) was recognised during the year ended 31 December 2022.

18 PLEDGED DEPOSITS FOR BANK LOANS AND CASH AND CASH EQUIVALENTS

	2022 **RMB'000**	2021 RMB'000
Cash and bank balances	**733,492**	1,177,881
Less: Pledged deposits for bank loans (note 21)	**(430,393)**	(930,844)
	303,099	247,037

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

	2022 **RMB'000**	2021 RMB'000
United States dollars ("USD")	**440,556**	932,129

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates ranged from 1.1% to 2.2% (2021: 1.1% to 1.45%) per annum. The cash and bank balances are deposited with creditworthy banks with no recent history of default.

19 TRADE PAYABLES

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

	2022	2021
	RMB'000	RMB'000
Within 1 month	**–**	853
Over 1 year	**50**	446
	50	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.

20 OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	RMB'000
Deposits received	**1,500**	1,950
Accruals	**3,880**	2,385
Receipts in advance	**105**	79
Other payables	**621**	1,032
	6,106	5,446

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

21 BANK BORROWINGS

	31 December 2022			31 December 2021		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current borrowings						
Bank loans – secured	**3.3500%– 3.4500%**	**2023/1/25– 2023/7/10**	**367,500**	3.3500%– 3.4500%	2022/1/25– 2022/12/22	851,000

The Group's bank loans of RMB367,500,000 at 31 December 2022 (2021: RMB851,000,000) were secured by the Group's fixed deposits of USD61,800,000, equivalent to approximately RMB430,393,000 (2021: USD146,000,000, equivalent to approximately RMB930,844,000). Relevant disclosures are included in note 18.

22 BONDS ISSUED

	2022 RMB'000	2021 RMB'000
Within 1 year	**17,789**	12,016
Over 1 year	**–**	15,942
Unlisted corporate bonds	**17,789**	27,958

On 17 December 2014, the Company issued an eight-year unlisted corporate bond with a maturity date of 16 December 2022 at a principal amount of HKD5 million (equivalent to approximately RMB4 million) which is unsecured, and bears a fixed interest rate of 7% per annum. This bond was fully redeemed during the year ended 31 December 2022.

On 22 December 2014, the Company issued an eight-year unlisted corporate bond with a maturity date of 21 December 2022 at a principal amount of HKD10 million (equivalent to approximately RMB8 million) which is unsecured, and bears a fixed interest rate of 7% per annum. This bond was fully redeemed during the year ended 31 December 2022.

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

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

The effective interest rate of the unlisted corporate bonds for the year ended 31 December 2022 is approximately 9.02% (2021: 9.28%).

23 DEFERRED TAX

As at 31 December 2022 and 31 December 2021, the Group had no deferred tax liabilities. The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Provision of ECL on trade and loan receivables RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
At 1 January 2021	5,454	9	5,463
(Charged)/credited to profit or loss (note 10)	(2,110)	7	(2,103)
At 31 December 2021 and 1 January 2022	3,344	16	3,360
Charged to profit or loss (note 10)	(1,326)	(1)	(1,327)
At 31 December 2022	2,018	15	2,033

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

	2022 **RMB'000**	2021 RMB'000
Tax losses	**109,501**	108,818
Deductible temporary differences	**4,167**	5,279

As at 31 December 2022, the Group had tax losses arising from the operation in Hong Kong of approximately RMB94,937,000 (2021: RMB88,858,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and are subject to approval of the Inland Revenue Department in Hong Kong.

As at 31 December 2022, the Group also had tax losses arising from the operation in Mainland China of approximately RMB14,564,000 (2021: RMB19,960,000) that will expire in one to five years for offsetting against future taxable profits.

23 DEFERRED TAX (continued)

Deferred tax assets (continued)

As at 31 December 2022 and 31 December 2021, other than those recognised as deferred tax assets, the deductible temporary differences include provision of ECL on financial assets, impairment of other intangible assets and other timing difference in respect of depreciation and amortisation. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

24 SHARE CAPITAL

	2022 **RMB'000**	2021 RMB'000
Authorised:		
6,000,000,000 (2021: 6,000,000,000) ordinary shares of HKD0.1 each	**600,000**	600,000

	2022 **RMB'000**	2021 RMB'000
Issued and fully paid:		
2,701,123,120 (2021: 2,701,123,120) ordinary shares of HKD0.1 each	**230,159**	230,159

25 SHARE OPTION SCHEME

The Company operated a share option scheme (the "Scheme") which was adopted on 28 September 2012 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included the Company's directors, including executive, non-executive and independent non-executive directors, other employees of the Group, suppliers, consultants, agents and advisers of any person who, in the sole discretion of the board of directors, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the Scheme would remain in force for 10 years from that date. The Scheme expired on 27 September 2022.

No share options were granted during the years ended 31 December 2022 and 2021 and there were no outstanding share options as at 31 December 2022 and 31 December 2021.

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

26 RESERVES

The amounts of the Group's reserves and the movements therein for the current year and prior years are presented in the consolidated statement of changes in equity on page 99 of the consolidated financial statements.

Contributed surplus

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

Capital reserve

The capital reserve of the Group represent, the cash received in excess of the fair value of a promissory note issued to a shareholder by the Company in previous years.

26 RESERVES (continued)

Exchange reserve

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

27 CONTINGENT LIABILITIES

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

28 DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2022

Two dormant subsidiaries of the Company, which were incorporated and registered in the British Virgin Islands, were dissolved with no gain or loss recognised in the consolidated statement of profit or loss.

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

For the year ended 31 December 2021

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. ("Lido Pawnshop") (廣東利都典當有限公司) and the registered owners of Lido Pawnshop with effect from 27 June 2021. These 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.

28 DISPOSAL OF SUBSIDIARIES (continued)

The net assets of those subsidiaries at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which the control was lost:	
Property, plant and equipment	83
Bank balances and cash	12
Trade and other receivables	138
Trade and other payables	(210)
Net asset disposed of	23
Loss on disposal:	
Consideration received	–
Net asset disposed of	(23)
	(23)
Net cash outflow arising on disposal:	
Cash consideration received	–
Less: bank balances and cash disposed of	(12)
	(12)

Cash consideration of HK$3 from the disposal of subsidiaries has been received in full during the year ended 31 December 2021.

29 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	2022 RMB'000	2021 RMB'000
Transactions with related parties which are significantly influenced by a close member of the controlling shareholder of the Company:		
Interest income from commercial factoring loan receivables	**19,402**	6,114
Rental expense paid	**1,033**	1,033
Property management fee paid	**472**	472

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

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

	2022 RMB'000	2021 RMB'000
Balances with related parties which are significantly influenced by a close member of the controlling shareholder of the Company:		
Trade and loan receivables (secured by pledged account receivables, and interest bearing ranged 8 to 12% per annum)	**347,700**	179,594
Prepayments, deposits and other receivables	**295**	295
Other payables and accruals	**–**	(15)
Other receivables due from the controlling shareholder of the Company	**900**	900

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

	2022 RMB'000	2021 RMB'000
Salaries, other allowances and benefits in kind	**1,726**	1,687
Pension scheme contributions	**62**	54
	1,788	1,741

30 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts and fair values of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
Financial assets:		
At amortised cost		
Trade and loan receivables	**921,235**	831,701
Prepayments, deposits and other receivables	**376,781**	428,733
Pledged deposits for bank loans	**430,393**	930,844
Cash and cash equivalents	**303,099**	247,037
	2,031,508	2,438,315
Financial liabilities:		
At amortised cost		
Trade payables	**50**	1,299
Other payables and accruals	**6,001**	5,367
Bonds issued	**17,789**	27,958
Lease liabilities	**1,780**	650
Bank borrowings	**367,500**	851,000
	393,120	886,274

31 FAIR VALUE MEASUREMENT

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

The fair values of bank borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's finance department headed by the chief financial officer and risk management department headed by the risk management director are responsible for determining the policies and procedures for the fair value measurement of financial instruments. The chief financial officer reports directly to the audit committee. At each reporting date, the finance department and risk management department analyse the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer and chief executive officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has various other financial assets and liabilities such as cash and bank balances, trade and loan receivables, trade payables, other payables and accruals and bonds issued, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings and bank balances at a floating interest rate. The Group has not used any interest rate swaps to hedge its interest rate risk.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in the future as may be necessary.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

As at 31 December 2022, if interest rates had been 50 basis points higher/lower and all other variables had been held constant, the Group's operating results before tax for the year would have increased/decreased by RMB1,466,000 (2021: RMB1,166,000). This is mainly attributed to the Group's exposure to the risk of changes in the interest rates on its variable-rate bank balances and bank borrowings.

Foreign currency risk

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

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Group reviews the recoverable amount of each individually significant trade and loan receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group also requests the customers to provide collateral as appropriate. In the event of default or failure to repay any outstanding amounts by the customers, the Group will proceed with the sale of collateral. In addition, the customers provide leased assets as collateral for finance leases. In the event of default, the Group will proceed with the sale of the leased assets.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and loan receivables are included in note 16.

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

The Group has a significant amount of prepayment made in connection with a proposed acquisition of TJGCMT (note 17). The Group is making effort to complete the acquisition in 2023. The Group is entitled to receive a full refund of the prepayment if the proposed acquisition cannot be completed.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement

The Group shall measure ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

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

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group and external credit risk rating. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when the financial instrument has been downgraded within the five-tier loan classification or the debtor's contractual payments (including principal and interest) are past due for certain days.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime, as appropriate. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirements of HKFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, repayments) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the internal and external ratings, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk measurement (continued)

Parameters of ECL measurement (continued)

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

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

Forward-looking information

The assessment of PD and therefore the calculation of ECL involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD varies according to different types of business. The Group combined statistic model and experts' judgement in this process, according to the result of model and experts' judgement, the Group predicts these economic indicators on an annually basis and determines the impact of these economic indicators on the PD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines the statistic model with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage 1) or lifetime (Stage 2 and Stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

At 31 December 2022

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

At 31 December 2021

	On demand or less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
Other payables and accruals	5,367	–	–	5,367	5,367
Trade payables	1,299	–	–	1,299	1,299
Bonds issued	–	14,242	16,604	30,846	27,958
Lease liabilities	316	344	–	660	650
Bank borrowings	160,314	709,363	–	869,677	851,000
	167,296	723,949	16,604	907,849	886,274

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by equity attributable to the owners of the Company. Total debt includes trade payables, other payables and accruals, bank borrowings, bonds issued and lease liabilities.

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

	2022	2021
	RMB'000	RMB'000
Total debt	**393,120**	886,274
Equity attributable to owners of the Company	**1,632,314**	1,552,047
Debt-to-equity ratio	**24.1%**	57.1%

33 CASH FLOW INFORMATION

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

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000	Bonds issued RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2021	1,852	809,500	28,222	7,161	846,735
Changes from financing cash flows:					
New bank borrowings raised	–	851,000	–	–	851,000
Repayment of bank borrowings	–	(809,500)	–	–	(809,500)
Repayment of principal portion of lease liabilities	(1,202)	–	–	–	(1,202)
Interest and other finance charges paid	(60)	(29,231)	(3,696)	(7,160)	(40,147)
Total changes from financing cash flows	(1,262)	12,269	(3,696)	(7,160)	151
Other changes:					
Interest expenses recognised	60	29,231	2,594	853	32,738
Exchange adjustment	–	–	838	–	838
Total other changes	60	29,231	3,432	853	33,576
At 31 December 2021 and 1 January 2022	650	851,000	27,958	854	880,462
Changes from financing cash flows:					
New bank borrowings raised	–	367,500	–	–	367,500
Repayment of bank borrowings	–	(851,000)	–	–	(851,000)
Repayment of principal portion of lease liabilities	(1,216)	–	–	–	(1,216)
Interest and other finance charges paid	(42)	(27,155)	(2,075)	(854)	(30,126)
Bonds redeemed	–	–	(12,801)	–	(12,801)
Total changes from financing cash flows	(1,258)	(510,655)	(14,876)	(854)	(527,643)
Other changes:					
Modification of lease terms	2,346	–	–	–	2,346
Interest expenses recognised	42	27,155	2,690	351	30,238
Exchange adjustment	–	–	2,017	–	2,017
Total other changes	2,388	27,155	4,707	351	34,601
At 31 December 2022	1,780	367,500	17,789	351	387,420

34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
Non-current assets		
Investments in subsidiaries	**16,568**	16,568
Amounts due from subsidiaries	**469,707**	738,614
Total non-current assets	**486,275**	755,182
Current assets		
Prepayments, deposits and other receivables	**5,676**	5,571
Amount due from a subsidiary	**579,178**	–
Pledged deposits for bank loans	**430,393**	930,844
Cash and cash equivalents	**25,987**	17,074
Total current assets	**1,041,234**	953,489
Current liabilities		
Amounts due to subsidiaries	**–**	128,415
Other payables and accruals	**637**	457
Bonds issued	**17,789**	12,016
Total current liabilities	**18,426**	140,888
Net current assets	**1,022,808**	812,601
Total assets less current liabilities	**1,509,083**	1,567,783
Non-current liability		
Bonds issued	**–**	15,942
Total non-current liabilities	**–**	15,942
Net assets	**1,509,083**	1,551,841

34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2022	2021
	RMB'000	RMB'000
Equity		
Share capital	**230,159**	230,159
Reserves	**1,278,924**	1,321,682
Total equity	**1,509,083**	1,551,841

A summary of the Company's reserves is as follows:

	Share premium	**Contributed surplus**	**Capital reserves**	**Exchange reserves**	**Accumulated losses**	**Total reserves**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	1,944,601	520,838	87,072	(55,140)	(1,078,711)	1,418,660
Loss for the year	–	–	–	–	(50,608)	(50,608)
Exchange differences on translation from functional currency to presentation currency	–	–	–	(46,370)	–	(46,370)
At 31 December 2021 and 1 January 2022	1,944,601	520,838	87,072	(101,510)	(1,129,319)	1,321,682
Loss for the year	–	–	–	–	(176,487)	(176,487)
Exchange differences on translation from functional currency to presentation currency	–	–	–	133,729	–	133,729
At 31 December 2022	1,944,601	520,838	87,072	32,219	(1,305,806)	1,278,924

FIVE YEAR FINANCIAL SUMMARY

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

Results

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Revenue	**80,219**	77,401	86,664	69,886	69,004
(Loss)/profit for the year	**(5,638)**	(127,983)	14,316	(31,968)	1,439

Assets and liabilities

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Total assets	**2,035,958**	2,443,148	2,568,284	2,722,994	2,578,826
Total liabilities	**(403,644)**	(891,101)	(867,094)	(975,620)	(821,179)
Total equity	**1,632,314**	1,552,047	1,701,190	1,747,374	1,757,647