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DIFFER GROUP HOLDING COMPANY LIMITED

鼎豐集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6878)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2019 was approximately RMB2,251,841,000 (2018 (restated): RMB844,500,000), representing an increase of approximately 166.6% as compared with the previous year.
- Profit for the year ended 31 December 2019 was approximately RMB336,131,000 (2018 (restated): RMB290,427,000), representing an increase of approximately 15.7% as compared with the previous year.
- Profit attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB335,503,000 (2018 (restated): RMB255,728,000), representing an increase of approximately 31.2% as compared with the previous year.
- Earnings per share of the Company for the year ended 31 December 2019 was approximately RMB5.32 cents (2018 (restated): RMB5.38 cents).
- The directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Differ Group Holding Company Limited (the “Company”) is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 RMB’000	2018 RMB’000 (Restated)
Income from financial related services	4	144,634	129,462
Income from assets management business	4	777,613	715,038
Income from trading of commodities	4	1,329,594	–
Other income	4	53,686	35,832
Costs of property sold		(539,075)	(466,131)
Costs of trading of commodities		(1,328,264)	–
Gain on disposal of subsidiaries		72,888	31,947
Employee benefit expenses		(59,949)	(39,706)
Depreciation and amortisation expenses		(16,692)	(4,355)
Operating lease expenses		–	(7,629)
Short-term lease expenses		(1,195)	–
Equity-settled share-based payments		(1,624)	(3,729)
Other expenses		(97,739)	(52,947)
Share of results of an associate		124	(7,076)
Share of results of a joint venture		11,088	–
Gain on disposal of investment properties		61,874	–
Gain on bargain purchase arising from acquisition of a subsidiary		–	40,072
Change in fair value of investment properties		72,362	56,495
Change in fair value of other financial assets		(863)	6,750
Finance costs	6	(43,353)	(35,505)
Profit before income tax	7	435,109	398,518
Income tax expense	8	(98,978)	(108,091)
Profit for the year		336,131	290,427

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i> (Restated)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		(6,543)	(13,440)
– Net change in debt investments measured at fair value through other comprehensive income		8,000	(4,518)
– Transfer to profit or loss upon disposal of debt investments measured at fair value through other comprehensive income		(2,300)	–
Item that will not be reclassified to profit or loss in subsequent periods			
– Surplus on revaluation of land and buildings		–	16,829
		(843)	(1,129)
Total comprehensive income for the year		335,288	289,298
Profit for the year attributable to:			
Owners of the Company		335,503	255,728
Non–controlling interests		628	34,699
		336,131	290,427
Total comprehensive income attributable to:			
Owners of the Company		334,444	254,599
Non–controlling interests		844	34,699
		335,288	289,298
Earnings per share			
	10		
– Basic (RMB cents)		5.32	5.38
– Diluted (RMB cents)		5.32	5.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		As at 31 December 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i> (Restated)	As at 1 January 2018 <i>RMB'000</i> (Restated)
	<i>Notes</i>			
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	11	173,133	19,178	19,853
Prepaid land leases		–	–	6,105
Investment properties		747,800	600,200	321,000
Interest in an associate		15,653	15,529	20,499
Interest in a joint venture		15,678	–	–
Restricted bank deposits		–	–	10,000
Finance lease, loan and account receivables	12	98,558	180,899	275,120
Goodwill		33,400	33,400	33,400
Other financial assets	13	95,000	97,900	136,100
Prepayments, deposits and other receivables	14	319,060	83,680	83,038
		<u>1,498,282</u>	<u>1,030,786</u>	<u>905,115</u>
Current assets				
Inventories of properties		3,064,836	2,219,124	2,032,907
Other inventories		513	385	–
Finance lease, loan and account receivables	12	867,917	919,602	1,007,850
Prepayments, deposits and other receivables	14	228,080	779,046	541,466
Contract assets		3,624	–	–
Other financial assets	13	44,738	3,619	84,519
Tax receivables		28,485	17,000	18,156
Restricted bank deposits		38,714	39,869	17,752
Cash and bank balances – general accounts		139,770	85,895	60,837
Cash and bank balances – held on behalf of customers		22,959	23,775	–
		<u>4,439,636</u>	<u>4,088,315</u>	<u>3,763,487</u>
Assets classified as held-for-sale		<u>–</u>	<u>452,989</u>	<u>–</u>
		<u>4,439,636</u>	<u>4,541,304</u>	<u>3,763,487</u>

		As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000 (Restated)	As at 1 January 2018 RMB'000 (Restated)
	Notes			
Current liabilities				
Accounts and bills payable	15	493,756	473,616	198,104
Accruals, other payables, deposits received and deferred income		633,022	685,552	421,082
Contract liabilities	16	1,351,221	1,079,832	1,046,079
Lease liabilities		14,896	–	–
Provision for taxation		153,719	79,519	37,932
Bank and other borrowings		493,375	296,038	253,503
Corporate bonds		51,175	18,270	41,725
		<u>3,191,164</u>	<u>2,632,827</u>	<u>1,998,425</u>
Liabilities related to assets classified as held-for-sale		<u>–</u>	<u>140,602</u>	<u>–</u>
		<u>3,191,164</u>	<u>2,773,429</u>	<u>1,998,425</u>
Net current assets		<u>1,248,472</u>	<u>1,767,875</u>	<u>1,765,062</u>
Total assets less current liabilities		<u>2,746,754</u>	<u>2,798,661</u>	<u>2,670,177</u>
Non-current liabilities				
Deposits received		7,507	83,497	31,025
Lease liabilities		89,699	–	–
Bank and other borrowings		689,910	675,229	697,497
Corporate bonds		248,310	257,955	225,199
Promissory note		–	–	120,000
Deferred tax liabilities		120,077	122,641	102,888
		<u>1,155,503</u>	<u>1,139,322</u>	<u>1,176,609</u>
Net assets		<u>1,591,251</u>	<u>1,659,339</u>	<u>1,493,568</u>
EQUITY				
Share capital	17	12,832	10,585	8,292
Reserves		<u>1,574,321</u>	<u>1,618,908</u>	<u>1,362,281</u>
Equity attributable to owners of the Company		<u>1,587,153</u>	<u>1,629,493</u>	<u>1,370,573</u>
Non-controlling interests		<u>4,098</u>	<u>29,846</u>	<u>122,995</u>
Total equity		<u>1,591,251</u>	<u>1,659,339</u>	<u>1,493,568</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Share premium	Merger and other reserves	Statutory reserve	Financial assets revaluation reserve	Assets revaluation reserve	Convertible bonds equity reserve	Translation reserve	Share options reserve	Retained profits*	Total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 31 December 2017, as previously reported	8,292	356,029	261,502	60,948	3,600	–	–	(4,535)	20,455	601,198	1,307,489	64,106	1,371,595	
Adjustments for acquisition of subsidiaries under common control	–	–	51,001	–	–	–	–	(1)	–	16,470	67,470	58,889	126,359	
Impact on initial application of HKFRS 9	–	–	–	–	3,218	–	–	–	–	(7,604)	(4,386)	–	(4,386)	
At 1 January 2018, as restated	8,292	356,029	312,503	60,948	6,818	–	–	(4,536)	20,455	610,064	1,370,573	122,995	1,493,568	
Profit for the year	–	–	–	–	–	–	–	–	–	255,728	255,728	34,699	290,427	
Other comprehensive income for the year	–	–	–	–	(4,518)	16,829	–	(13,440)	–	–	(1,129)	–	(1,129)	
Total comprehensive income for the year	–	–	–	–	(4,518)	16,829	–	(13,440)	–	255,728	254,599	34,699	289,298	
Issue of ordinary shares by placing	1,251	264,020	–	–	–	–	–	–	–	–	265,271	–	265,271	
Issue of shares in respect of conversion of convertible bonds	870	200,651	–	–	–	–	(19,783)	–	–	–	181,738	–	181,738	
Acquisition of subsidiaries under common control	172	41,845	(476,930)	–	–	–	–	–	–	–	(434,913)	–	(434,913)	
Transfer to statutory reserve	–	–	–	53,217	–	–	–	–	–	(53,217)	–	–	–	
Recognition of equity component of convertible bonds	–	–	–	–	–	–	19,783	–	–	–	19,783	–	19,783	
Recognition of equity-settled share-based compensation	–	–	–	–	–	–	–	–	3,729	–	3,729	–	3,729	
Capital contribution	–	–	49,000	–	–	–	–	–	–	–	49,000	–	49,000	
Capital injection of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	32,254	32,254	
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	178	178	
Arising from acquisition of additional interests in subsidiaries	–	–	(80,287)	–	–	–	–	–	–	–	(80,287)	(158,713)	(239,000)	
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(1,567)	(1,567)	
At 31 December 2018, as restated	10,585	862,545	(195,714)	114,165	2,300	16,829	–	(17,976)	24,184	812,575	1,629,493	29,846	1,659,339	

	Attributable to owners of the Company											
	Share capital	Share premium	Merger and other reserves	Statutory reserve	Financial assets revaluation reserve	Assets revaluation reserve	Translation reserve	Share options reserve	Retained profits*	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018, as previously reported	10,585	862,545	(205,249)	114,165	2,300	16,829	(17,973)	24,184	804,600	1,611,986	29,846	1,641,832
Adjustments for acquisition of subsidiaries under common control	-	-	9,535	-	-	-	(3)	-	7,975	17,507	-	17,507
At 1 January 2019, as restated	10,585	862,545	(195,714)	114,165	2,300	16,829	(17,976)	24,184	812,575	1,629,493	29,846	1,659,339
Profit for the year	-	-	-	-	-	-	-	-	335,503	335,503	628	336,131
Other comprehensive income for the year	-	-	-	-	5,700	(16,829)	(6,759)	-	16,829	(1,059)	216	(843)
Total comprehensive income for the year	-	-	-	-	5,700	(16,829)	(6,759)	-	352,332	334,444	844	335,288
Acquisition of subsidiaries under common control	2,247	442,615	(444,862)	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	38,738	-	-	-	-	(38,738)	-	-	-
Recognition of equity-settled share-based compensation	-	-	-	-	-	-	-	1,624	-	1,624	-	1,624
Arising from acquisition of additional interests in subsidiaries	-	-	(378,408)	-	-	-	-	-	-	(378,408)	(26,592)	(405,000)
At 31 December 2019	12,832	1,305,160	(1,018,984)	152,903	8,000	-	(24,735)	25,808	1,126,169	1,587,153	4,098	1,591,251

* Retained profits included amount of approximately RMB25,023,000 as at 31 December 2019 (2018: RMB25,064,000) which was set aside in accordance with the relevant rules governing the financial guarantee business in the People's Republic of China (the "PRC") as reserve for non-matured obligation and guarantee indemnity reserve and was not distributable.

NOTES

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. The Company's shares have been 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 Group is located at 33/F, Differ Fortune Centre, No. 503 Gaolin Middle Road, Huli District, Xiamen City, Fujian Province, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in (i) asset management business, (ii) provision of financial related services and (iii) commodity trading business.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

Functional and presentation currency

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.

2.1 COMMON CONTROL COMBINATION

On 7 November 2018, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Ms. Shi Hongjiao ("Ms. Shi") to acquire the entire issued share capital of Prime Thrive Investments Limited ("Prime Thrive") (the "Acquisition") at the fair value of consideration of RMB444,862,000. Since the Group was under the control and managed by Mr. Hong Mingxian ("Mr. Hong"), the substantive shareholder of the Company, and Prime Thrive was under the control and managed by Mr. Hong via Ms. Shi through a trust arrangement, the Acquisition is considered as a combination of businesses under common control. The consideration for the Acquisition was settled by 1,033,000,000 shares of the Company at price of HK\$0.495 per share. The principal activities of Prime Thrive and its subsidiaries are property development in the PRC.

The Acquisition was completed on 23 January 2019. Upon the completion of the Acquisition, Prime Thrive became a wholly owned subsidiary of the Company. As the Acquisition was regarded as business combination under common control, the Acquisition has been accounted for based on the principles of merger accounting as set out in Accounting Guideline 5, Merger Accounting for Common Control Combinations (“AG 5”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented.

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of Prime Thrive and its subsidiaries. The effect of the Acquisitions on and, hence, the items so restated in the comparative financial statements are summarised below:

Effect on consolidated statement of comprehensive income for the year ended 31 December 2018

	As previously reported RMB'000	Effect of Acquisition RMB'000	Combination adjustments RMB'000	As restated RMB'000
Income from financial related services	136,771	–	(7,309)	129,462
Income from assets management business	715,038	–	–	715,038
Other income	35,805	27	–	35,832
Costs of property sold	(466,131)	–	–	(466,131)
Gain on disposal of subsidiaries	31,947	–	–	31,947
Employee benefit expenses	(39,547)	(159)	–	(39,706)
Depreciation and amortisation expenses	(4,349)	(6)	–	(4,355)
Operating lease expenses	(7,629)	–	–	(7,629)
Equity-settled share-based payments	(3,729)	–	–	(3,729)
Other expenses	(51,545)	(1,402)	–	(52,947)
Share of results of associates	(7,076)	–	–	(7,076)
Gain on bargain purchase arising from acquisition of a subsidiary	40,072	–	–	40,072
Change in fair value of investment properties	56,495	–	–	56,495
Change in fair value of other financial assets	6,750	–	–	6,750
Finance costs	(35,505)	–	–	(35,505)
Profit before income tax	407,367	(1,540)	(7,309)	398,518
Income tax expense	(108,091)	–	–	(108,091)
Profit for the year	299,276	(1,540)	(7,309)	290,427

Effect on consolidated statement of comprehensive income for the year ended 31 December 2018 – Continued

	As previously reported RMB'000	Effect of Acquisition RMB'000	Combination adjustments RMB'000	As restated RMB'000
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods				
– Exchange differences on translating foreign operation	(13,438)	(2)	–	(13,440)
– Net change in debt investments measured at fair value through other comprehensive income	(4,518)	–	–	(4,518)
Item that will not be reclassified to profit or loss in subsequent periods				
– Surplus on revaluation of land and buildings	16,829	–	–	16,829
	(1,127)	(2)	–	(1,129)
Total comprehensive income for the year	298,149	(1,542)	(7,309)	289,298
Profit for the year attributable to:				
Owners of the Company	264,223	(1,186)	(7,309)	255,728
Non-controlling interests	35,053	(354)	–	34,699
	299,276	(1,540)	(7,309)	290,427
Total comprehensive income attributable to:				
Owners of the Company	263,096	(1,188)	(7,309)	254,599
Non-controlling interests	35,053	(354)	–	34,699
	298,149	(1,542)	(7,309)	289,298

Effect on consolidated statement of financial position as at 31 December 2018

	As previously reported <i>RMB'000</i>	Effect of Acquisition <i>RMB'000</i>	Combination adjustments <i>RMB'000</i>	As restated <i>RMB'000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	19,178	–	–	19,178
Investment properties	600,200	–	–	600,200
Interest in an associate	15,529	–	–	15,529
Finance lease, loan and account receivables	180,899	–	–	180,899
Goodwill	33,400	–	–	33,400
Other financial assets	97,900	–	–	97,900
Prepayments, deposits and other receivables	83,680	–	–	83,680
	<u>1,030,786</u>	<u>–</u>	<u>–</u>	<u>1,030,786</u>
Current assets				
Inventories of properties	800,367	1,408,865	9,892	2,219,124
Other inventories	385	–	–	385
Finance lease, loan and account receivables	919,602	–	–	919,602
Prepayments, deposits and other receivables	775,651	3,395	–	779,046
Other financial assets	3,619	–	–	3,619
Tax receivables	15,240	1,760	–	17,000
Restricted bank deposits	39,847	22	–	39,869
Cash and bank balances				
– general accounts	85,656	239	–	85,895
Cash and bank balances				
– held on behalf of customers	23,775	–	–	23,775
	<u>2,664,142</u>	<u>1,414,281</u>	<u>9,892</u>	<u>4,088,315</u>
Assets classified as held-for-sale	<u>452,989</u>	<u>–</u>	<u>–</u>	<u>452,989</u>
	<u><u>3,117,131</u></u>	<u><u>1,414,281</u></u>	<u><u>9,892</u></u>	<u><u>4,541,304</u></u>

Effect on consolidated statement of financial position as at 31 December 2018 – Continued

	As previously reported RMB'000	Effect of Acquisition RMB'000	Combination adjustments RMB'000	As restated RMB'000
Current liabilities				
Accounts and bills payable	417,764	55,852	–	473,616
Accrued, other payables, deposits received and deferred income	178,005	507,986	(439)	685,552
Contract liabilities	884,527	195,305	–	1,079,832
Provision for taxation	79,519	–	–	79,519
Bank and other borrowings	193,090	102,948	–	296,038
Corporate bonds	18,270	–	–	18,270
	<u>1,771,175</u>	<u>862,091</u>	<u>(439)</u>	<u>2,632,827</u>
Liabilities related to assets classified as held-for-sale	<u>140,602</u>	<u>–</u>	<u>–</u>	<u>140,602</u>
	<u>1,911,777</u>	<u>862,091</u>	<u>(439)</u>	<u>2,773,429</u>
Net current assets	<u>1,205,354</u>	<u>552,190</u>	<u>10,331</u>	<u>1,767,875</u>
Total assets less current liabilities	<u>2,236,140</u>	<u>552,190</u>	<u>10,331</u>	<u>2,798,661</u>
Non-current liabilities				
Deposits received	83,497	–	–	83,497
Bank and other borrowings	142,630	532,599	–	675,229
Corporate bonds	257,955	–	–	257,955
Deferred tax liabilities	110,226	988	11,427	122,641
	<u>594,308</u>	<u>533,587</u>	<u>11,427</u>	<u>1,139,322</u>
Net assets	<u>1,641,832</u>	<u>18,603</u>	<u>(1,096)</u>	<u>1,659,339</u>
EQUITY				
Share capital	10,585	–	–	10,585
Reserves	<u>1,601,401</u>	<u>18,603</u>	<u>(1,096)</u>	<u>1,618,908</u>
Equity attributable to owners of the Company	<u>1,611,986</u>	<u>18,603</u>	<u>(1,096)</u>	<u>1,629,493</u>
Non-controlling interests	<u>29,846</u>	<u>–</u>	<u>–</u>	<u>29,846</u>
Total equity	<u><u>1,641,832</u></u>	<u><u>18,603</u></u>	<u><u>(1,096)</u></u>	<u><u>1,659,339</u></u>

Effect on consolidated statement of financial position as at 1 January 2018

	As previously reported as at 1 January 2018 <i>RMB'000</i> <i>(after consider the effect of adoption of HKFRS 9 and HKFRS 15)</i>	Effect of Acquisition <i>RMB'000</i>	Combination adjustments <i>RMB'000</i>	As restated as at 1 January 2018 <i>RMB'000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	19,847	6	–	19,853
Prepaid land leases	6,105	–	–	6,105
Investment properties	321,000	–	–	321,000
Interest in an associate	20,499	–	–	20,499
Restricted bank deposits	10,000	–	–	10,000
Finance lease, loan and account receivables	275,120	–	–	275,120
Goodwill	33,400	–	–	33,400
Other financial assets	136,100	–	–	136,100
Prepayments, deposits and other receivables	83,038	–	–	83,038
	<u>905,109</u>	<u>6</u>	<u>–</u>	<u>905,115</u>
Current assets				
Inventories of properties	669,263	1,346,004	17,640	2,032,907
Finance lease, loan and account receivables	1,007,850	–	–	1,007,850
Prepayments, deposits and other receivables	540,890	576	–	541,466
Other financial assets	84,519	–	–	84,519
Tax receivables	16,396	1,760	–	18,156
Restricted bank deposits	17,729	23	–	17,752
Cash and bank balances – general accounts	60,537	300	–	60,837
	<u>2,397,184</u>	<u>1,348,663</u>	<u>17,640</u>	<u>3,763,487</u>

Effect on consolidated statement of financial position as at 1 January 2018 – Continued

	As previously reported as at 1 January 2018 <i>RMB'000</i> <i>(after consider the effect of adoption of HKFRS 9 and HKFRS 15)</i>	Effect of Acquisition <i>RMB'000</i>	Combination adjustments <i>RMB'000</i>	As restated as at 1 January 2018 <i>RMB'000</i>
Current liabilities				
Accounts and bills payable	141,710	56,394	–	198,104
Accruals, other payables, deposits received and deferred income	96,027	325,055	–	421,082
Contract liabilities	908,242	137,837	–	1,046,079
Provision for taxation	37,932	–	–	37,932
Bank and other borrowings	180,801	72,702	–	253,503
Corporate bonds	41,725	–	–	41,725
	<u>1,406,437</u>	<u>591,988</u>	<u>–</u>	<u>1,998,425</u>
Net current assets	<u>990,747</u>	<u>756,675</u>	<u>17,640</u>	<u>1,765,062</u>
Total assets less current liabilities	<u>1,895,856</u>	<u>756,681</u>	<u>17,640</u>	<u>2,670,177</u>
Non-current liabilities				
Deposits received	31,025	–	–	31,025
Bank and other borrowings	61,950	635,547	–	697,497
Corporate bonds	225,199	–	–	225,199
Promissory note	120,000	–	–	120,000
Deferred tax liabilities	90,473	988	11,427	102,888
	<u>528,647</u>	<u>636,535</u>	<u>11,427</u>	<u>1,176,609</u>
Net assets	<u><u>1,367,209</u></u>	<u><u>120,146</u></u>	<u><u>6,213</u></u>	<u><u>1,493,568</u></u>
EQUITY				
Share capital	8,292	–	–	8,292
Reserves	<u>1,294,811</u>	<u>61,257</u>	<u>6,213</u>	<u>1,362,281</u>
Equity attributable to owners of the Company	<u>1,303,103</u>	<u>61,257</u>	<u>6,213</u>	<u>1,370,573</u>
Non-controlling interests	<u>64,106</u>	<u>58,889</u>	<u>–</u>	<u>122,995</u>
Total equity	<u><u>1,367,209</u></u>	<u><u>120,146</u></u>	<u><u>6,213</u></u>	<u><u>1,493,568</u></u>

Effect on consolidated statement of cash flows for the year ended 31 December 2018

	As previously reported RMB'000	Effect of Acquisition RMB'000	Combination adjustments RMB'000	As restated RMB'000
Cash flows from operating activities				
Profit/(loss) before income tax	407,367	(1,540)	(7,309)	398,518
Adjustments for:				
Bank interest income	(350)	(2)	–	(352)
Interest expenses	35,505	–	–	35,505
Depreciation of property, plant and equipment	4,316	6	–	4,322
Amortisation of prepaid land lease	33	–	–	33
Share of results of associates	7,076	–	–	7,076
Change in fair value of investment properties	(56,495)	–	–	(56,495)
Equity-settled share-based payment	3,729	–	–	3,729
Gain on disposal of property, plant and equipment	(422)	–	–	(422)
Written off of property, plant and equipment	27	–	–	27
Change in fair value of other financial assets	(6,750)	–	–	(6,750)
Provision for impairment loss on finance lease, loan and account receivables and other receivables	5,758	–	–	5,758
Reversal of impairment loss on finance lease, loan and account receivables	(19,719)	–	–	(19,719)
Gain on disposal of subsidiaries	(31,947)	–	–	(31,947)
Gain on bargain purchase arising from acquisition of a subsidiary	(40,072)	–	–	(40,072)
Operating profit/(loss) before working capital changes	308,056	(1,536)	(7,309)	299,211
Decrease in other inventories	204	–	–	204
(Increase)/decrease in inventories of properties	(184,985)	(14,377)	7,309	(192,053)
Decrease in finance lease, loan and account receivables, net of deferred income	196,128	–	–	196,128
Increase in prepayments, deposits and other receivables	(198,545)	(2,820)	–	(201,365)
(Increase)/decrease in restricted bank deposits	(12,118)	1	–	(12,117)
Increase in cash and bank balances – held on behalf of customers	(23,775)	–	–	(23,775)
Increase/(decrease) in accounts and bill payables	288,068	(9,380)	–	278,688
(Decrease)/increase in accruals, other payables and deposits received	(35,977)	85,227	–	49,250
(Decrease)/increase in contract liabilities	(23,715)	57,468	–	33,753
Cash generated from operations	313,341	114,583	–	427,924
Interest received	350	2	–	352
Income tax paid	(45,986)	–	–	(45,986)
Net cash from operating activities	267,705	114,585	–	382,290

Effect on consolidated statement of cash flows for the year ended 31 December 2018 – Continued

	As previously reported RMB'000	Effect of Acquisition RMB'000	As restated RMB'000
Cash flows from investing activities			
Acquisition of property, plant and equipment	(13,348)	–	(13,348)
Proceeds from disposal of property, plant and equipment	1,218	–	1,218
Acquisition of investment properties	(102,653)	–	(102,653)
Acquisition of an associate	(3,500)	–	(3,500)
Investment in other financial assets	(20,379)	–	(20,379)
Proceeds from disposal of other financial assets	97,773	–	97,773
Consideration paid for acquiring subsidiaries under common control	(188,074)	–	(188,074)
Acquisition of additional interest of subsidiaries under common control	(190,000)	–	(190,000)
Acquisition of subsidiaries, net of cash acquired	2,783	–	2,783
Acquisition of asset through acquisition of a subsidiary	(1,916)	–	(1,916)
Disposal of subsidiaries, net of cash disposal of	38,982	–	38,982
Net cash used in investing activities	(379,114)	–	(379,114)
Cash flows from financing activities			
Proceeds from issue of corporate bonds	40,977	–	40,977
Proceeds from bank and other borrowings	268,444	–	268,444
Repayments of bank and other borrowings	(277,278)	(75,000)	(352,278)
Repayments of corporate bonds	(43,587)	–	(43,587)
Repayment of promissory note	(120,000)	–	(120,000)
Proceed from issue of new shares under placing	265,271	–	265,271
Capital injection from non-controlling shareholder	30,000	–	30,000
Interests paid	(28,644)	(39,646)	(68,290)
Net cash generated from/(used in) financing activities	135,183	(114,646)	20,537
Net increase/(decrease) in cash and cash equivalents	23,774	(61)	23,713
Cash and cash equivalents at beginning of the year	60,537	300	60,837
Effect of foreign exchange rates, net	3,969	–	3,969
Cash and cash equivalents at end of the year	88,280	239	88,519
Analysis of balances of cash and cash equivalents			
Cash and bank balances	88,280	239	88,519
Less: included in the assets classified as held for sale	(2,624)	–	(2,624)
Cash and cash equivalents as stated in the consolidated statement of cash flows and consolidated statement of financial position	85,656	239	85,895

3. Adoption of HKFRSs

3.1 Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the annual period beginning on 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs

Except for the impact of the adoption of the new or revised HKFRSs that have been summarised in below, the other new or revised HKFRSs has no material impact on the Group’s accounting policies.

HKFRS 16 – Leases (“HKFRS 16”)

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)–Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)–Int 15 Operating Leases–Incentives and HK(SIC)–Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17.

For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (i) to (iv) of this note.

(i) *The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

(ii) *Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise leases which are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at depreciated cost. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) re-measuring the carrying amount to reflect any reassessment on lease modification.

(iii) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(iv) *Transition*

The Group has applied HKFRS 16 using the modified retrospective approach. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

Right-of-use assets related to interests in leasehold land where the interest in the land is held for development of inventories of properties are included in the same line item as inventories of properties as that within which the corresponding assets.

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	<i>RMB'000</i>
Operating lease commitment as 31 December 2018	35,555
Less: short term leases for which lease terms end within 31 December 2019	<u>(1,819)</u>
Gross lease liabilities at 1 January 2019	33,736
Less: future interest expenses	<u>(4,702)</u>
Lease liabilities as 1 January 2019	<u><u>29,034</u></u>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 9.09%.

The following tables summarised the impact of transition to HKFRS 16 on the consolidated statement of financial position as of 1 January 2019:

RMB'000

Statement of financial position as at 1 January 2019

Right-of-use assets presented in property, plant and equipment	29,034
	<u>29,034</u>
Lease liabilities (non-current)	25,354
	<u>25,354</u>
Lease liabilities (current)	3,680
	<u>3,680</u>

The Group has applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application and accounted for those leases as short-term leases. In addition, the Group has also applied the practical expedients that HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17.

3.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2020

² No mandatory effective date yet determined but available for adoption

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The adoption of the new and revised HKFRSs have been issued but are not yet effective are unlikely to have significant impact on the Group's financial statements.

4. REVENUE AND OTHER INCOME

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Income from financial related services		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from financial consultancy services	36,887	3,414
Income from supply chain agency services	158	3,625
Income from financial securities services	3,223	269
Revenue from other sources		
Income from guarantee services	11,311	12,102
Interest income from:		
– Entrusted loans	17,533	54,797
– Money lending	51,342	21,645
– Finance lease services	24,180	33,610
	<u>144,634</u>	<u>129,462</u>
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Income from assets management business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from provision of asset management solutions	–	3,302
Income from sales of properties	764,913	693,725
Revenue from other sources		
Income from disposals/executions of distressed financial assets	7,500	11,809
Finance income	–	2,961
Rental income and sub-lease rental income	4,967	3,241
Management income	233	–
	<u>777,613</u>	<u>715,038</u>

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Income from trading of commodities		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of commodities	<u>1,329,594</u>	<u>—</u>
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Timing of revenue recognition within the scope HKFRS 15		
At a point in time	2,097,888	700,921
Transferred over time	<u>36,887</u>	<u>3,414</u>
	<u>2,134,775</u>	<u>704,335</u>
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Other income		
Bank and other interest income	12,683	352
Gain on disposal of property, plant and equipment	118	422
Government grants*	501	10,656
Reversal of impairment loss on finance lease, loan and account receivables	5,979	19,719
Income from security trading	96	687
Sales of electronic devices	16,429	3,359
Gain from disposal of an associate	3,056	—
Others	<u>14,824</u>	<u>637</u>
	<u>53,686</u>	<u>35,832</u>

- * The Group received grants from the relevant PRC government authorities in support of the Group's financial service and asset management business in the PRC. There were no unfulfilled conditions to receive the grants.

5. 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 have identified the reportable segments of the Group as follows:

- (1) Financial services – provision of guarantee, express loan, consultancy, supply chain agency services, finance lease services, financial securities services and asset management (investments in distressed assets, equities and management of fund) in the PRC and Hong Kong;
- (2) Property development and investment – property development project and properties investment activities in the PRC; and
- (3) Trading of commodities – trading of commodities in the PRC

During the year ended 31 December 2019, property development and investment become a reportable segment as a result of the growing importance of the property development and investment business to the total revenue and assets and liabilities of the Group. Comparatives in the segment information as presented in this note are re-presented accordingly during the year to conform to current year's presentation.

In addition, the Group has commenced trading of commodities, which has been identified as a reportable segment as a result of its importance to the total revenue of the Group.

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 include the Group's share of profit/loss arising from the activities of the Group's associates and joint ventures but exclude gain on disposal of subsidiaries, equity-settled share-based payments and unallocated corporate expenses. Corporate expenses are 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 with the exception of cash and bank balances are managed on a group basis.

Segment liabilities include all liabilities with the exception of corporate liabilities such as accruals and other payables, 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 2019

	Financial services <i>RMB'000</i>	Property development and investment <i>RMB'000</i>	Trading of commodities <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
Revenue from external customers	<u>156,758</u>	<u>765,489</u>	<u>1,329,594</u>	<u>2,251,841</u>
Segment results	<u>149,902</u>	<u>294,187</u>	<u>365</u>	<u>444,454</u>
Gain on disposal of subsidiaries				26,718
Equity-settled share-based payments				(1,624)
Unallocated corporate expenses				<u>(34,439)</u>
Profit before income tax				<u><u>435,109</u></u>

For the year ended 31 December 2018

	Financial services <i>RMB'000</i> (Re-presented)	Property development and investment <i>RMB'000</i> (Re-presented)	Total <i>RMB'000</i> (Re-presented) (Restated)
Revenue from external customers	150,775	693,725	844,500
Inter-segment revenue	<u>7,311</u>	<u>–</u>	<u>7,311</u>
Segment revenue	<u>158,086</u>	<u>693,725</u>	<u>851,811</u>
Segment results	<u>162,096</u>	<u>243,869</u>	<u>405,965</u>
Gain on disposal of subsidiaries			31,947
Equity-settled share-based payments			(3,729)
Unallocated corporate expenses			<u>(35,665)</u>
Profit before income tax			<u><u>398,518</u></u>

Segment assets and liabilities

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Re-presented) (Restated)
Segment assets		
Financial services	1,738,454	2,349,357
Property development and investment	4,139,701	3,194,060
Trading of commodities	11,994	–
Total segment assets	5,890,149	5,543,417
Unallocated		
– Cash and bank balances	47,769	28,673
Total assets	5,937,918	5,572,090
Segment liabilities		
Financial services	289,209	497,068
Property development and investment	3,322,874	3,000,892
Trading of commodities	60,387	–
Total segment liabilities	3,672,470	3,497,960
Unallocated		
– Accruals and other payables	9,475	9,632
– Other borrowings	365,237	128,934
– Corporate bonds	299,485	276,225
Total liabilities	4,346,667	3,912,751

For the year ended 31 December 2019

	Financial services <i>RMB'000</i>	Property development and investment <i>RMB'000</i>	Trading of commodities <i>RMB'000</i>	Total <i>RMB'000</i>
Other information:				
Additions to non-current assets (other than financial asset)	11,287	366,471	–	377,758
Depreciation of property, plant and equipment	(11,788)	(4,696)	(208)	(16,692)
Share of results of an associate	124	–	–	124
Share of results of a joint venture	–	11,088	–	11,088
Gain on disposal of property, plant and equipment	51	67	–	118
Gain on disposal of subsidiaries	46,170	–	–	46,170
(Loss)/gain on disposal of investment properties	(5,708)	67,582	–	61,874
Change in fair value of investment properties	(1,000)	73,362	–	72,362
Change in fair value of other financial assets	(863)	–	–	(863)
Provision of impairment loss on finance lease, loan and account receivables and other receivables	(5,794)	–	–	(5,794)
Reversal of impairment loss on finance lease, loan and account receivables	5,979	–	–	5,979
Bank and other interest income	11,860	197	626	12,683
Finance costs	(4,523)	(10,390)	(366)	(15,279)

For the year ended 31 December 2018

	Financial services RMB'000 (Re-presented)	Property development and investment RMB'000 (Re-presented)	Total RMB'000 (R-e-presented) (Restated)
Other information:			
Additions to non-current assets (other than financial asset)	98,812	106,741	205,553
Depreciation of property, plant and equipment	(2,899)	(1,423)	(4,322)
Amortisation of prepaid land lease	(33)	–	(33)
Share of results of an associate	(7,076)	–	(7,076)
Gain on disposal of property, plant and equipment	50	372	422
Gain on bargain purchase arising from acquisition of a subsidiary	40,072	–	40,072
Change in fair value of investment properties	8,148	48,347	56,495
Change in fair value of other financial assets	6,750	–	6,750
Provision of impairment loss on finance lease, loan and account receivables and other receivables	(5,758)	–	(5,758)
Reversal of impairment loss on finance lease, loan and account receivables	19,719	–	19,719
Bank and other interest income	171	181	352
Finance costs	(5,553)	–	(5,553)
	<u> </u>	<u> </u>	<u> </u>

The Company is an investment holding company and the principal place of the Group's operation is in the PRC and 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.

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2019 RMB'000	2018 <i>RMB'000</i>
Customer A (<i>Note</i>)	271,439	—

Note: This is a customer from trading of commodities segment (2018: no revenue from a customer contributing over 10% of the total revenue of the Group).

6. FINANCE COSTS

	2019 RMB'000	2018 <i>RMB'000</i> (Restated)
Interest on bank and other borrowings	65,596	64,583
Interest on corporate bonds	17,687	15,575
Interest on promissory note	—	2,084
Interest on lease liabilities	5,743	—
	89,026	82,242
Less: amount capitalised on properties under development	(45,673)	(46,737)
	43,353	35,505

7. PROFIT BEFORE INCOME TAX

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Auditor's remuneration		
– audit service	1,433	1,305
– non-audit service	267	957
	<u>1,700</u>	<u>2,262</u>
Cost of inventories recognised as expenses	<u>1,838,131</u>	<u>466,131</u>
Depreciation of property, plant and equipment	16,890	4,434
Less: Amounts capitalised on properties under development	<u>(198)</u>	<u>(112)</u>
	<u>16,692</u>	<u>4,322</u>
Amortisation of prepaid land lease	–	33
Impairment loss on finance lease, loan and account receivables and other receivables	5,794	5,758
Reversal of impairment loss on finance lease, loan and account receivables	(5,979)	(19,719)
Equity-settled share-based payments	1,624	3,729
Write off of property, plant and equipment	641	27
Direct operating expenses arising from investment property that did not generate rental income during the year	2,341	8,338
Employee's costs (including directors' remuneration)		
– Salaries and allowances	49,783	34,134
– Pension scheme contributions – Defined contribution plans	4,623	1,591
– Other benefits	5,543	3,981
	<u>59,949</u>	<u>39,706</u>
Net foreign exchange loss	1,809	2,210
Operating lease charges in respect of properties	–	7,629
Gain on disposal of property, plant and equipment	<u>(118)</u>	<u>(422)</u>

8. INCOME TAX EXPENSE

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current tax		
Hong Kong Profits Tax	207	77
PRC		
– Enterprise income tax (“EIT”)	82,802	76,220
– LAT	18,122	11,446
– Withholding tax	411	595
	<u>101,542</u>	<u>88,338</u>
Deferred tax	<u>(2,564)</u>	<u>19,753</u>
	<u><u>98,978</u></u>	<u><u>108,091</u></u>

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.

EIT arising from subsidiaries operated in the PRC for the year was calculated at 25% (2018: 25%) of the estimated assessable profits during the year, except for subsidiaries established and operated in Ganzhou, which are beneficial from a preferential tax policy from the local tax authorities and are entitled to a reduced tax rate of 15% for five years from 2016 to 2020.

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% (2018: 7%) of the interest paid by PRC entities to a non-PRC holding company during the year.

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of qualifying corporation is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% for the year ended 31 December 2019 (2018: flat rate of 16.5%).

9. DIVIDENDS

No dividend has been declared by the Company during the year (2018: nil).

10. EARNINGS PER SHARE

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

	2019 RMB'000	2018 <i>RMB'000</i> <i>(Restated)</i>
Profit for the year attributable to owners of the Company	335,503	255,728
	2019 Number of shares ('000)	2018 Number of shares ('000)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,301,125	4,749,414
Effect of dilutive earnings per share:		
– Convertible bonds	–	31,233
Weighted average number of ordinary shares for the purpose of dilutive earning per share	6,301,125	4,780,647
Basic earnings per share (RMB cents)	5.32	5.38
Dilutive earnings per share (RMB cents) <i>(Note)</i>	5.32	5.35

Note:

The computation of diluted earnings per share for the years end 31 December 2019 and 2018 does not assume the exercise of the Company's outstanding share options as the exercise price of the Company's share options was higher than the average market price for shares.

The diluted earnings per share presented for the year ended 31 December 2018 are the impact of the convertible bonds outstanding during the year that have a diluted effect on the basic earnings per share presented for the year.

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2019, the Group spent approximately RMB142,299,000 (2018 (restated): RMB13,348,000) on construction-in-progress, other properties leased for own use, leasehold improvement and acquisition of motor vehicles, furniture, fixtures and office equipment.

12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Non-current assets		
Entrusted loan receivables	–	2,254
Finance lease receivables	<u>98,558</u>	<u>178,645</u>
	<u>98,558</u>	<u>180,899</u>
Current assets		
Entrusted loan receivables	869	149,925
Finance lease receivables	157,138	111,472
Loan receivables	613,152	561,466
Receivables from guarantee customers	28,788	35,901
Account receivables	<u>67,970</u>	<u>60,838</u>
	<u>867,917</u>	<u>919,602</u>

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 maturity date for each loan contract is ranging from one to ten years.

For entrusted loan receivables, they represented loans from the Group to customers through banks in the PRC. In an entrusted loan arrangement, the bank entered into loan agreements with the customers. The customers repaid the loan to the bank and then the bank returned the principal and accrued interest to the Group. While the bank exercises supervision over and receives repayment from the borrower, the bank does not assume any risk of default in repayment by the borrower. The maturity date for each loan contract is normally one to two years.

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

For account receivables, it represented interest receivables from entrusted loans, finance lease and loan receivables, financial consultancy fee receivables and proceeds receivables from assets management business. 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.

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.

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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
0 to 30 days	467,345	247,113
31 to 90 days	7,776	10,827
91 to 180 days	100,000	379,544
Over 180 days	362,566	427,116
	<u>937,687</u>	<u>1,064,600</u>

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

13. OTHER FINANCIAL ASSETS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Non-current:		
Financial assets measured at fair value through profit or loss ("FVTPL")		
– Unlisted equity securities	34,000	33,000
– Distressed assets	60,000	59,900
– Fund investment	1,000	5,000
	<u>95,000</u>	<u>97,900</u>
Current:		
Financial assets measured at FVTPL		
– Equity securities listed in Hong Kong	11,738	379
Financial assets measured at fair value through other comprehensive income		
– Distressed assets	33,000	3,240
	<u>44,738</u>	<u>3,619</u>
	<u>139,738</u>	<u>101,519</u>

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Non-current assets		
Amounts paid for properties acquired for asset management business	83,680	83,680
Other receivables	<u>235,380</u>	<u>–</u>
	319,060	83,680
Current assets		
Prepaid expenses	80,161	12,081
Deposits paid	9,284	6,233
Amounts paid for land and properties acquired for asset management business	–	630,444
Other receivables	<u>138,635</u>	<u>130,288</u>
	<u>228,080</u>	<u>779,046</u>

15. ACCOUNTS AND BILLS PAYABLE

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Accounts payable from property development	452,847	387,432
Accounts payable from financial services		
– clearing house	791	1,109
– cash client	29,988	22,683
Bills payable (<i>Note</i>)	<u>10,130</u>	<u>62,392</u>
	<u>493,756</u>	<u>473,616</u>

Note:

As at 31 December 2019, the bills payable is secured by pledged deposits with carrying amount of RMB10,000,000.

As at 31 December 2018, the bills payable is secured by investment properties with carrying amount of approximately RMB128,200,000.

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

	2019 RMB'000	2018 <i>RMB'000</i> (Restated)
Current or less than 1 month	455,652	366,872
1 to 3 months	10,772	6,238
More than 3 months but less than 12 months	20,742	56,421
More than 12 months	6,590	44,085
	493,756	473,616

16. CONTRACT LIABILITIES

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

	2019 RMB'000	2018 <i>RMB'000</i> (Restated)
Contract liabilities related to property sales	1,351,026	1,079,832
Contract liabilities related to management services	195	—
	1,351,221	1,079,832

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 property and management services.

17. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value of share capital HK\$'000	Equivalent nominal value of share capital RMB'000
Authorised:			
Ordinary share of HK\$0.0025 each			
At 31 December 2018, 1 January 2019 and 31 December 2019	20,000,000	50,000	39,000
Issued and fully paid:			
At 1 January 2018	4,236,008	10,590	8,292
Issue of new share for acquisition of subsidiaries under common control (<i>note a</i>)	84,000	210	172
Issue of ordinary shares by placing (<i>note b</i>)	610,378	1,526	1,251
Issue of ordinary shares in respect of conversion of convertible bonds (<i>note c</i>)	400,000	1,000	870
At 31 December 2018 and 1 January 2019	5,330,386	13,326	10,585
Issue of new share for acquisition of subsidiaries under common control (<i>note d</i>)	1,033,000	2,582	2,247
At 31 December 2019	6,363,386	15,908	12,832

The movements in share capital of the Company were as follows:

- (a) An aggregate of 84,000,000 new ordinary shares of the Company of HK\$0.0025 each were issued as consideration shares at a price of HK\$0.61 per share on 23 January 2018 in relation to acquisition of Differ Cultural.
- (b) In connection with the placing, an aggregate of 610,378,000 new ordinary shares of the Company of HK\$0.0025 each were issued at a price of HK\$0.53 per share on 29 June 2018.
- (c) On 16 August 2018 and 14 September 2018, 50,000,000 and 350,000,000 shares were issued at HK\$0.582 per share in respect of conversion of convertible bonds respectively.
- (d) An aggregate of 1,033,000,000 new ordinary shares of the Company of HK\$0.0025 each were issued as consideration shares at a price of HK\$0.495 per share on 23 January 2019 in relation to acquisition of Prime Thrive.

18. COMMITMENTS

(i) Operating lease commitments

Group as lessee

At 31 December 2018, the future minimum lease payments under non-cancellable operating lease of the Group in respect of buildings at the reporting date are as follows:

	2018 RMB'000
Within one year	11,504
After one year but within two years	9,959
After two years but within five years	14,092
	<u>35,555</u>

The Group leases certain properties under operating leases. The leases run for an initial period of 1 to 5 years, with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of these leases includes any contingent rentals.

Group as lessor

Future minimum lease payments receivable under non-cancellable operating lease at the Group were as follows:

	2019 RMB'000	2018 RMB'000
Within one year	7,874	3,685
After one year but within two years	10,590	4,663
After two years but within five years	26,643	9,933
Over five years	29,015	6,166
	<u>74,122</u>	<u>24,447</u>

Leases are negotiated for terms of 2 to 15 years (2018: 8 years).

- (ii) As at 31 December 2019, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB850,538,000 (2018: RMB1,293,028,000).
- (iii) As at 31 December 2019, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to a joint venture of RMB20,910,000 (2018: nil).

- (iv) At the reporting date, the Group had the following capital and other commitments:

	2019	2018
	RMB'000	RMB'000
		(Restated)
Contracted, but not provided for		
– Acquisition of prepaid land lease	–	566,606
– Investment properties under construction	84,443	20,032
– Property development	799,365	454,201
– Acquisition of property, plant and equipment	49,161	–
	<u> </u>	<u> </u>

19. RELATED PARTY DISCLOSURES

- (i) Compensation of key management personnel

Key management includes members of the board of directors and other members of key management of the Group. The compensation paid or payable to key management personnel is shown below:

	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	6,266	5,871
Pension scheme contributions	97	129
Equity-settled share-based payment	1,298	1,816
	<u>7,661</u>	<u>7,816</u>

- (ii) Except as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transaction with related party during the period:

Company Name	Relationship	Type of transaction	2019	2018
			RMB'000	RMB'000
				(Restated)
Dragon Holdings Company Limited [^] (龍之族控股有限公司)	Related company*	Guarantee service income	–	943

[^] The English names are for identification only.

* Related companies are controlled by Mr. Hong.

20. CONTINGENT LIABILITIES

As at the reporting date, the Group has issued the following significant guarantees:

- (a) The Group has arranged mortgage loan facility with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayments. The outstanding guarantees amounted to approximately RMB1,127,810,000 (2018: RMB755,608,000) at the reporting date. The guarantees provided by the Group to the banks would be released upon (i) the satisfaction of mortgage loans by the purchasers of properties; or (ii) receiving the real estate owner certificates of the respective properties by the banks from the buyers as security for the mortgage loan facilities granted. No provision for the Group's obligation under the guarantees has been made as the directors considered that it was not probable that the repayments of the loans would be in default. The directors also considered that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the buyer default payments to the banks. The Group has not recognised any income in respect of these guarantees as its fair value is considered to be minimal by the directors.
- (b) The Group had given financial guarantee to banks for banking facilities granted to certain customers of the Group, of maximum amount of approximately RMB328,232,000 (2018: RMB386,562,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the (i) asset management business (including a.) property development and investment and b.) distressed assets, equities investment and fund management), (ii) provision of financial related services (including finance lease services, express loan services, consultancy services, guarantee services and the security brokerage services) and (iii) commodity trading business. The management of the Company decided to rename and group certain businesses to better reflect the nature of each business. It should also enable more appropriate understanding of each business by our customers and shareholders.

FINANCIAL REVIEW

Turnover

The turnover increased from approximately RMB844.5 million for the year ended 31 December 2018 to approximately RMB2,251.8 million for the year ended 31 December 2019, representing an increase of approximately RMB1,407.3 million or 166.6%. The increase was attributable to the net effect of the following reasons:

(i) Assets management business

a.) Property development and investment

The income from assets management business is mainly contributed by the sales of properties of Differ Sky Realm (鼎豐天境), Chu Zhou Fu Cheng (處州府城) and She People Ancient City (畚鄉古城) (formerly known as Phoenix Ancient Town (鳳凰古鎮)), all of which were located in Lishui, the PRC. Differ Sky Realm (鼎豐天境) is a residential development 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 99,728 sq. m and a total gross floor area of approximately 377,169 sq. m upon completion. The Phase 1 and 2 of Differ Sky Realm (鼎豐天境) was completed in 2018 and a large part of the properties were delivered to the purchasers in last year. The phase 3 was completed on December 2019. Most of the remaining parts of Phase 1 and 2 and approximately 90% of the properties of phase 3 of Differ Sky Realm (鼎豐天境) were sold and delivered to the purchasers for the year ended 31 December 2019. The revenue from the Differ Sky Realm (鼎豐天境) for the year ended 31 December 2019 was approximately RMB489.3 million. In addition, Chu Zhou Fu Cheng (處州府城) is a commercial development in the theme of cultural tourism. The said development covers a total site area of approximately 74,721 sq. m and total gross floor area of approximately 97,929 sq. m. The construction works of Chu Zhou Fu Cheng (處州府城) was completed in 2019 and part of which were recognised as revenue of approximately RMB53.3 million for the year ended 31 December 2019 in accordance with HKFRSs. Furthermore, She People Ancient City (畚鄉古城) is a commercial cultural development with total site area of approximately 173,934 sq.m. and a total gross floor area of approximately 311,585 sq.m.

The construction works of She People Ancient City (畚鄉古城) was completed in December 2019 and small part of which delivered to the purchasers in 2019. The revenue from She People Ancient City (畚鄉古城) for the year ended 31 December 2019 was approximately RMB222.4 million.

b.) Distressed assets, equities investment and fund management

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB12.7 million during the year ended 31 December 2019. Such income mainly represented the income from disposals of distressed financial assets, rental income and management income.

(ii) Financial related services

Finance lease business

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

Our Group's finance lease services income decreased by 28.1% from approximately RMB33.6 million for the year ended 31 December 2018 to RMB24.2 million for the year ended 31 December 2019. The decrease was mainly due to the Group's prudent and conservative strategy to develop this business.

Express loan services

Entrusted loan services

Our customers of entrusted loan services are mainly small and medium enterprises ("SMEs"). Our Group's entrusted loan service income decrease by 68.0% from approximately RMB54.8 million for the year ended 31 December 2018 to RMB17.5 million for the year ended 31 December 2019. The decrease of entrusted loan service income was mainly due to the decrease of average entrusted loan receivables during the period.

Money lending services

The Group has also provided short-term financing to certain customers in Hong Kong and the PRC and recorded the interest income of approximately RMB51.3 million (2018: RMB21.6 million).

Financial consultancy services

The financial consultancy service income of our Group increased from approximately RMB3.4 million for the year ended 31 December 2018 to RMB36.9 million for the year ended 31 December 2019. Our Group mainly provide financial and business solutions to various customers. The increase of the demand of financial consultancy services which lead to increase of our income from financial consultancy services.

Guarantee services

We provided the financing guarantee services during the year ended 31 December 2019 and 2018. Our Group's guarantee service income slightly decreased by 6.5% from approximately RMB12.1 million for the year ended 31 December 2018 to approximately RMB11.3 million for the year ended 31 December 2019. The Group is adopting a prudent approach to approve the application of our guarantee services from potential customers. The decrease of income from guarantee services was mainly due to the decrease of the number of the customers of guarantee services.

(iii) Supply chain agency services / Commodity trading business

Before July 2019, the Group provided supply chain agency services to its customers. Under normal circumstances, the Group has entered the supply chain agency agreements with its customers and mainly provided the services including sourcing of materials (e.g chemical products) and negotiation the term of sale and purchase agreements on behalf of the customers with their designated suppliers. The supply chain agency fee is based on the pre-agreed percentage of the relevant transaction amount. During the year ended 31 December 2019, the Group recorded the supply chain agency fee of approximately RMB0.2 million (2018: RMB3.6 million) and the relevant total transaction amount was approximately RMB37.8 million (2018: RMB0.7 billion).

The Group explored the possibility of business restructuring from supply chain agency services to commodity trading business in the second half of 2019. The Group considered that the experiences of supply chain agency services give the Group an advantage in sourcing and procurement of various commodities. The Group further considered that the existing client base and network from supply chain agency services give the Group an advantage in locating the buyers and sellers. Based on the foregoing, the Group concluded that engaging in commodity trading business under a different business model to be a business transformation from supply chain agency services and poses an opportunity for the Group to diversify its source of income. Started from August 2019, the Group was no longer acting as an agency of the supply chain business. The Group engaged in commodity trading business and provided various commodities (e.g aluminum ingot) to the customers under the following business model.

The Group proactively seek various suppliers for the availability of different kinds of commodities and the relevant quantities and unit price which can be offered to the Group. For lucrative offers from suppliers, the Group will contact different potential customers and negotiate the selling terms with them. The Group will enter into the sales and purchase agreement with the customers and there is no credit period granted to them. The Group will arrange handover of the relevant commodities to its customers when the sales invoices have been settled. Revenue from the commodity trading business is recognised when the control of goods is transferred to the customers and the relevant cost of sales (i.e purchase costs from the suppliers) is recognised simultaneously. During the year ended 31 December 2019, the Group recorded the income from commodity trading business of approximately RMB1,329.6 million and the relevant cost of trading of commodities and gross profits were approximately RMB1,328.3 million and RMB1.3 million respectively.

Other income

Other income increased from approximately RMB35.8 million for the year ended 31 December 2018 to approximately RMB53.7 million for the year ended 31 December 2019, representing an increase of approximately RMB17.9 million or 49.8%. Our Group's other income for the year ended 31 December 2019 mainly represented bank and other interest income, sales of electronic devices and reversal of impairment loss on financial lease, loan and account receivables.

Costs of property sold

The Group recorded cost of property development of approximately RMB539.1 million for the year ended 31 December 2019. It mainly represented the land costs, construction costs and other relevant costs for i) Phase 1 to 3 of Differ Sky Realm (鼎豐天境), ii) part of Chu Zhou Fu Cheng (處州府城) and iii) part of She People Ancient City (畚鄉古城) projects.

Gain on disposal of subsidiaries

In June 2019, the Group disposed 1) the entire issued share capital of Karhoe Company Limited ("Karhoe") ("Sale Shares") and 2) the sale loan, representing the amount due from Karhoe Group (as defined below) to the Group in the sum of RMB235.4 million ("Sale Loan"), at the total consideration of RMB279.4 million. Karhoe and its subsidiaries (the "Karhoe Group") is principally engaged in property development in Yingkou City, Liaoning Province. The Group recorded the gain on disposal of Karhoe Group of approximately RMB46.2 million in 2019. Besides, in December 2019, the Group disposed the entire issued share capital of Differ Development Limited ("Differ Development") at the consideration of RMB40 million. Differ Development and its subsidiaries ("Differ Development Group") is principally engaged in distressed assets management business. The Group recorded the gain on disposal of Differ Development Group of approximately RMB26.7 million in 2019.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB39.7 million for the year ended 31 December 2018 to approximately RMB59.9 million for the year ended 31 December 2019, representing an increase of approximately RMB20.2 million or 51.0%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits. The increase in employee benefit expenses was mainly attributable to the increase of number of staff and staff salaries as a result of business expansion.

Other expenses

The other expenses increased from approximately RMB52.9 million for the year ended 31 December 2018 to approximately RMB97.7 million for the year ended 31 December 2019, representing an increase of approximately RMB44.8 million or 84.6%. The increase was mainly due to the business expansion of the Group.

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> (Restated)
Advertising expense	9,004	5,762
Bank charges	773	762
Business tax and other taxes	16,810	8,406
Cost of electronic device sold	11,070	1,823
Entertainment expense	3,813	2,105
Legal and professional fee	12,164	12,933
Motor vehicle expense	885	875
Office expense	7,046	2,947
Telecommunication fee	645	400
Travelling expense	1,980	2,184
Water and electricity	2,144	1,109
Provision for impairment loss on finance lease, loan and account receivable and other receivables	5,794	5,758
Exchange loss	1,809	2,210
Provision for compensation	11,322	—
Others	12,480	5,673
	<u>97,739</u>	<u>52,947</u>

Gain on disposal of investment properties

The Group recorded gain on disposal of investment properties of approximately RMB61.9 million for the year ended 31 December 2019. It mainly represented the net gain of disposal of parts of Chu Zhou Fu Cheng (處州府城) projects recognised in accordance with HKFRSs.

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 2019, the carrying amount of investment properties represents i) an investment property in Xiamen which are held to earn rentals under operating lease, ii) parts of Chu Zhou Fu Cheng (處州府城) project, which are held for capital appreciation or held to earn rentals and iii) parts of Differ One City (鼎豐壹城) project which are under construction for shopping mall and hold to earn rentals in future. The fair value gains on the Group's investment properties of approximately RMB72.4 million for the year ended 31 December 2019 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions.

Profit for the year attributable to the owners of the Company

Our Group's profit for the year attributable to the owners of the Company was approximately RMB335.5 million for the year ended 31 December 2019, representing an increase of approximately RMB79.8 million, or 31.2%, from approximately RMB255.7 million for the year ended 31 December 2018.

OUTLOOK

The Group considers the property development business to be an extension of the Group's original assets management business and is the key growth driver. Apart from the acquisition of the companies for Differ Sky Realm (鼎豐天境) and Chu Zhou Fu Cheng (處州府城) projects in 2018, the acquisitions of the companies for She People Ancient City (畚鄉古城) project and lands plots in Zhejiang province for Differ One City (鼎豐壹城) project were completed in 2019. The acquisitions have demonstrated that the Group is capable of diversifying its asset classes. It successfully extended its asset classes from distressed assets to value assets. Besides, for the original assets management business, the Group has also acquired a number of distressed assets in 2019. In view of the favorable economy and the capital appreciation potential of the value and distressed assets in our portfolio, the Board believes that the above acquisitions will generate significant returns in the next few years. Meanwhile, the Group is looking for the other value and distressed assets in PRC continuously.

Other than developing asset management business, the Group is seeking to develop new business opportunities to broaden its income stream. The Group has obtained licenses from the Securities and Futures Commission to carry out Type 1 (Dealing in Securities) and Type 9 (Asset Management) regulated activities in 2018 and actively engaged in the relevant business in 2019. The Group will continue to actively seek and seize the market opportunities and create multiple income streams in order to generate satisfactory returns for shareholders on a continuous basis.

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 31 December 2019, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Companies” contained in the Listing Rules, were as follows:

Long positions in Shares, Underlying Shares or Debentures of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the total issued share capital of the Company
Mr. Hong	Interest in controlled corporation (<i>Note 1</i>)	3,001,200,000	–	3,001,200,000	47.16%
	Beneficial owner	–	6,400,000	6,400,000	0.10%
Mr. Ng Chi Chung (“Mr. Ng”)	Interest in controlled corporation (<i>Note 2</i>)	1,115,800,000	–	1,115,800,000	17.53%
	Beneficial owner	12,098,000	6,400,000	18,498,000	0.29%

Notes:

- These Shares were held by Expert Corporate Limited (“Expert Corporate”), which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 3,001,200,000 Shares under the SFO.
- These Shares were held by Ever Ultimate Limited (“Ever Ultimate”), which was wholly and beneficial owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 1,115,800,000 Shares under the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2019, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions in Shares, Underlying Shares or Debentures of the Company

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Expert Corporate	Beneficial owner (Note 1)	3,001,200,000	47.16%
Ms. Shi Hongjiao ("Ms. Shi")	Interest of spouse (Note 2)	3,007,600,000	47.26%
Ever Ultimate	Beneficial owner (Note 3)	1,115,800,000	17.53%
Ms. Ting Pui Shan ("Ms. Ting")	Interest of spouse (Note 4)	1,134,298,000	17.82%
Jianda Value Investment Fund L.P.	Person having a security interest in shares (Note 5)	850,000,000	13.36%

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Li Yining	Person having a security interest in shares (<i>Note 5</i>)	850,000,000	13.36%
Cinda International Holdings Limited	Person having a security interest in shares (<i>Note 5</i>)	850,000,000	13.36%
Wu Haitao	Person having a security interest in shares (<i>Note 5</i>)	850,000,000	13.36%
Tian Sheng Universal Limited	Person having a security interest in shares (<i>Note 5</i>)	850,000,000	13.36%
Caitong Securities Co., Limited	Person having a security intend in shares (<i>Note 5</i>)	850,000,000	13.36%
China Cinda Asset Management Co., Limited	Person having a security intend in shares (<i>Note 5</i>)	850,000,000	13.36%
Ministry of Finance of Zhejiang Province, the People's Republic of China (中華人民共和國浙江省財政廳)	Person having a security intend in shares (<i>Note 5</i>)	850,000,000	13.36%
Cinda Securities Co., Limited	Person having a security intend in shares (<i>Note 5</i>)	850,000,000	13.36%

Notes:

1. These Shares were held by Expert Corporate, which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 3,001,200,000 Shares under the SFO.
2. Ms. Shi is the spouse of Mr. Hong.
3. These Shares were held by Ever Ultimate, which was wholly and beneficial owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 1,115,800,000 Shares under the SFO.
4. Ms. Ting is the spouse of Mr. Ng.
5. Expert Corporate had executed a share and account charge in favour of the subscribers of the senior guaranteed notes of US\$19,000,000, pursuant to which Expert Corporate charged the securities of at least 850,000,000 Shares and assets in a designated securities account of Expert Corporate as a security for the repayment obligation of the Company under the subscription agreement.

Save as disclosed above and as at 31 December 2019, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

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. 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.

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

- (a) On 7 November 2018, Differ Cultural Tours Limited (“Differ Tours”), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Ms. Shi to acquire the entire issued share capital of Prime Thrive at a consideration of RMB444,862,000. Prime Thrive was under the control and managed by Mr. Hong, the substantial shareholder of the Company, via Ms. Shi through a trust arrangement, the acquisition is considered as a combination of businesses under the common control. The consideration is settled by 1,033,000,000 shares of the Company at issue price of HK\$0.495 per share. The principal activity of Prime Thrive and its subsidiaries are property development. The acquisition was completed on 23 January 2019. Upon the completion of the acquisition, Prime Thrive became a wholly-owned subsidiary of the Company.
- (b) On 8 November 2018, Longquan City Land and Resources Bureau, a local PRC government authority (as the vendor) has granted Longquan Differ Cultural Tourism Company Limited, an indirect 70% owned subsidiary of the Company (as the purchaser) the right to acquire two land use rights both located in Chengdong District, Longquan City, Zhejiang Province, the PRC, in the total consideration of RMB1,135,050,000. The transaction was completed on 23 November 2019.
- (c) On 15 January 2019, the Group received a notification (the “Notification”) from Shandong Lid Liquidation Affairs Limited (the “Administrator”), a limited liability company established in the PRC, being appointed by the court as the Administrator of Weihai Zhongtian Real Estate Limited 威海中天房地產有限公司 (now known as Weihai Rong Jing Property Development Limited 威海融璟房地產開發有限公司) (“Weihai Property”) and responsible for the reorganisation of Weihai Property, that the court has formally approval a wholly-owned subsidiary of the Company and Zhangzhou Fuyi Investment Co., Limited (“Zhangzhou Fuyi”) to be the reforming parties to the restructuring plan in respect of Weihai Property in accordance with the Corporate Bankruptcy Law of the PRC under the supervision of the Administrator.

Pursuant to the Notification, the Group and Zhangzhou Fuyi acquired 51% and 49% of the equity interest in Weihai Property respectively without payment of any consideration. The transaction was completed on 18 January 2019. Upon the completion of the acquisition, Weihai Property became a joint venture company of the Company.

- (d) On 25 June 2019, Differ Cultural and Creative Investment Company Limited (“Differ Cultural”), a direct wholly-owned subsidiary of the Company (as the vendor) entered into the sale and purchase agreement with Wang Yanxuan (as the purchaser), pursuant to which the vendor has agreed to sell and the purchaser has agreed to acquire the Sale Shares and the Sale Loan of Karhoe Group at the total consideration of RMB279,379,667. The principal activity of Karhoe Group is property development. The aforesaid disposal was completed on 30 June 2019.

- (e) On 17 December 2019, Differ Tours (as the purchaser) entered into the conditional sale and purchase agreement with Hong Baota (as the vendor), pursuant to which the vendor has agreed to sell and the purchaser has agreed to acquire the entire issued share capital of Cyut Shing Company Limited (“Cyut Shing”) at the consideration of RMB405,000,000. Longquan Differ Hotel Company Limited (“Longquan Differ”), a 70% indirectly owned subsidiary of the Company, is indirectly held as to 30% by Cyut Shing. The principal activities of Longquan Differ are property development and management. The acquisition was completed on 18 December 2019. Upon the completion of the acquisition, Longquan Differ became an indirect wholly-owned subsidiary of the Company.
- (f) On 24 December 2019, the Company (as the vendor) entered into the sale and purchase agreement with Wong Wai Pan (as the purchaser), pursuant to which the vendor has agreed to sell and the purchaser has agreed to acquire the entire issued share capital of Differ Development at the consideration of RMB40 million. Differ Development Group is principally engaged in distressed assets management business. The aforesaid disposal was completed on 27 December 2019.

Save as disclosed above, there was no significant investment and material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2019.

FINAL DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

EVENT AFTER THE REPORTING DATE

The emergence and spread of novel Coronavirus in early January 2020 has affected business and economic activity in the PRC and beyond. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future but the estimate of its financial effect cannot be made at this stage.

The Group does not have other significant subsequent events.

HUMAN RESOURCES

As at 31 December 2019, the Group had a total of 401 employees (2018 (restated): 327). The staff costs (included Directors' emoluments) were approximately RMB59.9 million for the year ended 31 December 2019 (2018 (restated): RMB39.7 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

Save for those disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2019 (2018: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB178.5 million (2018 (restated): RMB125.8 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 25.0% as at 31 December 2019 (2018 (restated): 22.4%). The current ratio is 1.39 times as at 31 December 2019 (2018 (restated): 1.64 times). The Group did not use any financial instruments for hedging purpose.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 26 November 2013 for the purpose of providing incentives or rewards to any employees of the Company and any other eligible persons for their contribution to the Group. On 25 April 2016, the Company granted an aggregate of 84,108,000 share options to the eligible persons. The following table discloses movements in the Company’s Share Options during the years:

2019

Name or category of participants	Date of grant	Number of share options				At 31 December 2019	Exercise period (Note)	Exercise price HK\$
		At 1 January 2019	Granted	Exercised	Forfeited			
Directors								
Mr. Hong	25 April 2016	6,400,000	-	-	-	6,400,000	30 April 2017 to 30 April 2021	0.734
Mr. Ng	25 April 2016	6,400,000	-	-	-	6,400,000	30 April 2017 to 30 April 2021	0.734
Employees (in aggregate)	25 April 2016	29,394,000	-	-	(5,058,000)	24,336,000	30 April 2017 to 30 April 2021	0.734
Total		42,194,000	-	-	(5,058,000)	37,136,000		

2018

Name or category of participants	Date of grant	Number of share options				At 31 December 2018	Exercise period (Note)	Exercise price HK\$
		At 1 January 2018	Granted	Exercised	Forfeited			
Directors								
Mr. Hong	25 April 2016	6,400,000	–	–	–	6,400,000	30 April 2017 to 30 April 2021	0.734
Mr. Ng	25 April 2016	6,400,000	–	–	–	6,400,000	30 April 2017 to 30 April 2021	0.734
Employees (in aggregate)	25 April 2016	44,750,000	–	–	(15,356,000)	29,394,000	30 April 2017 to 30 April 2021	0.734
Total		57,550,000	–	–	(15,356,000)	42,194,000		

Note: Share options were vested in equal portions on 30 April 2017, 2018, 2019 and 2020 respectively, and became exercisable for a period from the respective dates and ending on 30 April 2021. In addition, the vesting of share options shall be subject to the achievement of performance targets during the assessment periods up to the above four vesting dates.

The fair values of the share options granted under the Share Options Scheme on 26 November 2013 were determined using the Binomial Option Pricing Model. The fair values of the share options and the significant inputs into the model and assumptions were as follows:

Number of share options	84,108,000
Share price on grant date	HK\$0.710
Exercise price	HK\$0.734
Expected volatility	99.0%
Weighted average contractual life	5.01 years
Risk-free interest rate	1.0%

Fair value per share option

– vesting date: 30 April 2017	HK\$0.44
– vesting date: 30 April 2018	HK\$0.47
– vesting date: 30 April 2019	HK\$0.50
– vesting date: 30 April 2020	HK\$0.51

Share options and weighted average exercise price are summarised as follows for the reporting periods presented:

	Number of share options	Weighted average exercise price HK\$
Outstanding at 1 January 2018	57,550,000	
Forfeited	(15,356,000)	0.734
Outstanding at 31 December 2018 and 1 January 2019	42,194,000	0.734
Forfeited	(5,058,000)	0.734
Outstanding at 31 December 2019	37,136,000	0.734

The share options outstanding at 31 December 2019 had exercise price of HK\$0.734 (2018: HK\$0.734) and a weighted average remaining contractual life of 0.98 year (2018: 1.71 year).

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB38.7 million as at 31 December 2019 (2018: RMB39.9 million) were pledged to secure for the Group's facilities of providing financial guarantee services to the customers and the bills payable. Bank borrowings with carrying amount of approximately RMB12 million (2018: RMB24 million) were secured by finance lease receivables with carrying amount of approximately RMB17.1 million (2018: RMB34.2 million). Bank borrowings with carrying amount of RMB603.8 million were secured by properties held for sale with carrying amount of RMB1,318.5 million, and investment properties with carrying amount of RMB401 million (2018: approximately RMB635.5 million were secured by properties under development with carrying amount of RMB1,139.2 million). Other borrowings with carrying amount of RMB139.5 million (2018: RMB139.5 million) were secured by charged of 510,000 shares of one of the subsidiaries.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 14 to the Listing Rules.

Throughout the year ended 31 December 2019, the Company had complied with the CG Code with the exception from the deviation from the code provisions A.1.8 as explained below:

Under the code provision A.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.

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 10 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 2019.

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 compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 December 2019.

All the independent non-executive Directors were delegated with the authority to review on an annual basis the compliance of the terms of the non-competition undertaking and the enforcement of the non-competition undertaking given by Mr. Hong, Mr. Ng, Expert Corporate and Ever Ultimate. Each of them confirmed that (a) they have provided all information necessary for the enforcement of the non-competition undertakings, as requested by all independent non-executive Directors from time to time; and (b) each of them had fully complied with the non-competition undertaking for the year ended 31 December 2019. All independent non-executive Directors also confirmed that they were not aware of any non-compliance with the non-competition undertaking given by them during the same period.

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. Wu Qinghan. The unaudited consolidated results of the Group for the year ended 31 December 2019 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 BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO 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 BDO Limited on the preliminary announcement.

By order of the Board of
Differ Group Holding Company Limited
HONG Mingxian
Chairman and Executive Director

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. HONG Mingxian, Mr. NG Chi Chung; the non-executive Directors are Mr. CAI Huatan and Mr. WU Qinghan; and the independent non-executive Directors are Mr CHAN Sing Nun, Mr. LAM Kit Lam and Mr. CHEN Naike.