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DIFFER GROUP AUTO LIMITED
鼎 豐 集 團 汽 車 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6878)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023; AND RESUMPTION OF TRADING

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2023	2022
Turnover	**RMB2,251.6 million**	RMB1,007.7 million
Loss for the year	**(RMB2,522.4 million)**	(RMB180.4 million)
Loss attributable to owners of the Company	**(RMB2,522.3 million)**	(RMB180.2 million)
Loss per share	**(RMB307.46 cents)**	(RMB25.00 cents)
Final dividend per share	**—**	—

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Differ Group Auto Limited (the "Company") hereby announces the annual consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023 together with the comparative figures for the corresponding period in 2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
Income from automobile e-commerce business	5	**11,616**	135,790
Income from assets management business	5	**2,062,852**	426,424
Income from trading of commodities	5	**59,319**	269,531
Income from financial related services	5	**117,806**	175,977
Other income	6	**96,941**	95,489
Costs of automobile e-commerce business		**(11,680)**	(107,165)
Costs of property sold		**(1,542,253)**	(350,358)
Costs of trading of commodities		**(59,397)**	(269,312)
Losses on disposal of subsidiaries		**(47,223)**	(58,484)
Employee benefit expenses		**(39,414)**	(66,629)
Depreciation expenses		**(7,726)**	(15,681)
Short-term lease expenses		**(694)**	(1,487)
Other expenses		**(2,404,060)**	(365,556)
Share of results of associates	14	**(232,654)**	(9,814)
Gain on bargain purchase arising from acquisition of subsidiaries		**—**	28,866
Change in fair value of investment properties		**(155,166)**	14,444
Change in fair value of other financial assets		**(67,789)**	41,742
Finance costs	8	**(129,572)**	(73,582)
Loss before income tax	9	**(2,349,094)**	(129,805)
Income tax expense	10	**(173,311)**	(50,552)
Loss for the year		**(2,522,405)**	(180,357)

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Other comprehensive (expense) income			
Items that may be reclassified to profit or loss in subsequent periods			
— Exchange differences on translating foreign operation		**(25,250)**	(3,567)
— Net change in debt investments measured at fair value through other comprehensive income		**—**	1,746
— Release of translation reserve upon disposal of subsidiaries		**—**	35,612
— Release of financial assets revaluation reserve upon disposal of subsidiaries		**—**	(19,318)
		(25,250)	14,473
Total comprehensive expense for the year		**(2,547,655)**	(165,884)
Loss for the year attributable to:			
— Owners of the Company		**(2,522,332)**	(180,205)
— Non-controlling interests		**(73)**	(152)
		(2,522,405)	(180,357)
Total comprehensive expense attributable to:			
— Owners of the Company		**(2,547,582)**	(165,732)
— Non-controlling interests		**(73)**	(152)
		(2,547,655)	(165,884)
			(Restated)
Loss per share	12		
— Basic (RMB cents)		**(307.46)**	(25.00)
— Diluted (RMB cents)		**(307.46)**	(25.00)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**511,093**	444,529
Investment properties		**891,662**	769,843
Interests in associates	14	**127,712**	360,366
Goodwill		**—**	86,034
Finance lease, loan and account receivables	15	**—**	30,075
Other financial assets		**1,107**	379,818
Prepayments, deposits and other receivables	16	**2,294**	811,439
Deferred tax assets		**10,370**	48,997
		1,544,238	2,931,101
Current assets			
Inventories of properties		**3,085,663**	3,877,360
Finance lease, loan and account receivables	15	**99,747**	410,713
Other financial assets		**346,122**	92,164
Prepayments, deposits and other receivables	16	**724,835**	1,191,701
Tax receivables		**64,265**	135,276
Restricted bank deposits		**119,757**	142,623
Cash and bank balances — general accounts		**17,790**	26,244
Cash and bank balances — held on behalf of customers		**—**	7,645
		4,458,179	5,883,726

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Current liabilities			
Account payables	17	**451,901**	395,779
Accruals, other payables, deposits received and deferred income		**967,251**	768,367
Contract liabilities	18	**1,234,510**	2,805,076
Lease liabilities		**17,994**	8,467
Financial guarantees		**98,516**	138,882
Provision for taxation		**461,668**	332,256
Bank and other borrowings		**1,562,030**	647,510
Corporate bonds		**669,447**	653,961
		5,463,317	5,750,298
Net current (liabilities) assets		**(1,005,138)**	133,428
Total assets less current liabilities		**539,100**	3,064,529
Non-current liabilities			
Other payables and deposits received		**217,330**	223,830
Lease liabilities		**13,182**	2,843
Bank and other borrowings		**19,500**	—
Corporate bonds		**—**	142,648
Deferred tax liabilities		**122,146**	170,336
		372,158	539,657
Net assets		**166,942**	2,524,872
EQUITY			
Share capital	19	**18,741**	14,734
Reserves		**148,426**	2,510,290
Equity attributable to owners of the Company		**167,167**	2,525,024
Non-controlling interests		**(225)**	(152)
Total equity		**166,942**	2,524,872

NOTES

1. CORPORATE INFORMATION

Differ Group Auto Limited (the "Company") was incorporated in the Cayman Islands on 4 December 2012 as an exempted company with limited liability under the Cayman Companies Law and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in the People's Republic of China (the "PRC") is located at Unit 1309, No. 469 Gaolin Middle Road, Huli District, Xiamen City, Fujian Province, the PRC and the principal place of business of the Company in Hong Kong is located at Unit 2105 on 21/F of West Tower Shun Tak Centre, Nos.168–200 Connaught Road Central, Hong Kong.

The Company acts as an investment holding company. The Company and its subsidiaries (the "Group") are mainly engaged in (i) assets management business (mainly including property development and investment); (ii) provision of financial related services (mainly including finance lease services and express loan services); (iii) commodity trading business; and (iv) automobile e-commerce business.

The functional currency of the Company is Hong Kong Dollar ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) The Scheme and Proposed Restructuring

As disclosed in the announcements of the Company dated 16 June 2023, 20 June 2023, 4 July 2023, 23 August 2023, 30 August 2023, 20 September 2023, 18 October 2023, 30 October 2023, 5 January 2024, and 23 April 2024, 6 June 2024 and 19 July 2024, and the circular of the Company dated 26 January 2024 respectively (collectively, the "Announcements and Circular"), the Company is facing the winding up petition filed by its creditors. The winding up proceedings remain in process at the High Court of Hong Kong, while the Company has applied to the High Court of Hong Kong for a proposed scheme of arrangement (i.e. the "Scheme", as explained below) to be entered into between the Company and certain creditors of the Scheme (i.e. the "Scheme Creditors", as explained below).

On 30 June 2023, the Company has appointed a restructuring adviser (the "Restructuring Adviser") to liaise with the Company's creditors and to assist in the formulation of a restructuring plan. With the help of its Restructuring Adviser, the Board was able to formulate the terms of the proposed restructuring (the "Proposed Restructuring", as explained below), which the Board considers to be in the interest of all of the stakeholders in the Company, including the scheme creditors (the "Scheme Creditors").

On 6 June 2024, the High Court of Hong Kong has granted an order to the Company to convene a meeting of the creditors of the Company for the Scheme. Such creditors' meeting is tentatively scheduled to be held on 16 August 2024 and the sanction hearing of the High Court of Hong Kong for the Scheme is tentatively fixed on 17 September 2024.

Pursuant to the Company's announcement dated 19 July 2024, the Proposed Restructuring comprises two main components namely (i) Increase in Authorised Share Capital; and (ii) the Scheme and details of which are as following:

1. The Increase in Authorised Share Capital: to facilitate the issuance of scheme shares (the "Scheme Shares"), the Company will reorganise its capital by increasing its authorised share capital from HK$250,000,000 divided into 10,000,000,000 shares to HK$2,500,000,000 divided into 100,000,000,000 shares.

2. The Scheme: the scheme claims (the "Scheme Claims") of the Scheme Creditors against the Company as at the effective date of the Scheme (the "Effective Date") will be discharged and released in full. In return, the Scheme Creditors whose claims are admitted will be entitled to the benefit of the scheme consideration which consists of the Scheme Shares.

Under the Scheme, the Scheme Claims of the Scheme Creditors will be compromised and discharged. In return, the Scheme Creditors with admitted claims will be entitled to receive the Scheme Shares. The Scheme Claims to be compromised essentially comprise any debt, liability or obligation of the Company which arose on or before the Effective Date but excludes the excluded claims (the "Excluded Claims"). Excluded Claims include Preferential Claims, Secured Claims, Operational Claims and Petition Costs.

Further, under the Scheme, it is proposed that the Company will settle the Scheme Claims by way of, among other things, the issuance of Scheme Shares, which shall settle the relevant amount of the Scheme Claims on a dollar to dollar basis.

The Scheme Shares shall be allotted and issued at the Scheme Share issue price of HK$0.0904 per Scheme Share in respect of the admitted claims. The Scheme Shares will be allotted and issued under the name of the relevant Scheme Creditors, but the physical certificates of the Scheme Shares will be placed in the custody of the scheme company. The Scheme Shares will be subject to various lock-up periods in accordance with the lock up arrangement and will have the benefit of the make good undertaking, meaning that the Company will appoint the scheme placing agent at its own expense to facilitate the placing of the Scheme Shares and will provide compensation if such shares are disposed of at a price less than the relevant guaranteed selling prices.

Further details of the above are set out in the Announcements and Circular.

(b) Going concern basis and liquidity

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

For the year ended 31 December 2023, the Group incurred a net loss attributable to the shareholders of the Company of approximately RMB2,522,332,000 (2022: RMB180,205,000) and a net operating cash outflow of approximately RMB771,205,000 (2022: RMB163,698,000), and as of that date, the Group had net current liabilities of approximately RMB1,005,138,000 (2022: net current assets of approximately RMB133,428,000).

The Group was in default in most of the bank and other borrowings and corporate bonds as at 31 December 2023 due to the events of default of late or overdue payment of loan principal and interest or cross default of the Group's borrowings, which, as a consequence, would be immediately repayable if and when requested by the lenders.

Moreover, as described in note 2(a) above, the Company was served with a winding-up petition from a corporate bond holder issued with the High Court of Hong Kong for the winding-up of the Company.

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

In view of aforementioned, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following measures and plans are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

(i) The Company proposed the scheme of arrangement (the "Scheme", as described in note 2(a))) and formulated the terms of the proposed debt restructuring of the Company (the "Proposed Restructuring", as described in note 2(a)) to restructure its indebtedness payables to Scheme Creditors;

(ii) The Group maintains continuous communication with other lenders and creditors and the directors believe that the existing borrowings available to the Group will be successfully restructured and renewed when their current terms expire given the long standing relationship the Group has with the relevant counter parties (the "Financing Restructuring Plan");

(iii) The Group has been actively monitoring its finance lease, loan and account receivables and other receivables to ensure their collectability upon their maturity and payment to the subcontractors and suppliers request by the Group so as to complete the Group's construction projects as scheduled. In addition, the Group will retain sufficient fund in order to alleviate the Group's liquidity pressure;

(iv) The Group will continue to focus in maintaining its inventories of properties and adopting a more proactive sale strategy to attract purchasers. The directors of the Company expect that there will have a recovery of the PRC's economy from the effects of the COVID-19 pandemic, especially the recent measures imposed by the PRC government to stabilise the properties market that will enhance the growth of the Group's property business and thus, the Group's cash flows will be improved.

According to the current properties' construction schedule, the directors of the Company estimate that most of its current properties' construction will be completed in financial year ending 31 December 2025 and with the completion and promotion of sales of inventories of properties, the directors expect that the Group is able to obtain cash flows from its property development business, such as among five (5) major properties development projects of the Group, the construction of the three (3) projects (Differ Humane Mansion, the People Ancient City and ChuZhouFu City) were completed and the construction of two (2) projects (Differ Sky Peak and Differ One City) is still in progress. The directors of the Company consider that the Group will generate satisfactory income and cash flows from the sales of properties in the coming years.

The Group will continue to generate operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from property development and investment, financial services and automobile e-commerce to generate additional operating cash inflows (the "Funds from Operations and Businesses"); and

(v) The Group will also continue to seek for other additional and alternative financing to finance the settlement of its existing financial obligations and future operating expenditures (the "Additional and Alternative Sources of Financing").

The directors of the Company have reviewed the Group's cash flow forecast, which covers a period of at least twelve months from 31 December 2023. They are of the opinion that, taking into account the abovementioned measures and plans the Group will have sufficient funds to maintain its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2023. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its measures and plans, which are subject to multiple uncertainties as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) The successful execution and completion of the Scheme and Proposed Restructuring in restructuring indebtedness payables to Scheme Creditors;

(ii) The successful execution and completion of the Financing Restructuring Plan in restructuring and renewal its existing borrowings from those other lenders and creditors when their current terms expire;

(iii) The recovery of the real estate sector and other businesses to generate cash inflow from its operations, settlement of various receivables upon their maturity and payment request by the Group as planned and scheduled;

(iv) The successful in obtaining Funds from Operations and Businesses in accordance with the timeline of the cash flow projection reviewed by the directors of the Company; and

(v) The successful in obtaining Additional and Alternative Sources of Financing other than those mentioned above in meeting its financial obligations as and when they need.

The Group's ability to obtain the abovementioned financing and operating funds depends on: (i) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; and (ii) whether the lenders and creditors of existing bank and other borrowings are agreeable to the terms and conditions for such extension or renewal and the Group's ability to continuously comply with the relevant terms and conditions of bank and other borrowings.

Should the Group fail to achieve the abovementioned measures and plans, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") AND CHANGES IN OTHER ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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.

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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the *Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022* (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "*Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong*" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19 *Employee Benefits*. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 *Employee Benefits* before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 *Employee Benefits* after the Abolition.

The directors of the Company consider that the changes in the Group's accounting policy in the current year had no material impact on the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties and financial instruments which are transacted at fair values and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

(i) Disaggregation of the Group's revenue from major products or service lines:

	2023	2022
	RMB'000	*RMB'000*
Income from automobile e-commerce business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of goods	**11,616**	106,960
Service income	**—**	28,830
	11,616	135,790

	2023	2022
	RMB'000	*RMB'000*
Income from assets management business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from sales of properties	**2,038,727**	392,380
Revenue from other sources		
Rental income and sublease rental income	**22,842**	22,042
Management fee income	**1,283**	12,002
	2,062,852	426,424

	2023	2022
	RMB'000	*RMB'000*
Income from trading of commodities		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of commodities	**59,319**	269,531

	2023	2022
	RMB'000	*RMB'000*
Income from financial related services		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from financial securities services	**—**	1,342
Revenue from other sources		
Income from guarantee services	**—**	4,353
Interest income from:		
— Money lending	**113,196**	161,496
— Finance lease services	**4,610**	8,786
	117,806	175,977

(ii) Disaggregation of the Group's revenue by timing of revenue recognition:

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition within the scope HKFRS 15		
At a point in time	**2,109,662**	787,791
Transferred over time	**—**	11,252
	2,109,662	799,043

(iii) Disaggregation of the Group's revenue by geographical markets:

Information about the Group's revenue by geographical markets is set out in note 7.

6. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Other income		
Bank and other interest income	**50,033**	22,897
Gain on disposal of property, plant and equipment	**468**	208
Government grants (Note)	**—**	33,084
Reversal of impairment loss on financial assets	**1,582**	8,178
Reversal of provision on financial guarantees	**42,691**	23,032
Net foreign exchange gain	**—**	1,752
Others	**2,167**	6,338
	96,941	95,489

Note:

For the year ended 31 December 2022, the government grants of RMB30,100,000 was from the relevant PRC government authorities in support of the Group's asset management business in the PRC. The remaining portion of the government grant represented the financial support from the Hong Kong Special Administrative Region Government who set up the Anti-epidemic Fund under the Employment Support Scheme and the support of the Group's financial service business in the PRC. There were no unfulfilled conditions to receive the grants.

The Group did not have such government grants during the year ended 31 December 2023.

7. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Company's executive directors for the purposes of resource allocation and assessment of segment performance. The Company's executive directors who are also the chief operating decision maker have identified the reportable segments of the Group as follows:

(1) Financial services — provision of guarantee services, express loan services, consultancy services, finance lease services, financial securities services and assets management (investments in distressed assets, equities and management of funds) in the PRC and Hong Kong;

(2) Property development and investment — property development projects and property investment activities in the PRC;

(3) Trading of commodities — trading of commodities in the PRC; and

(4) Automobile e-commerce — online e-commerce platform in the automobile industry in the PRC.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and inter-segment revenue. Segment results exclude unallocated corporate expenses and unallocated finance costs. Corporate expenses include expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

Segment assets include all assets other than corporate assets such as property, plant and equipment, deposits and prepayments and cash and bank balances that are managed on a group basis.

Segment liabilities include all liabilities other than corporate liabilities such as accruals and other payables, lease liabilities, other borrowings and corporate bonds that are managed on a group basis.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2023

	Financial services *RMB'000*	**Property development and investment** *RMB'000*	**Trading of commodities** *RMB'000*	**Automobile e-commerce** *RMB'000*	**Total** *RMB'000*
Segment revenue					
Revenue from external customers	**119,089**	**2,061,569**	**59,319**	**11,616**	**2,251,593**
Inter-segment revenue	**(1,283)**	**1,283**	**—**	**—**	**—**
	117,806	**2,062,852**	**59,319**	**11,616**	**2,251,593**
Segment results	**(1,579,247)**	**22,406**	**(8,704)**	**(657,052)**	**(2,222,597)**
Unallocated corporate expenses					**(57,274)**
Unallocated finance costs					**(69,223)**
Loss before income tax					**(2,349,094)**

For the year ended 31 December 2022

	Financial services *RMB'000*	Property development and investment *RMB'000*	Trading of commodities *RMB'000*	Automobile e-commerce *RMB'000*	Total *RMB'000*
Segment revenue					
Revenue from external customers	184,776	417,625	269,531	135,790	1,007,722
Inter-segment revenue	(8,799)	8,799	—	—	—
	175,977	426,424	269,531	135,790	1,007,722
Segment results	(98,648)	29,094	(16,556)	10,616	(75,494)
Unallocated corporate expenses					(10,219)
Unallocated finance costs					(44,092)
Loss before income tax					(129,805)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2023	2022
	RMB'000	*RMB'000*
Segment assets		
Financial services	**1,307,910**	2,317,733
Property development and investment	**4,676,720**	6,373,989
Trading of commodities	**517**	3,517
Automobile e-commerce	**12,222**	103,929
Total segment assets	**5,997,369**	8,799,168
Unallocated		
— Property, plant and equipment	**2,669**	8,872
— Deposits and prepayments	**2,274**	2,312
— Cash and bank balances	**105**	4,475
Total consolidated assets	**6,002,417**	8,814,827
Segment liabilities		
Financial services	**138,468**	198,733
Property development and investment	**3,769,508**	4,901,903
Trading of commodities	**1,999**	6,467
Automobile e-commerce	**875,191**	49,770
Total segment liabilities	**4,785,166**	5,156,873
Unallocated		
— Accruals and other payables	**66,092**	53,317
— Lease liabilities	**2,907**	9,305
— Other borrowings	**311,863**	273,851
— Corporate bonds	**669,447**	796,609
Total consolidated liabilities	**5,835,475**	6,289,955

Other segment information

For the year ended 31 December 2023

	Financial services *RMB'000*	Property development and investment *RMB'000*	Trading of commodities *RMB'000*	Automobile e-commerce *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Additions to non-current assets (other than financial assets)	—	**74,167**	—	—	—	**74,167**
Equity accounted for investments in associates	—	**127,712**	—	—	—	**127,712**
Depreciation of property, plant and equipment	**(185)**	**(661)**	—	**(14)**	**(6,866)**	**(7,726)**
Impairment loss on goodwill	**(9,899)**	**(70,593)**	—	**(5,542)**	—	**(86,034)**
Share of results of associates	—	**(232,654)**	—	—	—	**(232,654)**
Loss on disposal of subsidiaries	—	—	**(47,223)**	—	—	**(47,223)**
Change in fair value of investment properties	—	**(155,166)**	—	—	—	**(155,166)**
Change in fair value of other financial assets	**(83,714)**	**15,925**	—	—	—	**(67,789)**
Reversal of financial guarantees	**42,691**	—	—	—	—	**42,691**
Impairment loss on inventories of properties	—	**(162,182)**	—	—	—	**(162,182)**
Provision of impairment loss on financial assets	**(979,663)**	**(415,898)**	—	**(680,311)**	**(19)**	**(2,075,891)**
Reversal of impairment loss on financial assets	**42**	**209**	—	**1,331**	—	**1,582**
Bank and other interest income	**48,191**	**1,797**	—	**45**	—	**50,033**
Finance costs	**(16)**	**(16,263)**	—	**(44,070)**	**(69,223)**	**(129,572)**

For the year ended 31 December 2022

	Financial services RMB'000	Property development and investment RMB'000	Trading of commodities RMB'000	Automobile e-commerce RMB'000	Unallocated RMB'000	Total RMB'000
Additions to non-current assets (other than financial assets)	1,048	153,763	458	51	1,246	156,566
Equity accounted for investments in associates	—	360,366	—	—	—	360,366
Depreciation of property, plant and equipment	(1,886)	(5,476)	(1,808)	(6)	(6,505)	(15,681)
Impairment loss on goodwill	(9,997)	—	—	—	—	(9,997)
Write off of property, plant and equipment	—	(734)	—	—	—	(734)
Share of results of associates	—	(9,814)	—	—	—	(9,814)
Gain on disposal of property, plant and equipment	46	161	1	—	—	208
(Loss) gain on disposal of subsidiaries	(66,018)	7,534	—	—	—	(58,484)
Gain on bargain purchase	—	28,866	—	—	—	28,866
Change in fair value of investment properties	(388)	14,832	—	—	—	14,444
Change in fair value of other financial assets	(6,654)	48,396	—	—	—	41,742
Provision for financial guarantees	(138,068)	—	—	—	—	(138,068)
Reversal of financial guarantees	10,067	12,965	—	—	—	23,032
Impairment loss on inventories of properties	—	(47,341)	—	—	—	(47,341)
Provision of impairment loss on financial assets	(74,991)	(13,316)	—	(1,251)	—	(89,558)
Reversal of impairment loss on financial assets	2,535	5,643	—	—	—	8,178
Bank and other interest income	20,347	2,546	2	2	—	22,897
Finance costs	(2,067)	(16,529)	(9,254)	(1,640)	(44,092)	(73,582)

Geographical segment information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC (including Hong Kong). For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile.

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is principally sourced from the PRC (including Hong Kong). The Group's non-current assets other than financial instruments are principally located in the PRC.

Information about major customers

There is no revenue from a customer contributing over 10% of the total revenue of the Group for the year ended 31 December 2023 and 2022.

8. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**100,825**	71,978
Interest on corporate bonds	**38,431**	29,603
Interest on lease liabilities	**1,465**	1,217
	140,721	102,798
Less: Interests capitalised	**(11,149)**	(29,216)
	129,572	73,582

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging (crediting):

	2023	2022
	RMB'000	*RMB'000*
Auditor's remuneration		
— Audit service	**1,350**	1,804
— Non-audit service	**157**	179
	1,507	1,983
Cost of property sold and trading of commodities	**1,451,148**	677,826
Impairment loss on inventories of properties	**162,182**	47,341
Cost of property sold and trading of commodities recognised as expenses	**1,613,330**	725,167
Employee's costs (including directors' remuneration)		
— Salaries and allowances	**34,591**	57,224
— Pension scheme contributions — Defined contribution plans	**3,589**	4,081
— Other benefits	**1,234**	5,324
	39,414	66,629
Depreciation of property, plant and equipment	**7,726**	15,681
Write off of property, plant and equipment	**—**	734
Impairment loss on goodwill	**86,034**	9,997
Impairment loss on financial assets	**2,075,891**	89,558
Reversal of impairment loss on financial assets	**(1,582)**	(8,178)
Provision for financial guarantees	**—**	138,068
Reversal of financial guarantees	**(42,691)**	(23,032)
Net foreign exchange losses (gains)	**362**	(1,752)
Gain on disposal of property, plant and equipment	**(468)**	(208)

10. INCOME TAX EXPENSE

	2023 *RMB'000*	2022 *RMB'000*
Current tax		
Hong Kong Profits Tax	**25**	117
PRC		
— Enterprise income tax ("EIT")	**139,354**	41,958
— Land appreciation tax ("LAT")	**108,219**	16,396
— Withholding tax	**—**	570
	247,598	59,041
Deferred tax	**(74,287)**	(8,489)
	173,311	50,552

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in respective jurisdictions.

EIT arising from subsidiaries operated in the PRC for the year was calculated at 25% (2022: 25%) of the estimated assessable profits during the year.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land value, borrowing costs, business tax and all property development expenditures. The tax is incurred upon transfer of property ownership. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

Withholding tax was calculated at 7% (2022: 7%) of the interest paid by PRC entities to a non-PRC holding company during the year.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

11. DIVIDENDS

(a) No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

(b) Dividend attributable to previous financial year, approved and paid during the year:

	2023	2022
	RMB'000	*RMB'000*
Final dividend paid in respect of prior year — nil (2022: HK0.5 cent)	**—**	30,636

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

Loss figures are calculated as followings:

	2023	2022
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company	**(2,522,332)**	(180,205)

Number of shares

	2023	2022
	Number of shares	Number of shares
	('000)	*('000)*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**820,375**	720,839

The weighted average number of ordinary shares for the purpose of basic and diluted loss the year ended 31 December 2023 has been adjusted for the First Placing of shares and Second Placing of shares and details of which are set out in this announcement.

As described in this announcement, on 19 February 2024, an ordinary resolution passed at the extraordinary general meeting of the Company for the share consolidation of every 10 ordinary shares into 1 consolidated share, which was effective on 21 February 2024 (i.e. the "Share Consolidation"). The weighted average number of ordinary shares in issue for the purpose of calculating basic and diluted loss per share for the year ended 31 December 2023 and 31 December 2022 has been retrospectively adjusted on the assumption that the Share Consolidation had been effective since 1 January 2022.

The diluted loss per share is the same as the basic loss per share, as the Group has no dilutive ordinary shares for the year ended 31 December 2023 and 31 December 2022.

13. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group has additions of approximately RMB74,167,000 (2022: RMB156,566,000) on construction-in-progress, other properties leased for own use, leasehold improvement and acquisition of motor vehicles, furniture, fixtures and office equipment and the depreciation charge for the year amounted to approximately RMB7,726,000.

14. INTERESTS IN ASSOCIATES

	2023	2022
	RMB'000	*RMB'000*
Shares of net assets	**127,712**	360,366
Amount due from the associate	**822,429**	588,683
Less: Impairments	**(176,535)**	(13,250)
	645,894	575,433

As at 31 December 2023, the amount due from the associate was unsecured and repayable on demand. Among the balance, RMB747,190,000 (2022: RMB491,190,000) was interest bearing at 10% (2022: 10%) per annum and the remaining balance was interest-free.

Details of each of the Group's associate at the end of the reporting period are as follows:

Name of the entity	**Place of incorporation, operation and principal activity**	**% of ownership indirectly held interest**		**Principal activities**
		2023	2022	
中城城開集團有限公司 (Zhongcheng City Development Group Co., Limited") ("Zhongcheng")	PRC	**49% (note below)**	49%	Provision of financial services, property development and management and commodity trading business in the PRC

Note: During the year ended 31 December 2023, the Group transferred its 49% equity interest in Zhongcheng to one of the shareholder of Zhongcheng (the "Trustee") (the "Share Transfer") under a share transfer agreement with the Trustee dated 27 November 2023 (the "Share Transfer Agreement"). However, pursuant to the trusting documents entered into between the Trustee and the Group, the Trustee holds 49% equity interest in Zhongcheng on behalf of the Group (the "Trusting Arrangement"). With the consultation of the Company's legal counselor, under the Trusting Arrangement, the Group is the beneficial owner of 49% equity interest in Zhongcheng and further, the Trustee is not obliged to and has no obligation to pay the consideration relating to the transfer of 49% equity interest in

Zhongcheng to the Trustee under the Share Transfer Agreement. The directors of the Company consider that the Share Transfer is merely an arrangement for business purpose and the Group in fact did not dispose of any equity interest in Zhongcheng to the Trustee.

In such circumstances, the directors of the Company are of view that the Group is the beneficial owner in 49% equity interest in Zhongcheng, the Group has the power and rights to participate the policy-making process and has significant influence over Zhongcheng. Accordingly, the directors of the Company still consider to account for its investment in the Zhongcheng as an associate of the Group as the directors assessed that there is significant influence because the Group has the power and rights to participate in the financial and operating policy decisions of the Zhongcheng in accordance with Hong Kong Accounting Standard 28 (2011) "*Investment in Associates and Joint Ventures*".

Summarised financial information in respect of Zhongcheng is set out below based on the audited account of Zhongcheng which is conterminous with those of the Group:

	2023	2022
	RMB'000	*RMB'000*
Revenue	**729,684**	1,737,744
Loss for the year and total comprehensive expense	**(474,803)**	(20,028)
Dividends received from the associate	**—**	—
The Group share of total comprehensive expense for the year	**(232,654)**	(9,814)
Current assets	**1,308,304**	907,195
Non-current assets	**168,712**	777,335
Current liabilities	**(1,205,796)**	(949,090)
Non-current liabilities	**(10,583)**	—
Net assets	**260,637**	735,440

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2023	2022
Net assets of Zhongcheng (RMB'000)	**260,637**	735,440
Proportion of the Group's ownership in Zhongcheng (%)	**49%**	49%
The Group's share of net assets of Zhongcheng (RMB'000)	**127,712**	360,366
Carrying amount of the Group's interest in Zhongcheng (RMB'000)	**127,712**	360,366

15. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Finance lease receivables	(a)	**12,587**	82,167
Loan receivables	(b)	**—**	246,093
Receivables from guarantee customers	(c)	**—**	10,864
Account receivables	(d)	**87,160**	101,664
		99,747	440,788
Analysed as:			
— Current portion		**99,947**	410,713
— Non-current portion		**—**	30,075
		99,747	440,788

Notes:

(a) Finance lease receivables

For finance lease receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts and must acquire the leased assets at the end of the lease period. The contract term for each loan contract is ranging from two to ten years.

The details of finance lease receivables as of each reporting date are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Finance lease receivables	**91,556**	86,945
Less: Impairments	**(78,969)**	(4,778)
	12,587	82,167

The finance lease receivable as of each reporting date are further analysed as follows:

	2023		2022	
	Minimum lease payments	**Present value**	Minimum lease payments	Present value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Not later than one year	**18,265**	**12,587**	56,878	52,092
Later than one year and not later than five years	**—**	**—**	35,578	30,075
	18,265	**12,587**	92,456	82,167
Unearned finance income	**(5,678)**	**N/A**	(10,289)	N/A
Present value of minimum lease payments	**12,587**	**12,587**	82,167	82,167

As at 31 December 2023 and 2022, the deposits received from finance lease customers amounted to approximately RMB13,664,000 (2022: RMB13,664,000).

In view of the default in settlement of the finance lease receivables from customers of approximately RMB91,556,000, taking into account of the deposits received from finance lease customers and the low possibility to recover the outstanding receivables from the finance lease customers, the Group recognised impairment losses of approximately RMB75,499,000 for the year ended 31 December 2023.

(b) Loan receivables

For loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The contract term for each loan contract is normally not more than four years.

The details of loan receivables as of each reporting date are as follows:

	2023	2022
	RMB'000	*RMB'000*
Loan receivables	**650,455**	251,106
Less: Impairments	**(650,455)**	(5,013)
	—	246,093

During the year, the Group granted new unsecured loans to certain borrowers in which the aggregate net loan balance increased by approximately RMB414,551,000.

In view of the default in settlement of the loan receivables from the borrowers of approximately RMB650,455,000, taking into account of the holding of collaterals and the low possibility to recover the outstanding receivables from the borrowers, the Group recognised full impairment losses on such outstanding balances of approximately RMB645,484,000 for the year ended 31 December 2023.

(c) Receivables from guarantee customers

For receivables from guarantee customers, it represented the repayment paid to the banks on behalf of the guarantee customers. The guarantee customers are obliged to settle the amounts according to the term set out in relevant contracts.

The details of receivables from guarantee customers as of each reporting date are as follows:

	2023	2022
	RMB'000	*RMB'000*
Receivables from guarantee customers	**29,450**	29,661
Less: Impairments	**(29,450)**	(18,797)
	—	10,864

In view of the default in settlement of the of receivables from guarantee customers of approximately RMB29,450,000, taking into account of the holding of collaterals and the low possibility to recover the outstanding receivables from the customers, the Group recognised full impairment losses on such outstanding balances of approximately RMB10,653,000 for the year ended 31 December 2023.

(d) Account receivables

For account receivables, it represented interest receivables from finance lease receivables and loan receivables, proceeds receivables from assets management and service fee receivables. The customers are obliged to settle the amounts according to the terms set out in relevant contracts and, normally, no credit period was granted to customers.

The details of account receivables as of each reporting date are as follows:

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Housing vouchers (房票) regarding the proceeds receivable from assets management	(i)	**79,352**	—
Proceeds receivables from assets management	(ii)	**80,037**	74,345
Interest receivables from finance lease receivables and loan receivables	(iii)	**77,213**	29,612
Rental income receivables	(iv)	**1,559**	1,559
		238,161	105,516
Less: Impairments		**(151,001)**	(3,852)
		87,160	101,664

Notes:

(i) The housing vouchers are notes issued by the local PRC provincial government regarding the selling of the Group's inventories of properties to its customers during the year in which the noteholders are eligible to exchange the notes into cash with the relevant local PRC provincial government within 18 months after the issuances of the notes.

(ii) Out of which, the amounts included outstanding sale proceeds from the selling of the Group's inventories of properties amounted to approximately RMB63,500,000 in the current and prior years.

(iii) The amounts represented the interest receivables from finance lease receivables and loan receivables which were described in notes 15(a) and (b) above.

(iv) The amounts represented rental income receivables regarding the leasing of the Group's investment properties in prior years.

In view of the default in settlement of the receivables from certain customers, borrowers and counterparties of approximately RMB142,550,000, taking into account of the holding of collaterals and the low possibility to recover the outstanding receivables from such customers, borrowers and counterparties, the Group recognised full impairment losses on such outstanding balances for interest receivables from finance lease customers and loan borrowers and hence, the rental customers from the leasing of the Group's investment properties in prior years and outstanding sale proceeds from the selling of the Group's properties counterparties of approximately RMB139,078,000 for the year ended 31 December 2023.

At the end of each reporting period, the directors of the Company consider that the fair values of finance lease, loan and account receivables are not materially different from their carrying amounts.

Based on the loan commencement date set out in the relevant contracts, ageing analysis of the Group's finance lease, loan and account receivables, excluding receivables from guarantee customers, net of impairment loss, as of each reporting date is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 to 30 days	**11,731**	16,987
31 to 90 days	**7**	—
91–180 days	**72,338**	—
Over 180 days	**15,671**	412,937
	99,747	429,924

Ageing analysis of the Group's finance lease, loan and account receivables, excluding receivables from guarantee customers, prepared based on due date, net of impairment loss, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Not yet past due	**87,160**	413,082
Past due 0 to 30 days	**—**	182
Past due 31 to 90 days	**—**	546
Past due 91–180 days	**—**	2,609
Over 180 days	**12,587**	13,505
	99,747	429,924

Receivables from guarantee customers were excluded from ageing analysis as they were debts settled by the Group on behalf of its guarantee customers which were past due to their original creditors according to relevant loan/guarantee agreements but no exact due date to the Group.

As at 31 December 2023, out of the Group's loan and account receivables, despite the exerted efforts of the directors of the Company to request certain customers and borrowers in settling their outstanding balances on time, however, such loan receivables borrowers and account receivables customers (collectively, referred to the "Doubtful Loan and Account Receivables") with an aggregate gross amount of approximately RMB465,391,000 did not settle their outstanding balances in accordance with the terms of the relevant contracts and agreements. The directors of the Company have already taken certain alternatives to recover the receivables from these customers and borrowers, such as to take legal actions against them.

In the circumstances of default in settlement, the directors of the Company considered that there is evidence indicating that such Doubtful Loan and Account Receivables are credit-impaired. Taking into account of the holding of collaterals and the low possibility to recover the receivables from these customers and borrowers and hence, the Group recognised full impairment of such outstanding Doubtful Loan and Account Receivables amounted to approximately RMB464,163,000. The directors of the Company consider that the information used in its impairment assessment represented the best available estimates from the information available.

The below table reconciled the impairment loss allowance of Group's finance lease, loan and account receivables for both years:

	Finance lease receivables *RMB'000*	Loan receivables *RMB'000*	Receivables from guarantee customers *RMB'000*	Account receivables *RMB'000*	Total *RMB'000*
At 1 January 2022	2,858	5,517	18,578	4,877	31,830
Impairment loss recognised	1,920	5,013	3,657	46,246	56,836
Reversal of impairment loss	—	(3,086)	—	(1,842)	(4,928)
Disposal of subsidiaries	—	(2,431)	—	(45,429)	(47,860)
Receivables written off	—	—	(3,438)	—	(3,438)
At 31 December 2022 and 1 January 2023	4,778	5,013	18,797	3,852	32,440
Impairment loss recognised	75,499	645,484	10,653	147,381	879,017
Reversal of impairment loss	(1,308)	(42)	—	(232)	(1,582)
At 31 December 2023	**78,969**	**650,455**	**29,450**	**151,001**	**909,875**

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Consideration receivables	(a)	**862,283**	1,262,693
Amount due from an associate		**822,429**	588,683
Other receivables	(b)	**247,215**	76,186
Prepaid expenses		**12,989**	28,225
Other deposits paid	(b)	**6,040**	74,306
		1,950,956	2,030,093
Less: Impairments		**(1,223,827)**	(26,953)
		727,129	2,003,140
Analysed as:			
— Current		**724,835**	1,191,701
— Non-current		**2,294**	811,439
		727,129	2,003,140

Notes:

(a) Consideration receivables

The amounts represent the outstanding consideration receivables for the disposal of subsidiaries in prior years and at the end of the reporting period, the breakdowns of the consideration receivables are as followings:

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Consideration receivables relating to disposal of:			
Differ China and Xiamen Group	(i)	—	1,007,910
Karhoe Company Limited ("Karhoe")	(ii)	—	156,360
Differ Digital Company Limited and its subsidiaries (the "Differ Digital Group")	(ii)	—	84,747
		—	1,249,017
Less: Amount is expected to be received within one year		—	(439,820)
Non-current portion of consideration receivables		—	809,197

Notes:

(i) Consideration receivables relating to the disposal of Differ Group (China) Company Limited and its subsidiaries ("Differ China Group") and Lishui Fu Feng Cultural Tours Company Limited and Xiamen Dingzao Commercial Operation Management Company Limited (collectively Xiamen Differ Group together with the Differ China Group, the "Differ China and Xiamen Group") ("Differ China and Xiamen Group Consideration Receivables").

As at 1 January 2023, the outstanding balance of the Differ China and Xiamen Group Consideration Receivables, net of allowances amounted to approximately RMB1,007,910,000.

During the year ended 31 December 2023, the Purchaser had not paid the second instalment amounted to RMB150,000,000 of the Differ China and Xiamen Group Consideration Receivables and the amount was still outstanding and lag behind of the payment due date. As such, the Group enforced the share charge to set-off the instalment and part of the consideration receivables.

Despite the exerted efforts of the directors of the Company to request the purchaser in settling the revised third instalment of RMB40,000,000 on time, however, up to the date of the approval for issuance of the consolidated financial statements, the purchaser did not settle the said installment in accordance with the terms of the relevant contracts and agreements.

In the circumstance of repeated default of the purchaser, the directors of the Company considered that there is evidence indicating that Differ China and Xiamen Group Consideration Receivables of approximately RMB620,923,000 are credit-impaired. Taking into account the status of collaterals and the low possibility to recover the receivables from the Purchaser, the Group recognised full impairment of such outstanding Differ China and Xiamen Group Consideration Receivables of approximately RMB607,500,000 which was charged to profit or loss for the year ended 31 December 2023. The directors of the Company consider that the information used in its impairment assessment represented the best available estimates from the information available.

(ii) Consideration receivables relating to the disposal of Karhoe and Differ Digital Group ("Karhoe and Differ Digital Group Consideration Receivables")

As at 1 January 2023, the outstanding balance of the Karhoe and Differ Digital Group Consideration Receivables, net of allowances amounted to approximately RMB241,107,000 which was due for settlement during the year ended 31 December 2023.

During the year ended 31 December 2023, despite the exerted efforts of the directors of the Company to request the counterparties in settling the Karhoe and Differ Digital Group Consideration Receivables which were due for settlement during the year, however, the counterparties did not settle the outstanding balances in accordance with the terms of the relevant contracts and agreements. The directors of the Company have taken certain alternatives to recover the receivables from these counterparties, such as to take legal actions against them.

In the circumstances of default in settlement, the directors of the Company considered that there is evidence indicating that Karhoe and Differ Digital Group Consideration Receivables of approximately RMB241,360,000 are credit-impaired. Taking into account the status of collaterals and the low possibility to recover the receivables from the counterparties, the Group recognised full impairment of such outstanding Karhoe and Differ Digital Group Consideration Receivables of approximately RMB241,107,000 which was charged to profit or loss for the year ended 31 December 2023. The directors of the Company consider that the information used in its impairment assessment represented the best available estimates from the information available.

(b) Deposits paid and other receivables

During the year ended 31 December 2023, out of the Group's other receivables, despite the exerted efforts of the directors of the Company to request certain counterparties in settling their receivables or delivery of goods on time, however, such other receivable debtors (the "Doubtful Other Receivables") with an aggregate amount of approximately RMB129,687,000 did not settle their outstanding balances or delivery their promised goods in accordance with the terms of the relevant contracts and agreements. The directors of the Company have already taken certain alternatives to recover the Doubtful Other Receivables from these counterparties, such as to take legal actions against them.

In the circumstance of default in settlement, the directors of the Company considered that there is evidence indicating that such Doubtful Other Receivables are credit-impaired. Taking into account the low possibility to recover the Doubtful Other Receivables from these counterparties and hence, the Group recognised full impairment of such outstanding Doubtful Other Receivables amounted to approximately RMB129,687,000 for the year ended 31 December 2023. The directors of the Company consider that the information used in its impairment assessment represented the best available estimates from the information available.

The directors of the Company consider the carrying amounts of deposits paid and other receivables approximate their fair values.

(c) Movements of impairment loss allowance

The below table reconciled the impairment loss allowance of the consideration receivables, amount due from associates, deposits paid and other receivables for the year:

	Consideration receivables *RMB'000*	**Amount due from an associate** *RMB'000*	**Other receivables** *RMB'000*	**Total** *RMB'000*
At 1 January 2022	—	151	10,570	10,721
Impairment loss recognised	16,406	13,099	3,217	32,722
Reversal of impairment loss	(2,730)	—	(520)	(3,250)
Disposal of subsidiaries	—	—	(13,240)	(13,240)
At 31 December 2022 and 1 January 2023	13,676	13,250	27	26,953
Impairment loss recognised	848,607	163,285	184,982	1,196,874
At 31 December 2023	862,283	176,535	185,009	1,223,827

17. ACCOUNTS PAYABLE

	2023 *RMB'000*	2022 *RMB'000*
Accounts payable from property development	**451,901**	388,164
Accounts payable from financial services		
— clearing house	**—**	199
— cash client	**—**	7,416
	451,901	395,779

Included in account payables are creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2023	2022
	RMB'000	*RMB'000*
Less than 1 month	**170,347**	155,205
1 to 3 months	**2,826**	2,861
More than 3 months but less than 12 months	**7,215**	1,120
More than 12 months	**271,513**	236,593
	451,901	395,779

18. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2023	2022
	RMB'000	*RMB'000*
Contract liabilities from customers arising from:		
— Sales of properties	**1,234,510**	2,803,173
— Sales of goods	**—**	1,903
	1,234,510	2,805,076

Contract liabilities are the Group's obligations to transfer goods or services to customers for which the Group has received consideration from customers. The Group receives payment from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are from sales of properties and sales of goods.

19. SHARE CAPITAL

	Number of ordinary shares *'000*	Nominal value of share capital *HK$'000*	Equivalent nominal value of share capital *RMB'000*
Ordinary share of HK$0.0025 each			
Authorised:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	20,000,000	50,000	39,000
Issued and fully paid:			
At 1 January 2022, 31 December 2022 and 1 January 2023	7,208,386	18,021	14,734
First Placing of shares	1,407,132	3,518	3,166
Second Placing of share	363,620	909	841
As at 31 December 2023	8,979,138	22,448	18,741

Details of the First Placing of shares, Second Placing of shares and Share Consolidation are set out in this announcement below.

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")

BUSINESS REVIEW

During the year ended 31 December 2023 (the "Year"), the turnover of the Group was mainly derived from the (i) automobile e-commerce business; (ii) assets management business (including a) property development and investment and b) rental income and management fee income); (iii) provision of financial related services (including express loan services and finance lease services); and (iv) commodity trading business.

FINANCIAL REVIEW

Turnover

The turnover increased from approximately RMB1,007.7 million for the year ended 31 December 2022 to approximately RMB2,251.6 million for the Year, representing an increase of approximately RMB1,243.9 million or 123.4%. The increase was attributable to the net effect of the following reasons:

(i) Automobile e-commerce business

The Group commenced its automobile e-commerce business in fourth quarter of 2021 under the brand of Cherries Car (車厘籽汽車), which provides comprehensive solutions and services to a wide range of customers ranging from car manufacturers, car dealers to retailing customers. During the Year, the Group faced financial difficulties and operated under significant liquidity pressure, therefore the Group adopted a prudent approach to operate automobile e-commerce business. The business was further affected by factors such as the COVID-19 pandemic and the decline in consumer income, the overall purchasing power of consumers in the PRC has been impacted. The directors of the Company consider that with the shrinking demand for automobile in the market, the overall number of imported automobile in the PRC has been constantly decreasing from 2021 to 2023. Accordingly, the income from automobile e-commerce business decreased significantly from approximately RMB135.8 million in 2022 to approximately RMB11.6 million in 2023, representing a decrease of approximately RMB124.2 million or 91.5% as compared with last year.

(ii) Assets management business

(a) Property development and investment

The Group recorded income from assets management business is mainly contributed by the sales of properties of Differ One City (鼎豐壹城), Differ Humane Mansion (鼎豐書香豪庭), She People Ancient City (畲鄉古城) and Differ Sky Realm (鼎豐天境). The income of sales of properties increased by 419.5% from approximately RMB392.4 million for 2022 to approximately RMB2,038.7 million for 2023.

Differ One City (鼎豐壹城) is a residential and commercial development located in Longquan City, Zhejiang Province, PRC, comprises properties for residential purposes, shops, a shopping mall and a hotel. The said development covers a total site area of approximately 145,688 sq.m and a total gross floor area of approximately 560,404 sq.m upon completion. The revenue from the Differ One City (鼎豐壹城) for 2023 was approximately RMB1,804 million (2022: RMB227.9 million).

She People Ancient City (畲鄉古城) is a commercial cultural development located in Lishui City, Zhejiang Province, PRC, with total site area of approximately 173,934 sq.m. and a total gross floor area of approximately 306,613 sq.m. The revenue from She People Ancient City (畲鄉古城) for 2023 was approximately RMB116.4 million (2022: RMB27.4 million).

Differ Humane Mansion (鼎豐書香豪庭) is a residential development located in Nanan, Fujian Province, PRC, comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. Differ Humane Mansion (鼎豐書香豪庭) covers a total site area of approximately 23,762 sq.m and total gross floor area of approximately 85,197 sq.m. The revenue of Differ Humane Mansion (鼎豐書香豪庭) for 2023 was approximately RMB108.5 million (2022: RMB111.8 million).

Differ Sky Realm (鼎豐天境) is a residential development located in Lishui City, Zhejiang Province, PRC, comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. The said development covers a total site area of approximately 99,729 sq.m and a total gross floor area of approximately 377,494 sq.m upon completion. The revenue from the Differ Sky Realm (鼎豐天境) for 2023 was approximately RMB9.8 million (2022: RMB25.3 million).

(b) Rental income and management fee income

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB24.1 million during the Year (2022: RMB34.0 million). Such income mainly represented the income from rental income, asset management fee income and property management fee income.

(iii) Financial related services

(a) Express loan services

The Group mainly received interest income from the customers in the PRC and its associate. Our Group's express loan service income decreased by 29.9% from approximately RMB161.5 million in 2022 to approximately RMB113.2 million in 2023. The decrease of express loan service income was mainly due to the decrease of average loan receivables during the period.

(b) Finance lease services

Our Group mainly provide the finance lease services for machineries, properties and motor vehicles.

Our Group's finance lease services income decreased by 47.7% from approximately RMB8.8 million in 2022 to RMB4.6 million in 2023. The decrease was mainly due to the Group has adopted a prudent and conservative approach to run this business.

(c) Guarantee services

The Group did not receive any financing guarantee service income in 2023 (2022: approximately RMB4.4 million). The Group adopted a prudent approach of guarantee business causing the decrease of guarantee income.

(iv) Commodity trading business

In 2023, the Group recorded the income from commodity trading business of approximately RMB59.3 million (2022: RMB269.5 million) and the relevant cost of trading of commodities and gross loss were approximately RMB59.4 million (2022: RMB269.3 million) and RMB0.1 million (2022: gross profit RMB0.2 million) respectively. Commodity trading business is usually to be considered as a low profit margin business and it is to reap profit from volume of trade.

Other income

Other income increased from approximately RMB95.5 million in 2022 to approximately RMB96.9 million in 2023, representing an increase of approximately RMB1.4 million or 1.5%. The Group's other income in 2023 mainly represented bank and other interest income of RMB50 million and reversal of provision on financial guarantees of RMB42.7 million.

Costs of property sold

Costs of properties sold includes the cost of land, development expenditures, borrowing costs capitalised in accordance with the Group's accounting policy and other costs directly attributable to development of the properties. Revenue and the related cost of properties sold is recognised and transferred to profit or loss for the year when the control over the property has been transferred to the customer, being at a point in time when customer obtains control of completed properties in accordance with the revenue recognition of the Company.

The Group recorded cost of property development of approximately RMB1,542.3 million in 2023 (2022: RMB350.4 million). It mainly represented the land costs, construction costs and other relevant costs for part of i) Differ One City (鼎豐壹城), ii) Differ Humane Mansion (鼎豐書香豪庭), iii) Differ Sky Realm (鼎豐天境) and iv) She People Ancient City (畲鄉古城) projects.

During the Year, the Group recognised the amount of write-down of inventory on properties held for sale of approximately RMB162.2 million (2022: RMB47.3 million). The Group reviewed the market conditions of properties held for sale of the Group as at 31 December 2023, and made write-down of inventory on properties held for sale whose net realizable value was lower than cost. The Group estimates the net realizable value of properties held for sale mainly based on the latest selling prices and current market conditions.

Employee benefit expenses

The employee benefit expenses decreased from approximately RMB66.6 million in 2022 to approximately RMB39.4 million in 2023, representing a decrease of approximately RMB27.2 million or 40.8%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits.

Other expenses

The other expenses increased from approximately RMB365.6 million in 2022 to approximately RMB2,404.1 million in 2023, representing an increase of approximately RMB2,038.5 million or 557.6%, mainly attributable to the provision of impairment loss on financial assets of approximately RMB2,075.9 million in 2023 which was due to certain debtors failed to settle the consideration receivables, other receivables and the finance lease, loan and account receivables to the Group by due date during the year. The provision of impairment loss on financial assets of approximately RMB2,075.9 million in 2023 mainly represented the impairment loss on financial lease, loan and accounts receivables of RMB879 million and impairment loss on prepayments, deposits and other receivables of RMB1,196.9 million during 2023. For the details of the impairment of financial assets, please refer to section" Reversal of (impairment loss) on financial assets" in MD&A. The other expenses mainly comprised advertising expenses, impairment loss on goodwill, legal and professional fee, provision of impairment loss on financial assets and loss on discounting of consideration receivable.

The following table sets forth a breakdown of our other expenses:

	2023	2022
	RMB'000	*RMB'000*
Advertising expense	**51,731**	48,651
Impairment loss on goodwill	**86,034**	9,997
Legal and professional fee	**34,883**	17,066
Office expense	**17,555**	11,811
Provision of impairment loss on financial assets	**2,075,891**	89,558
Loss on discounting of consideration receivable	**78,658**	—
Loss on disposal of other financial assets	**1,685**	—
Loss on derecognition of other financial assets	—	14,400
Provision of financial guarantees	—	138,068
Others	**57,623**	36,005
	2,404,060	365,556

Share of results of associates

In 2023, the Group recorded share of loss of associate of approximately RMB232.7 million (2022: RMB9.8 million), primarily due to share of loss from Zhongcheng City Development Co., Limited* ("Zhongcheng") (中城城開集團有限公司). The share of loss of associate increased significantly in 2023 as there was a significant impairment loss made on certain receivables of the associate in 2023.

Zhongcheng mainly engaged in the provision of financial services, property development and management and commodity trading business in the PRC. In view of the sluggish PRC domestic economic growth, the industry downturn and the PRC economic recovery after the epidemic was not optimistic, during the year ended 31 December 2023, Zhongcheng's operation and business was significantly impacted and its revenue was decreased from RMB1,737.7 million to RMB729.7 million. Further, the loss of the associate was significantly increased from RMB20.0 million to RMB474.8 million, which is mainly attributable to: (i) the significant decrease in the performance from the business and operation of Zhongcheng; (ii) the impairment provision for account and other receivables of RMB393.5 million was made during the year. Accordingly, the result of share of losses of the associate attributable to the Company was increased from RMB9.8 million to RMB232.7 million.

During the year ended 31 December 2023, the Group transferred its 49% equity interest in Zhongcheng to one of the shareholders of Zhongcheng (the "Trustee") (the "Share Transfer") under a share transfer agreement with the Trustee date 27 November 2023 (the "Share Transfer Agreement"). However, pursuant to the trusting documents entered into between the Trustee and the Group, the Trustee holds 49% equity interest in Zhongcheng on behalf of the Group (the "Trusting Arrangement"). With the consultation of the Company's legal counselor, under the Trusting Arrangement, the Group is the beneficial owner of 49% equity interest in Zhongcheng and further, the Trustee is not obliged to and has no obligation to pay the consideration relating to the transfer of 49% equity interest in Zhongcheng to the Trustee under the Share Transfer Agreement. The directors of the Company consider that the Share Transfer is merely an arrangement for business purpose and the Group in fact did not dispose of any equity interest in Zhongcheng to the Trustee.

In such circumstances, the directors of the Company are of view that the Group is the beneficial owner in 49% equity interest in Zhongcheng, the Group has the power and rights to participate the policy-making process and has significant influence over Zhongcheng. Accordingly, the directors of the Company still consider to account for its investment in the Zhongcheng as an associate of the Group as the directors assessed that there is significant influence because the Group has the power and rights to participate in the financial and operating policy decisions of the Zhongcheng in accordance with Hong Kong Accounting Standard 28 (2011) "*Investment in Associates and Joint Ventures*".

Change in fair value of investment properties

The Group's investment properties are situated in the PRC and are held under the lease term from 40 to 50 years. As at 31 December 2023, the carrying amount of investment properties represents the shopping mall of Differ One City (鼎豐壹城) project and investment properties include parts of Chu Zhou Fu Cheng (處州府城) project, which are held for capital investment or held to earn rentals. The fair value loss on the Group's investment properties of approximately RMB155.2 million (2022: gain RMB14.4 million) in 2023 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions. The recognition of fair value loss of investment properties mainly attributable to the severe downward adjustment of the property market in PRC during the year.

Reversal of (impairment loss) on financial assets

As at 31 December 2023, the Group has the following material financial assets:

	Notes	2023 *RMB'000*	2022 *RMB'000*
Finance lease, loan and account receivables			
Finance lease receivables	*(a)*	**12,587**	82,167
Loan receivables	*(b)*	**—**	246,093
Receivables from guarantee customers	*(c)*	**—**	10,864
Account receivables	*(d)*	**87,160**	101,664
		99,747	440,788
Deposits and other receivables			
Consideration receivables		**862,283**	1,262,693
Amount due from an associate		**822,429**	588,683
Other receivables	*(e)*	**247,215**	76,186
Prepaid expenses		**12,989**	28,225
Other deposits paid		**6,040**	74,306
		1,950,956	2,030,093
Less: Impairments		**(1,223,827)**	(26,953)
		727,129	2,003,140

Further details of the Group's finance lease, loan and account receivables are set out in note 15 of this announcement.

Note:

(a) Finance lease receivables

	2023 *RMB'000*	2022 *RMB'000*
Finance lease receivables	**91,556**	86,945
Less: Impairments	**(78,969)**	(4,778)
	12,587	82,167

(b) Loan receivables

	2023	2022
	RMB'000	*RMB'000*
Loan receivables	**650,455**	251,106
Less: Impairments	**(650,455)**	(5,013)
	—	246,093

During the year, the Group granted 3 new unsecured loans to certain borrowers in which the aggregate net loan balances increased by RMB414,551,000 ("Loan Receivables"). The below sets out details of the increase in net balances of the total unsecured loans granted by the Group during the year:

	Customer	**Amount**	**Reason of granting loans at that material time**	**Whether it is carried out as part of the ordinary course of business**
(i)	Party A*	RMB4,437,765	Corporate borrowings	Yes
(ii)	Party B	RMB10,112,900	Corporate borrowings	Yes
(iii)	Party C *(Note 1)*	RMB400,000,000	Special Loan	Yes

* Party A is a customer under financial related services business of the Group and also a supplier under the automobile e-commerce business of the Group.

Notes:

1. The Group has granted the special loan (the "Special Loan") to Party C because the Group is considering to acquire the assets of Party C (the "Target Assets"), which mainly holds certain land use rights and property, plant and equipment pursuant to the 合作框架協議. If the Group eventually determined to acquire the Target Assets, the principal and the relevant interests of the Special Loan will be used to set off with the consideration to be paid by the Group. On the contrary, if the Group eventually determined not to acquire the Target Assets, the principal and the relevant interests will be repaid by Party C at the then material time pursuant to the 合作框架協議. To secure the repayment of the Special Loan, the shareholder of Party C shall charge its shareholdings of Party C to the Group as collateral for the Special Loan but the shareholder of Party C has failed to do so. The maturity date of the Special Loan will be on 2 July 2024 (18 months from the date of 合作框架協議, 3 January 2023).

For the year ended 31 December 2023, since Party C has not yet repaid any portion of the principal and interest of the Special Loan to the Group and the shareholder of Party C failed to charge its shareholdings of Party C to the Group as collateral for the Special Loan, the directors of the Company have taken certain alternatives to recover the Loan Receivables from Party C, such as to take legal claim and litigation actions against them to recover for the outstanding amount of the Special Loan and request the charge of the shareholdings of Party C to the Group as collateral for the Special Loan. As at the date of this announcement, the Group still has not received any responses from Party C and its shareholder.

In this circumstance, the directors of the Company consider that it is uncertain and the possibility is low in recovering the outstanding Loan Receivables from Party C in the near future. It is more prudence and conservative and thus, the Group recognised full impairment of the Loan Receivables from Party C.

2. The directors of the Company have taken certain alternatives to recover the Loan Receivables from these customers, borrowers and counterparties, such as to take legal claim and litigation actions against them.

   In the circumstance of default in settlement, the directors of the Company consider that it is uncertain and the possibility is low in recovering the outstanding Loan Receivables from the customers, borrowers and counterparties in the near future. It is more prudence and conservative and thus, the Group recognised full impairment of the Loan Receivables.

(c) Receivables from guarantee customers

	2023	2022
	RMB'000	*RMB'000*
Receivables from guarantee customers	**29,450**	29,661
Less: Impairments	**(29,450)**	(18,797)
	—	10,864

(d) Account receivables

	2023	2022
	RMB'000	*RMB'000*
Housing vouchers (房票) regarding the proceeds receivable from assets management	**79,352**	—
Proceeds receivables from assets management	**80,037**	74,345
Interest receivables from finance lease receivables and loan receivables	**77,213**	29,612
Rental income receivables	**1,559**	1,559
	238,161	105,516
Less: Impairments	**(151,001)**	(3,852)
	87,160	101,664

The below sets out details of the default in settlement of the receivables from certain customers, borrowers and counterparties of approximately RMB142,550,000:

	Customer	Amount	Reason of granting loans at that material time	Whether it is carried out as part of the ordinary course of business
(i)	Party D	RMB5,621,180	Interest of Loan (interest bearing at 25% per annum)	Yes
(ii)	Party E	RMB63,500,000	Sale of property	Yes
(iii)	Party F *(Note 1)*	RMB1,559,232	Rental income	Yes
(iv)	Party G	RMB48,000,000	Interest of loan (interest bearing at 12% per annum)	Yes
(v)	Party C##	RMB23,592,329	Interest of the Special Loan (interest bearing at 7.8% per annum)	Yes
(vi)	Party H##	RMB276,900	Others	

As described in note 15 "Doubtful Account Receivables"

Notes:

1. It was rental income receivables over-provided in prior year.

2. The directors of the Company have taken certain alternatives to recover the Doubtful Account Receivables from these customers, borrowers and counterparties, such as to take legal claim and litigation actions against them.

   In the circumstance of default in settlement, the directors of the Company consider that it is uncertain and the possibility is low in recovering the outstanding Doubtful Account Receivables from the customers, borrowers and counterparties in the near future. It is more prudence and conservative and thus, the Group recognised full impairment of the Doubtful Account Receivables.

(e) Other receivables

Further details of the Group's other receivable are set out in note 16 of this announcement.

During the year ended 31 December 2023, the Doubtful Other Receivables by the Group was in an aggregate amount of approximately RMB129,687,000.

The below sets out details of the Doubtful Other Receivables:

	Counterparties	Relationship	Amount	Reason of granting loans of that material time	Whether it is carried out as part of the ordinary course of business
(i)	Party I	Customer	RMB2,567,512	Loan for daily operations	Yes
(ii)	Party J	Supplier	RMB3,900,000	Prepayments	Yes
(iii)	Party K	Supplier	RMB5,941,906	Prepayments	Yes
(iv)	Party L	Supplier	RMB45,415,120	Prepayments	Yes
(v)	Party M	Supplier	RMB3,406,152	Prepayments	Yes
(vi)	Party A*	Customer and Supplier	RMB50,000,000	Prepayments	Yes
(vii)	Party N	Supplier	RMB3,650,000	Prepayments	Yes
(viii)	Party O	Supplier	RMB14,805,840	Prepayments	Yes

* Party A is a customer under financial related services business of the Group and also a supplier under the automobile e-commerce business of the Group.

Notes:

1. The directors of the Company have taken certain alternatives to recover the Doubtful Other Receivables from these customers, borrowers and counterparties, such as to take legal claim and litigation actions against them.

   In the circumstance of default in settlement, the directors of the Company consider that it is uncertain and the possibility is low in recovering the outstanding Doubtful Other Receivables from the customers, borrowers and counterparties in the near future. It is more prudence and conservative and thus, the Group recognised full impairment of the Doubtful Other Receivables.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including finance lease, loan and account receivables, deposits and other receivables, amounts due from associates and related companies, restricted bank deposits and bank balances) and other items (financial guarantee contracts) which are subject to impairment assessment under HKFRS 9 Financial Instruments. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

There are following three stages related to the ECL impairment assessment performed by the Group:

Category	**Basis for recognising ECL**	**Description**
Stage 1	12-month ECL	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows.
Stage 2	Life time ECL — not credit-impaired	Receivables are 30 days past due or there has been a significant increase in credit risk since initial recognition.
Stage 3	Lifetime ECL — credit-impaired	Receivables are 90 days past due or there is evidence indicating the assets is credit-impaired.

The following table provides information about the Group's exposure to credit risk and ECL for finance lease, loan and account receivables, amount due from an associate, other receivables and consideration receivables as at 31 December 2023:

	Notes	Category	Average expected loss rate %	Balance as at 31 December 2023 Gross carrying amount RMB'000	Balance as at 31 December 2023 Loss allowance RMB'000	Year ended 31 December 2023 Impairment loss recognised RMB'000	Year ended 31 December 2023 Reversal of impairment loss recognised RMB'000
Finance lease, loan and account receivables							
Account receivables	(a)	12-month ECL	8.8	95,611	(8,451)	(8,069)	—
		Lifetime ECL (not credit-impaired)	N/A	—	—	—	232
	(a) and (b)	Lifetime ECL (credit-impaired)	100.0	142,550	(142,550)	(139,312)	—
				238,161	(151,001)	(147,381)	232
Finance lease receivables		12-month ECL	N/A	—	—	—	—
		Lifetime ECL (not credit-impaired)	N/A	—	—	—	7
	(a) and (b)	Lifetime ECL (credit-impaired)	86.3	91,556	(78,969)	(75,499)	1,301
				91,556	(78,969)	(75,499)	1,308
Receivables from guarantee customers		12-month ECL	N/A	—	—	—	—
		Lifetime ECL (not credit-impaired)	N/A	—	—	—	—
	(a) and (b)	Lifetime ECL (credit-impaired)	100.0	29,450	(29,450)	(10,653)	—
				29,450	(29,450)	(10,653)	—
Loan receivables		12-month ECL	N/A	—	—	—	42
		Lifetime ECL (not credit-impaired)	N/A	—	—	—	—
	(a) and (b)	Lifetime ECL (credit-impaired)	100.0	650,455	(650,455)	(645,484)	—
				650,455	(650,455)	(645,484)	42
Other receivables							
Amount due from an associate		12-month ECL	N/A	—	—	—	—
	(a)	Lifetime ECL (not credit-impaired)	21.5	822,429	(176,535)	(163,285)	—
		Lifetime ECL (credit-impaired)	N/A	—	—	—	—
				822,429	(176,535)	(163,285)	—
Other receivables	(a)	12-month ECL	8.8	68,237	(6,033)	(6,033)	—
		Lifetime ECL (not credit-impaired)	N/A	—	—	—	—
	(a) and (b)	Lifetime ECL (credit-impaired)	100.0	178,978	(178,976)	(178,949)	—
				247,215	(185,009)	(184,982)	—
Consideration receivables		12-month ECL	N/A	—	—	—	—
		Lifetime ECL (not credit-impaired)	N/A	—	—	—	—
	(a) and (b)	Lifetime ECL (credit-impaired)	100.0	862,283	(862,283)	(848,607)	—
				862,283	(862,283)	(848,607)	—
				2,941,549	(2,133,702)	(2,075,891)	1,582

Notes:

(a) The expected loss rates are derived from the gross carrying amounts and loss allowances as at 31 December 2023 after taken into account of the collaterals, historical default rate and forward-looking information when determined the loss allowances in accordance with the Company's accounting policy.

The Group engaged APAC Appraisal and Consulting Limited (the "Valuer"), which is an external, independent, and qualified valuer to determine the expected credit loss of the Group's receivables. The Valuer comprises a team of professional individuals, who are members of various professional bodies (or charter holders of their programs), such as CFA Institute (CFA Charter), GARP (FRM), International Association of Certified Valuation Specialists (ICVS) and the Royal Institution of Chartered Surveyors (RICS). The past work of the Valuer covered a wide variety of industries, including but not limited to pharmaceutical products and medical services, mining and exploration, power generation, banking and finance, information technology and telecommunication.

Given that the nature of the receivables, the Valuer has adopted general approach to perform the Valuation. The probability-weighted loss default ("PLD") model is adopted in the ECL valuation. The PLD model is considered to be the standard ECL formula which is straightforward and commonly applied methodology of general approach.

There is no subsequent change in the valuation approach and methodology from that previously adopted as the receivables was initially incurred in the Year.

The PLD model involves the following five key parameters (i.e. inputs):

(i) Probability of default ("PD");

(ii) K-factor ("K");

(iii) Loss given default ("LGD");

(iv) Exposure at default ("EAD"); and

(v) Discount factor ("DF").

In this model, the total ECL is derived by summing up the ECL of all the expected default events within a specific period. The total ECL for each possible event is calculated as the product of the five parameters above, through the formula shown below:

$\mathrm{ECL} = \mathrm{PD} \times \mathrm{K} \times \mathrm{LGD} \times \mathrm{EAD} \times \mathrm{DF}$

Where:

PD: The calculation of the adopted probability of default was reference to "Moody's Annual default study" provided by Moody's Investors Service. The probability of default rate adopted for the ECL assessment as at the Valuation Date ranged from 8.97% to 100%.

K: The K-factor was defined as a forward-looking adjustment factor derived, it was determined by the historical default rate was reference to the Moody's publication of global default rates, and the historical and forecast the macroeconomic factors of China with reference to "International Monetary Fund, World Economic Outlook Database, 2023" through regression model.

LGD: The Loss given default was calculated as (1 — expected recovery rate). Per discussion with management, the expected recovery rate was assumed to be 0% as the financial information of the counterparties were not available, and the Company considered that the recovery of outstanding receivables to be not likely as at the Valuation Date.

EAD: The exposure at default is the difference between the fair value of collaterals (if any) and the outstanding balance of the receivables.

DF: The discount factor was defined as the factor that needs to be multiplied in order to convert future cash flows into the present value at the measurement date. The discount factor adopted for the ECL assessment as at the Valuation Date ranged from 0.93 to 1.

Assumptions:

In the course of the valuation, a number of specific assumptions and caveats have been made. The Valuer has based on the following to arrive at our valuation conclusion.

- It is assumed that none of the subject Receivables are credit impaired on initial recognition.
- The stage classification of the Receivables was conducted in accordance with HKFRS 9 based on management's assessment of the conditions of the Receivables as at the Valuation Date.
- As the financial information of the counterparties is not readily available, a complete credit assessment of the Receivables was not possible. Per advice from the management, it is assumed that the corporate credit rating of the counterparties is CCC/C as individual financial information is not available.
- The PDs adopted in our analysis are sourced from "Moody's Annual default study" provided by Moody's Investors Service, on the assumption that there is no material difference between the expected default rates of the Receivables and the historical default rates of the all-rated corporate debts as at the Valuation Date.
- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation.
- There will be no major changes in the current taxation law in the areas in which the Company conducting their business, that the rate of tax payable remains unchanged and there all applicable laws and regulations will be complied with.
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing.
- There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing businesses.
- The Company will remain free from claims and litigation (except for legitimate claims resulting from the subject receivables) against the business or their customers that will have a material impact on value.
- The businesses are unaffected by any statutory notice and that operation of the businesses give, or will give, no rise to a contravention of any statutory requirements.

- The businesses are not subject to any unusual or onerous restrictions or encumbrances.

Discussion of the valuation process and results had been held between management and the valuer in respect of the valuation as at the reporting date.

Based on the impairment assessment conducted by the directors of the Company, the Group had impairment loss and reversal of impairment loss recognised amounted to approximately RMB2,075,891,000 and RMB1,582,000 which were charged or credited to the profit or loss for the year ended 31 December 2023, respectively.

(b) Despite the exerted efforts of the directors of the Company to request the customers, borrowers and counterparties in settling the outstanding balances due to them on time, however, up to the date of the approval for issuance of the consolidated financial statements, these customers, borrowers and counterparties did not settle their outstanding balances in accordance with the terms of the relevant contracts and agreements. The directors of the Company have taken certain alternatives to recover the receivables from these customers, borrowers and counterparties, such as to take legal actions against them. In the circumstance of default in settlement, the directors of the Company considered that there is evidence indicating that such outstanding balances amounted to approximately RMB1,955,272,000 are credit-impaired. Taking into account the status of collaterals, the deposits received from financial lease customers and the low possibility to recover the receivables from these customers, borrowers and counterparties and hence, the Group recognised full impairment of such outstanding balances with them amounted to approximately RMB1,898,504,000 which was charged to profit or loss for the year ended 31 December 2023.

The directors of the Company consider that the information used in its impairment assessment represented the best available estimates from the information available.

Loss for the year attributable to the owners of the Company

Our Group's loss for the year attributable to the owners of the Company was approximately RMB2,522.3 million in 2023, representing an increase in loss of approximately RMB2,342.1 million, from net loss of approximately RMB180.2 million in 2022.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 25 December 2023, the Group entered into a sale and purchase agreement with associates to dispose (the "Disposal") of 100% equity interest in Xiamen Lun Hui Trading Company Limited ("Xiamen Lun Hui") at consideration of RMB2,000,000. The Group acquired Xiamen Lun Hui on 2 May 2018. The principal business of Xiamen Lun Hui is engaged in property holding business in the PRC. The Group recognised a loss on disposal of Xiamen Lun Hui amounted to approximately RMB47,223,000 which was charged to profit or loss for the year.

Pursuant to the judgment by the Higher Court of Fujian Province, Xiamen Lun Hui is liable to repay the loan (i) owed by Shishi Fu Rong Trading Company Limited* (石獅富融商貿有限公司) to China Citic Bank, Quanzhou Branch (the "Bank"), in the principal amount of RMB69,000,000 and the corresponding interests and penalty, as well as (ii) owed by Fujian Jing Fu Huei Textile Technology Company Limited* (福建京福輝紡織科技有限公司) to the Bank, in the principal amount of RMB29,000,000 and the corresponding interests and penalty. As Xiamen Lun Hui, as guarantor, has pledged its properties to the Bank which has right to sell or auction Xiamen Lun Hui's assets to repay the debts. The Group realised the Bank has disposed its rights under the said borrowings to a PRC asset management company, China Cinda Asset Management Co., Ltd, Fujian Branch* (中國信達資產管理股份有限公司福建省分公司) (the "AM Co.") in late September 2022. In the event of failure to repay the outstanding balances, the creditors have the right to proceed the sale of pledged properties under the banking facilities. Further, Xiamen Dongfang Zhidao Cultural Technology Co., Ltd.* (廈門東方智道文化科技有限公司) has also filed a claim against Xiamen Lun Hui claiming for approximately RMB6,030,000 (the "Claim").

The Group notice, apart from the pledged properties, which will be enforced by the Bank, with the carrying amount of RMB80.2 million as at the date of the Disposal, there were prepayment, deposits and other receivables of approximately RMB43,000 and cash and bank balance of approximately RMB7,000 recorded in the book of Xiamen Lun Hui. The Group consider with the enforcement, the prospect for Xiamen Lun Hui to recover will be minimal and the cost for keeping Xiamen Lun Hui might not be worthwhile.

At that material time, the associate is the only potential purchaser which showed its interest to acquire Xiamen Lun Hui. The Directors believe and consider that based on the economic environment, the fund to be generated by the Disposal and considering the Claim as mentioned above, assuming no further resources could be allocated, would provide a good opportunity for the Group to dispose the equity interest of Xiamen Lun Hui so as to release funds which will be used as general working capital of the Group would be a better option for the Group. The Board is of the view that the disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the disposal of Xiamen Lun Hui are below 5%, the disposal of Xiamen Lun Hui did not constitute a notifiable transaction under Chapter 14 of the Listing Rules. Please find enclosed the 5-test calculated at that time for your reference.

Furthermore, the associates, are associate company of the Group, which is not a connected person and therefore the disposal of Xiamen Lun Hui did not constitute a connected transaction under Chapter 14A of the Listing Rules as well.

Further, pursuant to the Company's announcement dated 13 October 2023, the Group reconsolidated the entire equity interest in Xiamen Differ Group through the set-off of the consolidation receivables of approximately RMB313,000,000.

Saved as disclosed above, there was no significant investment and material acquisition or disposal of subsidiaries and affiliated companies in 2023.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The following information is disclosed in accordance with Chapter 13 of the Listing Rules.

On 12 November 2020, China Overseas Urban Development Co., Ltd* (中海外城市開發有限公司) (as the purchaser), entered into the reorganisation agreement ("Reorganisation Agreement") with the Group to acquire 51% of the entire issued share capital of the Zhongcheng City Development Group Co., Limited ("Zhongcheng") 中城城開集團有限公司, Zhongcheng became the 49% associate of the Company on 31 December 2020.

Pursuant to the Reorganisation Agreement, the Group agreed to provide financial assistance to Zhongcheng and its subsidiaries ("Zhongcheng Group") with a cap of RMB750,000,000. As at 31 December 2023, the net outstanding principal amount was approximately RMB645,894,000.

The principal terms of the financial assistance are as follows:

Loan cap:	Up to RMB750 million
Interest rate:	Interest-free for 2021 and 10% per annum from 1 January 2022 until full repayment
Loan period:	No fixed repayment date

A condensed consolidated statement of financial position of the Zhongcheng Group as at 31 December 2023 is set out below:

	RMB'000
Current assets	1,308,304
Non-current assets	168,712
Current liabilities	(1,205,796)
Non-current liabilities	(10,583)
Net assets	260,637

As at 31 December 2023, the Group's attributable interest in the Zhongcheng Group amounted to approximately RMB127,712,000.

OUTLOOK

Uncertainties in the PRC's economic growth and geopolitical environment continue to have a negative impact on the post-pandemic recovery of the PRC in the short run. China's real estate industry was affected significantly under the pressure of shrinking demand, supply chain disruption and weakened expectations.

Therefore, the Group will continue to ensure stable operation of its existing business lines, including real estate projects in the asset management business and the development of automobile e-commerce business. The Group will continue to adopt a prudent approach to the asset management business, by closely monitoring the rapidly changing environment of the Chinese property market, seizing various opportunities to transact for valuable assets at a suitable time and ensuring steady income streams to generate satisfactory returns for shareholders.

For responding the existing rights and claims of all creditors in a fair and equitable manner, the Company and its consultant team continued to conduct discussions with the creditors on the detailed terms and conditions of the proposed scheme of arrangement ("Scheme") to steadily advance the formulation of the Scheme for the debts. In light for more time for the Company to carry out other corporate exercise, the Company obtained the approval of the High Court of Hong Kong to adjourn the direction hearing for the Scheme, hearing for the sanction of the Scheme and the hearing for the winding up petition.

CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, saved as those disclosed elsewhere in this result announcement, the Group did not have any significant contingent liabilities.

COMMITMENT

As at 31 December 2023, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,078,077,000 (2022: RMB1,128,536,000).

As at 31 December 2023, the Group had capital commitment, which were contracted but not provided for, in respect of the capital injection to an associate of RMB195,000,000 (2022: RMB196,000,000).

At the reporting date, the Group had the following capital and other commitments:

	2023	2022
	RMB'000	*RMB'000*
Contracted, but not provided for		
Property development	**261,469**	181,449
Property, plant and equipment	**—**	202,157
	261,469	383,606

As at 31 December 2023 and 2022, saved as those disclosed elsewhere in this result announcement, the Group did not have any significant commitment.

FOREIGN EXCHANGE RISK MANAGEMENT

The exposure to currency exchange rate of the Group is minimal as majority of the Group's subsidiaries operates in the PRC with most of the transaction denominated and settled in RMB. Part of the Group's borrowings and corporate bonds are denominated in the currencies other than RMB. Such currencies are HK$ and United States dollars and their RMB equivalent amounts are approximately RMB664.9 million and RMB313.4 million as at 31 December 2023 respectively. The Group has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation has no significant impact on our Group's financial performance.

TREASURY POLICIES

Our Group continuously monitors our current and expected liquidity requirements as well as our cash and receivables in order to ensure that we maintain sufficient liquidity to meet our liquidity requirements. In particular, we monitor the ageing of our loan and account receivables as well as the maturity profile of our corporate bonds and bank and other borrowings.

FINAL DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

EVENT AFTER THE REPORTING DATE

Saved as disclosed elsewhere in this result announcement, there is no significant event identified by the Directors subsequent to the report period.

HUMAN RESOURCES

As at 31 December 2023, the Group had a total of 197 employees (2022: 336). The staff costs (included Directors' emoluments) were approximately RMB39.4 million for the year ended 31 December 2023 (2022: RMB66.6 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme. The Group also maintains the Mandatory Provident Fund ("MPF") Scheme and insurance for its employees in Hong Kong. Contributions to the MPF Scheme are in accordance with the statutory limits prescribed by the MPF ordinance. The Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved for those disclosed in this annual report, there was no specific plan for material investments or capital assets as at 31 December 2023 (2022: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB137.5 million (2022: RMB168.9 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 37.5% as at 31 December 2023 (2022: 16.4%). The current ratio is 0.82 times as at 31 December 2023 (2022: 1.02 times). The Group did not use any financial instruments for hedging purpose.

During the year ended 31 December 2023, the movements of the share capital of the Company are as following:

(i) 2023 First Placing of shares

On 17 April 2023, pursuant to a placing agreement, the Company agreed to place up to an aggregate of 1,441,677,576 ordinary shares of the Company to not less than six placees who and whose beneficial owners are independent third parties at the placing price of HK$0.140 per placing share ("2023 First Placing").

The placing price represented a discount of approximately 6.67% to the closing price of HK$0.15 per share as quoted on the Stock Exchange on the date of the placing agreement. A total of 1,407,132,000 placing shares have been successfully placed to not less than six placees and 2023 First Placing was completed on 9 May 2023. The 1,407,132,000 placing Shares represented (i) approximately 19.52% of the issued share capital of the Company immediately before the completion of 2023 First Placing; and (ii) approximately 16.33% of the issued share capital of the Company as enlarged by the allotment and issue of all the placing Shares.

The gross proceeds from 2023 First Placing were approximately HK$197 million.

The net proceeds of approximately HK$190.7 million (after deduction of commission and other expenses of the placing) from the placing, representing a net issue price of approximately HK$0.136 per placing share, were intended to be applied in the manner as follows: (i) approximately HK$100.0 million shall be used for repayment of the outstanding indebtedness; and (ii) approximately HK$90.7 million shall be used for general working capital of the Group.

As at 31 December 2023, the utilised net proceeds from the 2023 First Placing was approximately HK$190.9 million including HK$104 million used for repayment of the outstanding indebtedness and HK$86.9 million used for general working capital of the Group.

Details of the 2023 First Placing are set out in the Company's announcements dated 17 April 2023, 28 April 2023 and 9 May 2023.

(ii) 2023 Second Placing of shares

On 28 September 2023, pursuant to a placing agreement, the Company agreed to place up to an aggregate of 1,723,103,976 ordinary shares of the Company to not less than six placees who and whose beneficial owners are independent third parties at the placing price of HK$0.055 per placing share ("2023 Second Placing").

The placing price represented a discount of approximately 16.7% to the closing price of HK$0.066 per share as quoted on the Stock Exchange on the date of the placing agreement. A total of 363,620,000 placing shares have been successfully placed to not less than six placees and 2023 Second Placing was completed on 11 October 2023. The 363,620,000 placing Shares represented (i) approximately 4.22% of the issued share capital of the Company immediately before the completion of the placing and (ii) approximately 4.05% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of 2023 Second Placing.

The gross proceeds from 2023 Second Placing were approximately HK$20 million.

The net proceeds of approximately HK$19.4 million (after deducting the placing commission and other related expenses incurred in relation to the placing), representing a net issue price of approximately HK$0.0533 per placing share, which are intended to be used of approximately HK$8.0 million for general working capital of the Group and (ii) approximately HK$11.4 million for the costs of the implementation of the restructuring plan of the Company.

As at 31 December 2023, the utilised net proceeds from 2023 Second Placing was approximately HK$10.3 million including HK$4.0 million used for general working capital of the Group and HK$6.3 million used for the costs of the implementation of the restructuring plan of the Company.

The unutilised net proceeds up to 31 December 2023 of HK$4 million and HK$5.1 million would be used in the first half of 2024 for general working capital of the Group and the costs of the implementation of the restructuring plan of the Company respectively.

Details of the 2023 Second Placing are set out in the Company's announcements dated 28 September 2023 and 11 October 2023.

The Board consider that these placing represents a good opportunity for the Company to raise additional funds for the operating expenses of the Group and to strengthen the Group's financial position, while broadening the capital base of the Company so as to maintain a healthy working capital position for alleviating the Group's liquidity pressure. The placing will also broaden the Company's shareholder base with an aim of improving the liquidity of the Shares.

Subsequent to 31 December 2023 and up to the date of the approval for issuances of the consolidated financial statements, the movements of the share capital of the Company are as followings:

(a) Capital Reorganisation, comprised the Share Consolidation and Increase in Authorised Share Capital as described below:

(i) Share Consolidation

Pursuant to the Company's announcement dated 19 December 2023, the Company implemented the share consolidation (the "Share Consolidation") on the basis that every ten (10) existing shares (the "Existing Shares") of par value of HK$0.0025 each would be consolidated into one (1) consolidated share (the "Consolidated Share") of HK$0.025 each.

On 19 December 2023, the authorised share capital of the Company was HK$50,000,000 divided into 20,000,000,000 Existing Shares of par value of HK$0.0025 each, of which 8,979,139,880 Existing Shares have been issued and were fully paid or credited as fully paid.

The Share Consolidation was approved by the shareholders of the Company at the extraordinary general meeting held on 19 February 2024.

Immediately after the Share Consolidation became effective on 21 February 2024, the authorised share capital of the Company was changed to HK$50,000,000 divided into 2,000,000,000 Consolidated Shares of par value of HK$0.025 each, of which 897,913,988 Consolidated Shares were in issue and fully paid or credited as fully paid.

Upon the Share Consolidation became effective, the Consolidated Shares rank pari passu in all respects with each other.

(ii) Increase in Authorised Share Capital

Pursuant to the Company's announcement dated 19 December 2023, the Company proposed to increase the authorised share capital of the Company from HK$50,000,000 divided into 20,000,000,000 Existing Shares (equivalent to 2,000,000,000 Consolidated Shares) to HK$250,000,000 divided into 100,000,000,000 Existing Shares (equivalent to 10,000,000,000 Consolidated Shares) by the creation of an additional 80,000,000,000 new Existing Shares (equivalent to 8,000,000,000 new Consolidated Shares) (the "Increase in Authorised Share Capital").

The Increase in Authorised Share Capital was approved by the shareholders of the Company at the extraordinary general meeting held on 19 February 2024.

Immediately after the Increase in Authorised Share Capital became effective on 21 February 2024, the authorised share capital of the Company was changed to HK$250,000,000 divided into 10,000,000,000 Consolidated Shares of par value of HK$0.025 each.

(b) 2024 Placing of shares

Pursuant to the Company's announcement dated 19 December 2023, on 19 December 2023, the Company and a placing agent (the "Placing Agent") entered into a placing agreement (the "Placing Agreement"), pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a partially underwritten basis up to HK$10,000,000 (representing 27,777,778 new Consolidated Shares), 138,888,889 new Consolidated Shares (the "Placing Shares") to certain placees who and whose beneficial owners are Independent Third Parties at HK$0.36 per Placing Share (the "Placing Price") (the "2024 Placing").

The Placing Price of HK$0.36 per Placing Share represented (i) a discount of approximately 34.5% to the closing price of HK$0.055 per share as quoted on the Stock Exchange on 19 December 2023, being the date of the Placing Agreement (assuming the Share Consolidation has become effective); (ii) a discount of approximately 39.2% to the average closing price of HK$0.0592 per share on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Placing Agreement (assuming the Share Consolidation has become effective); and (iii) a discount of approximately 44.4% to the average closing price of HK$0.0647 per share on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the date of the Placing Agreement (assuming the Share Consolidation has become effective).

The Placing Shares were allotted and issued under the special mandate (the "Specific Mandate") which was approved by the shareholders of the Company at the extraordinary general meeting held on 19 February 2024.

Pursuant to the Company's announcement dated 29 February 2024, all the conditions of the 2024 Placing have been fulfilled and completion of the 2024 Placing took place on 29 February 2024. A total of 41,510,000 Placing Shares have been successfully placed to those placees at the Placing Price of HK$0.36 per Placing Share pursuant to the terms and conditions of the Placing Agreement.

The net proceeds from the 2024 Placing, amounted to approximately HK$13.6 million (equivalent to RMB12.2 million) are intended to be used of:

(i) as to HK$10 million (equivalent to RMB9 million), being the underwritten part, for part repayment of debts to the creditors of the Company; and

(ii) as to HK$3.6 million (equivalent to RMB3.2 million) for general working capital for the period from March 2024 to December 2025 (22 months) which is necessary to allow the Company and Hong Kong subsidiaries of the Company.

The Placing Shares rank pari passu in all respects with the shares in issue on the date of allotment and issue of the Placing Shares.

Details of the above are set out in the Company's announcements dated 19 December 2023, 5 January 2024, 26 January 2024 and 29 February 2024 and the Company's circular dated 26 January 2024.

As disclosed in the announcement of the Company dated 20 June 2023, the Company was served with a winding-up petition issued with the High Court of Hong Kong for the winding-up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) under Companies Winding-up Proceedings No. 266 of 2023 on 20 June 2023. In the circumstances, the Company has to apply to the High Court for a validation order to use the proceeds from 2024 Placing.

As disclosed in the circular dated 26 January 2024, the Company proposed to conduct rights issue to raise capital for the cash compensation elements to the Scheme Creditors. However, after careful consideration and detailed evaluation of the financial position of the Company, especially after taking into account the suspension of trading of the Shares with effect from 2 April 2024, the Company considered that it is impracticable to conduct rights issue to raise capital for the cash compensation element for the Scheme Creditors, and it is in the benefit of the Company, the Shareholders and the Scheme Creditors to remove the element of the cash compensation from the Scheme. In the circumstances, the Board had resolved to change the use of net proceeds in the following manner:

(i) approximately HK$6.3 million for the costs for the implementation of the Scheme after the Scheme has become effective; and

(ii) approximately HK$7.3 million for the general working capital of the Company and Hong Kong subsidiaries of the Company for the period from March 2024 to December 2025.

The Company has applied to the High Court and the High Court has approved the validation order for the use of proceeds from the 2024 Placing. No proceeds from the Placing have been utilised as at the date of this announcement.

The capital structure of the Group consists of net debts, which include the bank and other borrowings, corporate bonds and net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

CHARGE ON ASSETS

As at 31 December 2023, the Group's restricted bank deposits of approximately RMB119.8 million (2022: RMB142.6 million) were mainly pledged to secure for construction of pre-sale properties and the Group's facilities of providing guarantee services to the customers. As at 31 December 2023, the Group's inventories of properties with carrying amount of RMB1,642.2 million (2022: RMB1,427 million), property, plant and equipment with carrying amount of RMB506,574,000 (2022: Nil), investment properties with carrying amount of RMB866.1 million (2022: RMB769.8 million) and 100% share equity of a subsidiary (2022: 100%) were pledged to secure for bank and other borrowings with carrying amount approximately RMB1,269.7 million (2022: RMB373.5 million) and financial related services business in PRC.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme was adopted by the Company on 26 November 2013. Eligible participants of the Scheme include (a) full time or part time employees of our Group (including any Directors or directors of any subsidiary or any invested entity); (b) any suppliers, customers, consultants, agents, advisers, service providers; (c) any shareholder of any member of our Group or any invested entity or any holder of any securities issued by any member of our Group or any invested entity and partner or joint venture partner of our Company or any subsidiary or any invested entity; and (d) and person who, in the sole discretion of the board of directors, has contributed or may contribute to our Group or any invested entity eligible for any options under the Scheme. The Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted.

An offer of the grant of any option under the Scheme may be accepted within 21 business days from the date of grant together with a remittance of HK$1.00 by way of consideration for the grant thereof. No option shall be granted to any eligible person if any further grant of options would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person in the 12 months period up to and including such further grant would exceed 1% of the total number of shares in issue, unless such further grant has been duly approved by the Company's shareholders in general meeting.

The exercise price of the option shall be determined at the discretion of the board of directors which shall be the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. Details of the principal terms are set out in the paragraph headed "Share Option Scheme" under the section headed "Statutory and General Information" of the Prospectus.

The total number of shares in respect of which options may be granted under the Scheme shall not exceed 400,000,000 shares, being 5.55% of the total number of shares in issue as at 1 January 2023. As at 31 December 2023 and the date of this report, no share options may be granted under the Scheme as the Scheme has expired on 25 November 2023. On 25 April 2016, the Company granted an aggregate of 84,108,000 share options to the eligible persons. All share options which were granted under the Scheme had lapsed as at 31 December 2021.

The Scheme has expired on 25 November 2023 and no further share options can be offered or granted upon its expiration. No share options were granted during the year ended 31 December 2023 and no share options were outstanding as at 1 January 2023 and 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

THE CREDITORS' SCHEME OF ARRANGEMENT (THE "SCHEME") AND PROPOSED RESTRUCTURING OF THE COMPANY

On 30 June 2023, the Company has appointed the Restructuring Adviser to liaise with the Company's creditors and to assist in the formulation of a restructuring plan. With the help of its Restructuring Adviser, the Board was able to formulate the terms of the Proposed Restructuring, which the Board considers to be in the interest of all of the stakeholders in the Company, including the Scheme Creditors.

The Proposed Restructuring comprises two main components namely (i) Increase in Authorised Capital; and (ii) the Scheme.

1. The Increase in Authorised Capital: to facilitate the issuance of Scheme Shares, the Company will reorganize its capital by increasing its authorised share capital from HK$250,000,000 divided into 10,000,000,000 Shares to HK$2,500,000,000 divided into 100,000,000,000 Shares.

2. The Scheme: the Scheme Claims of the Scheme Creditors against the Company as at the Effective Date will be discharged and released in full. In return, the Scheme Creditors whose claims are admitted will be entitled to the benefit of the Scheme Consideration which consists of the Scheme Shares. The terms of the Scheme will be explained in greater detail below.

Under the Scheme, the Scheme Claims of the Scheme Creditors will be compromised and discharged. In return, the Scheme Creditors with Admitted Claims will be entitled to receive the Scheme Shares. The Scheme Claims to be compromised essentially comprise any debt, liability or obligation of the Company which arose on or before the Effective Date but excludes Excluded Claims. Excluded Claims include Preferential Claims, Secured Claims, Operational Claims and Petition Costs.

CORPORATE GOVERNANCE

The Company is committed to establishing good corporate governance practices, procedures and fulfilling its responsibilities to its shareholders and protecting and enhancing shareholder's value. The Company's corporate governance practices are based on the principles and code provision as set out in the Corporate Governance Code ("CG code") in Appendix C1 to the Listing Rules.

Throughout the year ended 31 December 2023, the Company had complied with the CG Code with the exception from the deviation from the code provisions C.1.8 and C.2.1 as explained below:

Under the code provision C.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its directors. No insurance cover has been arranged for directors up to the date of this announcement since the directors take the view that the Company shall support directors arising from corporate activities.

Under the code provision C.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. However, the roles of the Group's chairman and CEO are both performed by Mr. Ng Chi Chung. Although the responsibilities of the chairman and the CEO are vested in one person, all major decisions are made in consultation with the members of the Board. There are three executive Directors, two non-executive Directors and three independent non-executive Directors in the Board. The Board considers that there is sufficient balance of power and the current management maintains a strong management position of the Company. The Board also considers that the current structure can promote efficient formulation and implementation of the Company's strategies and explore business opportunities efficiently and promptly.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by Directors of listed issuers as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or any of their respective associates (as defined in the Listing Rules) has any interest in a business which competes or may complete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 December 2023.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2023.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significant of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in note 2(b) to the consolidated financial statements, for the year ended 31 December 2023, the Group incurred a net loss attributable to the shareholders of the Company of approximately RMB2,522,332,000 and a net operating cash outflow of approximately RMB771,205,000, and as of that date, the Group had net current liabilities of approximately RMB1,005,138,000.

As at 31 December 2023, the Group was in default in most of the bank and other borrowings and corporate bonds due to the events of default of late or overdue payment of loan principal and interest or cross default the Group's borrowings, which, as a consequence, would be immediately repayable if and when requested by the lenders.

Moreover, the Company was served with a winding-up petition from a corporate bond holder issued with the High Court of Hong Kong for the winding-up of the Company.

These conditions, together with other matters described in note 2(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have been undertaking a number of measures and plans to improve the Group's liquidity and financial position, and to mitigate the liquidity pressure and to improve the Group's financial position, which are set out in note 2(b) to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures and plans, which are subject to multiple uncertainties, including:

(i) The successful execution and completion of the Scheme and Proposed Restructuring in restructuring indebtedness payables to Scheme Creditors;

(ii) The successful execution and completion of the Financing Restructuring Plan in restructuring and renewal its existing borrowings from those lenders and creditors when their current terms expire;

(iii) The recovery of the real estate sector and other businesses to generate cash inflow from its operations, settlement of various receivables upon their maturity and payment request by the Group as planned and scheduled;

(iv) The successful in obtaining Funds from Operations and Businesses in accordance with the timeline of the cash flow projection reviewed by the directors of the Company; and

(v) The successful in obtaining Additional and Alternative Sources of Financing other than those mentioned above in meeting its financial obligations as and when they need.

The Group's ability to obtain the abovementioned financing and operating funds depends on: (i) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; and (ii) whether the lenders and creditors of existing bank and other borrowings are agreeable to the terms and conditions for such extension or renewal and the Group's ability to continuously comply with the relevant terms and conditions of bank and other borrowings.

As a result of the abovementioned multiple uncertainties, the potential interaction of these uncertainties, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

Should the Group fail to achieve the abovementioned measures and plans, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

OTHER MATTERS IDENTIFIED

The other matters identified below do not form part of paragraphs in relation to the disclaimer of opinion or the basis for disclaimer opinion. Had we not disclaimed our opinion regarding multiple uncertainties relating to going concern of the Group as described above, we would otherwise have issued a qualified opinion on the basis of the following scope limitations relating to (i) Recoverability of Receivables from customers, borrowers and counterparties; and (ii) Opening balances and comparative figures:

1. *Recoverability of Receivables from customers, borrowers and counterparties*

   As disclosed in the consolidated financial statements, during the year ended 31 December 2023, despite the exerted efforts of the directors of the Company to request certain customers, borrowers and counterparties in settling the Doubtful Loan and Account Receivables and Doubtful Other Receivables amounted to approximately RMB465,391,000 and approximately RMB129,687,000, respectively (collectively the "Receivables"), however, such customers, borrowers and counterparties did not settle the outstanding Receivables in accordance with the terms of the relevant contracts and agreements. The directors of the Company have taken certain alternatives to recover the Receivables from these customers, borrowers and counterparties, such as to take legal actions against them. In the circumstances of default in settlement, the Group recognised impairments of such Doubtful Loan and Account Receivables and Doubtful Other Receivables amounted to approximately RMB464,163,000 and RMB129,687,000, respectively which were charged to consolidated profit or loss for the year. The directors of the Company consider that the information used in their impairment assessment represented the best available estimates from the information available.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the recoverability of the Receivables as at 31 December 2023 and hence the determination of impairment losses on such Receivables recognised in consolidated profit or loss for the year then ended because we were not provided with reasonable explanation and supporting documents to substantiate the recoverability of the Receivables as at 31 December 2023 and hence the determination of impairment losses on such Receivables recognised in consolidated profit or loss for the year then ended. There were no alternative satisfactory audit procedures that we could adopt to determine the recoverability of the Receivables as at 31 December 2023 and hence the determination of impairment losses on such the Receivables recognised in consolidated profit or loss for the year then ended contain material misstatements.

2. *Opening balances and comparative figures*

The consolidated financial statements of the Group for the year ended 31 December 2022 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us.

As at 31 December 2022 and 31 December 2023, included in the Group's finance lease, loan and account receivables and other financial assets, there were balances with customers, borrowers and counterparties with an aggregate gross amount of approximately RMB156,088,000 and RMB166,025,668, respectively, and hence, during the year ended 31 December 2023, related impairment losses/fair value losses with an aggregate amount to approximately RMB136,680,000 was recognised in the consolidated profit or loss for the year. No direct confirmations have been received or sufficient appropriate evidence is available to verify the validity and accuracy of the net current amounts of such receivables from the customers, borrowers and counterparties recorded in the consolidated financial statements as at 31 December 2022 and 31 December 2023 and hence the related impairment losses/fair value losses recognised for the year ended 31 December 2023. Thus, we are unable to determine whether such balances with customers, borrowers and counterparties recorded in the consolidated financial statements as at 31 December 2022 and 31 December 2023 and hence the related impairment losses/fair value losses recognised for the year ended 31 December 2023 were free from material misstatements. This matter also has a possible effect on the comparability of the current period's figures and the corresponding figures in the consolidated financial statements of the Company for the year ended 31 December 2023.

There were no other satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of opening balances and corresponding figures shown in the current year's consolidated financial statements for the year ended 31 December 2023.

Our opinion on the current year's consolidated financial statements is modified also because of the possible effect of these matters on the comparability of current year's figures and corresponding figures.

Had we been able to satisfy ourselves in respect of the matters mentioned above, adjustments might have been found to be necessary which would have had a consequential impact on the net assets of the Group as at 31 December 2022 and 31 December 2023 and its net loss and cash flows for the year ended 31 December 2023, and the related disclosures in the consolidated financial statements thereon.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion with an emphasis of matter paragraph about the going concern basis on those consolidated financial statements on 31 March 2023.

AUDIT COMMITTEE

The audit committee of the Company currently comprises two independent non-executive directors, namely Mr. Chan Sing Nun (chairman of audit committee) and Mr. Lam Kit Lam and one non-executive director, Mr. Kang Fuming. The unaudited consolidated results of the Group for the year ended 31 December 2023 have been reviewed by the audit committee. The Board is of the opinion that such results complied with the applicable accounting standards, the requirements under Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF YONGTUO FUSON CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position and consolidated comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary results announcement have been agreed by the Company's auditor, Yongtuo Fuson CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Yongtuo Fuson CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Yongtuo Fuson CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement of the Company for the year ended 31 December 2023 is published on the website of the Company at www.dfh.cn and that of the Stock Exchange at www.hkexnews.hk. The annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the websites of the Company and the Stock Exchange in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the Company's shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Tuesday, 2 April 2024, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Company's shares with effect from 9:00 a.m. on Monday, 22 July 2024.

MANAGEMENT VIEW AND ACTION PLANS TO BE IMPLEMENTED BY THE COMPANY IN RESPONSE TO THE AUDITOR'S MODIFIED OPINION

THE COMPANY'S RESPONSE TO DISCLAIMER OF OPINION RELATING TO GOING CONCERN

As described in note 2(b) to this result announcement, for the year ended 31 December 2023, the Group incurred a net loss attributable to the shareholders of the Company of approximately RMB2,522,332,000 and a net operating cash outflow of approximately RMB771,205,000, and as of that date, the Group had net current liabilities of approximately RMB1,005,138,000.

As at 31 December 2023, the Group was in default in most of the bank and other borrowings and corporate bonds as at 31 December 2023 due to the events of default of late or overdue payment of loan principal and interest or cross default the Group's borrowings, which, as a consequence, would be immediately repayable if and when requested by the lenders.

Moreover, the Company was served with a winding-up petition from a corporate bond holder issued with the High Court of Hong Kong for the winding-up of the Company.

These conditions, together with other matters described in note 2(b) to this result announcement, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

As described in section headed "Extracts from the Independent Auditor' s Report" in this announcement, the Company's auditors, Yongtuo Fuson CPA Limited (the "Auditors") issued a disclaimer of opinion (the "Disclaimer of Opinion") regarding multiple uncertainties relating to going concern of the Company (the "Multiple Uncertainties relating to Going Concern"). In respect of the basis for Disclaimer of Opinion — Multiple Uncertainties relating to Going Concern relating to the appropriateness of the assumption regarding the Company's ability to continue as a going concern, the Group has prepared a forecast covering a period of not less than twelve months from the end of the reporting period taking into account of a number of measures and plans to improve the Group's liquidity and financial position, and to mitigate the liquidity pressure and to improve the Group's financial position, which are set out in note 2(b) to this result announcement, including but not limited to:

(i) The Company proposed the Scheme and formulated the terms of the Proposed Restructuring to restructure its indebtedness payables to Scheme Creditors as described in 2(a) to this announcement;

(ii) The Group maintains continuous communication with other lenders and creditors and the directors believe that the existing borrowings available to the Group will be successfully restructured and renewed when their current terms expire given the long standing relationship the Group has with the relevant counter parties;

(iii) The Group has been actively monitoring its finance lease, loan and account receivables and other receivables to ensure their collectability upon their maturity and payment to the subcontractors and suppliers request by the Group so as to complete the Group's construction projects as scheduled. In addition, the Group will retain sufficient fund in order to alleviate the Group's liquidity pressure;

(iv) The Group will continue to focus in maintaining its inventories of properties and adopting a more proactive sale strategy to attract purchasers. The directors expect that there will have a recovery of the PRC's economy from the effects of the COVID-19 pandemic, especially the recent measures imposed by the PRC government to stabilise the properties market that will enhance the growth of the Group's property business and thus, the Group's cash flows will be improved.

    According to the current properties' construction schedule, the directors estimate that most of its current properties' construction will be completed before the financial year ending 31 December 2025 and with the completion and promotion of sales of inventories of properties, the directors expect that the Group is able to obtain cash flows from its property development business, such as among five (5) major properties development projects of the Group, the construction of the three (3) projects (Differ Humane Mansion, the People Ancient City and ChuZhouFu City) were completed and the construction of two projects (Differ Sky Peak and Differ One City) is still in progress. The directors consider that the Group will generate satisfactory income and cash flows from the sales of properties in the coming years.

    The Group continues to generate operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from property development and investment, financial services and automobile e-commerce to generate additional operating cash inflows; and

(v) The Group will also continue to seek for other additional and alternative financing to finance the settlement of its existing financial obligations and future operating expenditures.

The Group's ability to obtain the abovementioned financing and operating funds depends on: (i) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; and (ii) whether the lenders and creditors of existing bank and other borrowings are agreeable to the terms and conditions for such extension or renewal and the Group's ability to continuously comply with the relevant terms and conditions of bank and other borrowings.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the above-mentioned measures and plans.

Should the Group fail to achieve the abovementioned measures and plans, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

After discussion with the Auditors, the management of the Company expects that, on the assumptions that

(i) The measures and plans as mentioned above have been successfully implemented, especially the conclusion and finalisation of the Scheme and Proposed Restructuring.

    On 6 June 2024, the High Court has granted an order to the Company to convene a meeting of the creditors of the Company for the Scheme. Such creditors' meeting is tentatively scheduled to be held on 16 August 2024 and the sanction hearing of the High Court for the Scheme is tentatively fixed on 17 September 2024.

    Thus, the directors of the Company are very optimistic and confident that the Scheme and Proposed Restructuring will be approved by the Scheme Creditors in the near future so that the Company will be successfully in restructuring the debts with the Scheme Creditors;

(ii) The Company and each of the Company's operating subsidiaries has continued to operate as normal; and

(iii) There are no other material threats to its status as a going concern, the directors considered that the Group will have sufficient liquidity to finance its operations for the foreseeable future and therefore of a view that the Group would be able to continue as a going concern.

In this regard, although whether the Group is able to continue as a going concern that is subject to successful implementation of the measures and plans, especially the conclusion and finalisation of Scheme and Proposed Restructuring such that the Auditors were not able to obtain sufficient audit evidence, the above-mentioned measures and plans have been initially formulated and is in an advanced stage and thus the management of the Company is optimistic about the outcome of measures and plans thereof.

THE COMPANY'S RESPONSE TO OTHER MATTERS IDENTIFIED

As disclosed in this announcement under the section headed "Extracts from the Independent Auditor's Report", the Company's Auditors had other matters identified (the "Other Matters Identified"), i.e. (i) Receivables from customers, borrowers and counterparties; and (ii) Opening balances and comparative figures.

The directors of the Company would like to emphasise that:

(i) Limitation of scope on the financial information regarding Receivables from certain customers, borrowers and counterparties

The Company's Auditors sent the audit confirmations directly to the Company's customers, borrowers and counterparties to ascertain the validity, accuracy and credit risk assessments of the respective carrying amounts as recorded in the Company's books and also the major terms of the relevant transactions. Despite the exerted efforts of the management of the Company and the Company's Auditors to contact those customers, borrowers and counterparties, debtors regarding of the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances, however, these customers, borrowers and counterparties did not reply to the Company's Auditors' and the Company's request. No reply was obtained from such debtors.

In such circumstances, the Auditors advised that they were unable to carry out effective confirmation procedures in relation to these outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances for the purpose of their audit. The Company's Auditors then proposed to conduct alternative procedures, such as to arrange direct phone call, direct interview and direct visit to these customers, borrowers and counterparties so as to ascertain the validity, accuracy and credit risk assessments of the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances and hence, to assess the reasonableness of the impairment losses recognised for such outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances. Though despite the exerted additional efforts of the management of the Company and the Company's Auditors to contact these customers, borrowers and counterparties again and again, unfortunately, these customers, borrowers and counterparties did not reply to the Company's Auditors' and the Company's request again.

The management of the Company has then further communicated with the Company's Auditors whether there are any other alternative procedures that they could be conducted to ascertain the validity, accuracy and credit risk assessments of the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances and also to assess the reasonableness of the impairment losses recognised for such outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances, such as to provide the accounting records and documents, as well as the public search records etc.

With lengthy communication with the Company's Auditors, they concluded that: (i) they are unable to carry out effective confirmation procedures in relation to the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances for the purpose of their audit; and (ii) there is no sufficient financial and non-financial information on such customers, borrowers and counterparties to assess the financial position of these debtors so as to ascertain the validity, accuracy and credit risk assessments of the carrying amounts of the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances and hence the determination of the related impairment losses recognised for the year ended 31 December 2023. In such circumstances, there are no other satisfactory alternative audit procedures that they could adopt to ascertain the validity, accuracy and credit risk assessments of the carrying amounts of the Doubtful Loan and Account Receivables and Doubtful Other Receivables balances and hence the determination of the related impairment losses recognised for the year ended 31 December 2023 thereon.

The directors of the Company noted that, out of the Group's receivables from customers, borrowers and counterparties, despite the exerted efforts of the management of the Company to request certain customers, borrowers and counterparties in settling the Doubtful Loan and Account Receivables and Doubtful Other Receivables (before impairment provision) amounted to approximately RMB465,391,000 and RMB129,687,000, respectively (collectively the "Receivables"), however, such customers, borrowers and counterparties did not settle the outstanding Receivables or deliver their promised goods in accordance with the terms of the relevant contracts and agreements. The directors of the Company have taken certain alternatives to recover the Receivables from these customers, borrowers and counterparties, such as to take legal claim and litigation actions against them.

In the circumstance of default in settlement, the directors of the Company consider that it is uncertain and the possibility is low in recovering the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables from the customers, borrowers and counterparties in the near future. It is more prudence and conservative and hence, the Group recognised impairment of such Doubtful Loan and Account Receivables and Doubtful Other Receivables amounted to approximately RMB464,163,000 and RMB129,687,000, respectively which were charged to consolidated profit or loss for the year. After such impairment loss recognized, the net carrying amount of Doubtful Loan and Account Receivables and Doubtful Other Receivables become nil. The directors of the Company consider that the information used in their impairment assessment represented the best available estimates from the information available.

Though the Company has already made full impairment on the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables at the moment, other than taking legal actions against these customers, borrowers and counterparties, the directors are considering certain alternatives (the "Alternatives"), such as: (i) the directors are continuing to take a proactive approach in communicating with the customers, borrowers and counterparties in restructuring the outstanding balances with the customers, borrowers and counterparties so as to recover part of the debts from them or; (ii) the directors are considering to dispose the said receivables to third parties so as the recover part of the outstanding balances, if any. Thus, the directors consider that the issue will be resolved during the year ended 31 December 2024.

After discussion with the Auditors, the directors of the Company consider that: (i) the Doubtful Loan and Account Receivables and Doubtful Other Receivables were made before and during the year ended 31 December 2023; (ii) as time goes by, the chance to recover the relevant Doubtful Loan and Account Receivables and Doubtful Other Receivables will be slimmer, accordingly the uncertainty on the impairment losses made in the consolidated financial statements for the year ended 31 December 2023 as mentioned above; (iii) full impairment losses have been made to Doubtful Loan and Account Receivables and Doubtful Other Receivables during the year ended 31 December 2023 based on the best information available; (iv) the Company has conducted follow-up actions, such as legal claim and litigation actions in demanding these customers, borrowers and the counterparties to settle the outstanding Receivables; (v) the assets concerned are nil at the end of the financial-year-end date 31 December 2023; and (vi) the qualification relating to Receivables from customers, borrowers and counterparties was mainly due to the Auditors was unable to obtain sufficient audit evidence to ascertain the validity, accuracy and credit assessments of the carrying amounts of the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances as at 31 December 2023 and hence the determination of the related impairment losses recognised for the year ended 31 December 2023.

In this regard, after discussion with the Auditors, since the directors of the Company consider that the impairment for Doubtful Loan and Account Receivables and Doubtful Other Receivables has been fully recognised and the outstanding balances of the Doubtful Loan and Account Receivables and Doubtful Other Receivables are nil as at 31 December 2023. The Auditors consider that in the absence of adequate supporting documents and explanation, they are unable to obtain sufficient and appropriate audit evidence to ascertain the recoverability of the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables for the reasons, included but not limited to: (i) they are unable to carry out effective confirmation procedures in relation to the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances as at 31 December 2023 for the purpose of their audit; and (ii) there is no sufficient financial and non-financial information on such customers, borrowers and counterparties to assess the financial position of these debtors so as to ascertain the recoverability of the Doubtful Loan and Account Receivables and Doubtful Other Receivables as at 31 December 2023 and hence the determination of the impairment loss recognised for the year ended 31 December 2023. In such circumstances, there are no other satisfactory alternative audit procedures that they could adopt to ascertain the recoverability of the Doubtful Loan and Account Receivables and Doubtful Other Receivables as at 31 December 2023 and also the determination of the impairment loss recognised for the year ended 31 December 2023 thereon. The Auditors have conducted relevant procedures and have confirmed and agreed with the Company's above views.

The directors are of the view that the Company has used reasonable endeavour to address the qualifications. Based on the above mentioned Alternatives, the directors have already identified suitable ways to resolve the issue during the year ending 31 December 2024. The management of the Company has consulted the Auditors that, if the completion of the Alternatives take place on or before 31 December 2024 as expected, the underlying issues leading to the qualifications will be resolved and thus, the qualifications will be removed during the year ended 31 December 2025. It was given to understand that since full provision for the impairment on the Doubtful Loan and Account Receivables and Doubtful Other Receivables had already been made during the year ended 31 December 2023, the qualification would only affect the amount and allocation of profit or loss on the impairment loss on Doubtful Loan and Account Receivables and Doubtful Other Receivables between the financial year ended 31 December 2023 and financial year ending 31 December 2024. The Auditors concur with the directors' view as described above and it is expected that the qualifications would only be on the year ending 31 December 2024 comparative figures on the consolidated financial statements for the year ending 31 December 2025 and thus, the qualification would then be removed and resolved for the year ending 31 December 2025 thereon.

(ii) Limitation of scope on the opening balances and comparative figures

The current Auditors of the Company were appointed as the auditors of the Company with effect from 30 November 2023. The consolidated financial statements of the Group for the year ended 31 December 2022, were audited by our another auditor who expressed an unmodified opinion with an emphasis of matter paragraph about the going concern basis on those consolidated financial statements on 31 December 2023.

As at 31 December 2022 and 31 December 2023, included in the Group's finance lease, loan and account receivables and other financial assets, there were balances with certain customers, borrowers and counterparties with an aggregate gross amount of approximately RMB156,088,000 and RMB166,025,668, respectively (the "Finance Lease, Loan and Account Receivables and Other Financial Assets"), and during the year ended 31 December 2023, related impairment losses/fair value losses with an aggregate amount to approximately RMB136,680,000 was recognised in the consolidated profit or loss for the year.

Though the Company has already made full impairment on the outstanding Finance Lease, Loan and Account Receivables and Other Financial Assets at the moment, other than taking legal actions against these customers, borrowers and counterparties, the directors are considering certain strategics (the "Strategics"), such as: (i) the directors are continuing to take a proactive approach in communicating with the customers, borrowers and counterparties in restructuring the outstanding balances with the customers, borrowers and counterparties so as to recover part of the debts from them or; (ii) the directors are considering to dispose the said receivables to third parties so as the recover part of the outstanding balances, if any. Thus, the directors consider that the issue will be resolved during the year ended 31 December 2024.

The Auditors have informed to the management of the Company that they are unable to obtain sufficient audit evidence regarding the balances with such customers, borrowers and counterparties for the reasons, included but not limited to: (i) they are unable to carry out effective confirmation procedures in relation to the outstanding Finance Lease, Loan and Account Receivables and Other Financial Assets balances as at 31 December 2022 and 31 December 2023 for the purpose of their audit; and (ii) there is not sufficient financial and non-financial information on such customers, borrowers and counterparties to assess the financial position of these debtors so as to ascertain the validity and accuracy of the carrying amounts of the Finance Lease, Loan and Account Receivables and Other Financial Assets and also the determination of the related impairment losses/fair value losses recognised for the year ended 31 December 2023. In such circumstances, there are no other satisfactory alternative audit procedures that they could adopt to ascertain the validity and accuracy of the carrying amounts of the Finance Lease, Loan and Account Receivables and Other Financial Assets as at 31 December 2022 and 31 December 2023 and also the determination of the related impairment losses/fair value losses recognised for the year ended 31 December 2023 thereon.

In such circumstances, after discussion with the Auditors, the Auditors consider that they are insufficient financial and non-financial information and were not able to obtain sufficient audit evidence to ascertain the validity and accuracy of the carrying amounts of the opening balances and comparative figures as at 31 December 2023 and also the determination of related impairment losses/fair value losses recognised for the year ended 31 December 2023 thereon.

The directors are of the view that the Company has used reasonable endeavour to address the qualifications. Based on the above mentioned Strategics, the directors have already identified ways to resolve the issue during the year ending 31 December 2024. The management of the Company has consulted the Auditors that, if the completion of the Strategics take place on or before 31 December 2024 as expected, the underlying issues leading to the qualifications will be resolved and thus, the qualifications will be removed during the year ended 31 December 2025. It was given to understand that since full provision for the impairment on the Finance Lease, Loan and Account Receivables and Other Financial Assets receivables had already been made during the year ended 31 December 2023, the qualification would only affect the amount and allocation of profit or loss on the impairment loss on Finance Lease, Loan and Account Receivables and Other Financial Assets receivables between the financial year ended 31 December 2023 and financial year ending 31 December 2024. The Auditors concur with the directors' view as described above and it is expected that the qualifications would only be on the year ending 31 December 2024 comparative figures on the consolidated financial statements for the year ending 31 December 2025 and thus, the qualification would then be removed and resolved during the year ending 31 December 2025 thereon.

AUDIT COMMITTEE'S VIEW ON THE MODIFIED OPINION

The audit committee of the Company (the "Audit Committee") had critically reviewed the basis for Disclaimer of Opinion of the Auditors and had also discussed with the Auditors relating to the Disclaimer of Opinion regarding the Multiple Uncertainties relating to Going Concern and Qualifications relating to Other Matters Identified.

After discussion with the Auditors, the Audit Committee consider that:

(i) Disclaimer of Opinion — Multiple Uncertainties relating to Going Concern

Audit Committee's view on whether the Company's measures and plans could address the underlying matters leading to the Multiple Uncertainties relating to Going Concern. The Auditors have informed the Audit Committee about their view regarding the basis of operating as a going concern, that due to the absence of sufficient appropriate audit evidence, especially the conclusion and finalisation of Scheme and Proposed Restructuring, the Auditors were unable to express their audit opinion whether the Group can continue to operate as a going concern. As abovementioned, the Multiple Uncertainties relating to Going Concern was mainly due to the Auditor' s concern as to whether the Company will be able to successfully implement the plans and measures mentioned in note 2(b) to this announcement. The Audit Committee had critically reviewed the Multiple Uncertainties relating to Going Concern, the management's position concerning the Multiple Uncertainties relating to Going Concern and measures taken by the Group for addressing the Multiple Uncertainties relating to Going Concern. After discussion with the directors of the Company, the Audit Committee concurred with the going concern basis and assumptions adopted in preparing the consolidated financial statements based on the reasons above. Accordingly, the Audit Committee agreed that it was appropriate to use a going concern assumption to prepare the consolidated financial statements for the year ended 31 December 2023. Moreover, the Audit Committee requested the management to take all necessary actions to address the uncertainties regarding going concern underlying the Multiple Uncertainties relating to Going Concern that no such Multiple Uncertainties relating to Going Concern will be made in the forthcoming audited financial statements.

The Audit Committee had also discussed with the Auditors regarding the financial position of the Group, measures and plans taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion. The Audit Committee had reviewed the consolidated financial statements for the year ended 31 December 2023 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

(ii) Other Matters Identified

The Auditors have reported to and discussed with the Audit Committee in respect of the qualifications relating to Other Matters Identified.

The Audit Committee has also reviewed the relevant information provided by the Company's management concerning the qualifications relating to Other Matters Identified.

Limitation of scope on the financial information regarding Receivables from certain customers, borrowers and counterparties

The Audit Committee understood from the Auditors that they could not obtain sufficient audit evidence in respect of the outstanding balances of the Doubtful Loan and Account Receivables and Doubtful Other Receivables as at 31 December 2023 and determination of the impairment of the Loan and Account Receivables and Doubtful Other Receivables recognised for the year ended 31 December 2023. On the other hand, the Audit Committee noted that the Company's full impairment losses have been made during the year ended 31 December 2023 based on the best information available. Further, the qualification relating to Receivables from customers, borrowers and counterparties was mainly due to the Auditors was unable to obtain sufficient audit evidence to ascertain the validity, accuracy and credit assessments of the carrying amounts of the outstanding Doubtful Loan and Account Receivables and Doubtful Other Receivables balances as at 31 December 2023 and hence the determination of the related impairment losses recognised for the year ended 31 December 2023.

The Audit Committee concur with the view of the management that since full provision for the impairment on the Doubtful Loan and Account Receivables and Doubtful Other Receivables had already been made during the year ended 31 December 2023, the qualification would only affect the amount and allocation of profit or loss on the impairment loss on Doubtful Loan and Account Receivables and Doubtful Other Receivables between the financial year ended 31 December 2023 and financial year ending 31 December 2024. It is expected that the qualifications would only be on the year ending 31 December 2024 comparative figures on the consolidated financial statements for the year ending 31 December 2025 and thus, the qualification would then be removed and resolved during the year ending 31 December 2025 thereon.

After careful consideration, the Audit Committee concurred with the view of the Company's management while the Audit Committee also understood that the Auditor might have different view on the insufficient information regarding the impairment of the Loan and Account Receivables and Doubtful Other Receivables that has been recognised for the year ended 31 December 2023.

Limitation of scope on the opening balances and comparative figures

The Audit Committee understood from the Company's auditor that they are unable to obtain sufficient audit evidence in respect of the outstanding balances with certain customers, borrowers and counterparties as at 31 December 2022 and 31 December 2023 and related impairment losses/fair value losses with an aggregate that was recognised in the consolidated profit or loss for the year ended 31 December 2023.

The Audit Committee concur with the view of the management that since full provision for the impairment on the Finance Lease, Loan and Account Receivables and Other Financial Assets receivables had already been made during the year ended 31 December 2023, the qualification would only affect the amount and allocation of profit or loss on the impairment loss on Finance Lease, Loan and Account Receivables and Other Financial Assets receivables between the financial year ended 31 December 2023 and financial year ending 31 December 2024. It is expected that the qualification would only be on the year ending 31 December 2024 comparative figures on the consolidated financial statements for the year ending 31 December 2025 and thus, the qualification would then be removed and resolved during the year ending 31 December 2025 thereon.

After careful consideration, the Audit Committee concurred with the view of the Company's management while the Audit Committee also understood that the Auditor might have different view on the insufficient information regarding the impairment of the Finance Lease, Loan and Account Receivables and Other Financial Assets receivables that has been recognised for the year ended 31 December 2023.

The Audit Committee had reviewed the consolidated financial statements for the year ended 31 December 2023 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

Completion of the Scheme is subject to the fulfilment or waiver (as the case may be) of various conditions, including the listing approval to be issued by the Stock Exchange in relation to the Scheme Shares, which may or may not be granted. The terms of the Proposed Restructuring may or may not be varied further. Accordingly, the Scheme may not proceed and the debts of the Company may or may not be settled, and the risk of the Company being wound up may or may not be eliminated. Shareholders and potential investors of the Company should therefore exercise caution and consult professional advisers, if necessary, when dealing in the Shares.

By order of the Board of
Differ Group Auto Limited
NG Chi Chung
Chairman and Executive Director

Hong Kong, 19 July 2024

As at the date of this announcement, the executive Directors are Mr. NG Chi Chung and Dr. FENG Xiaogang and Mr. TONG Lu; the non-executive Director is Mr. KANG Fuming; and the independent non-executive Directors are Mr. CHAN Sing Nun, Mr. LAM Kit Lam and Ms. CHUANG Yin Lam.

* *For identification purpose only*