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 REPORT
2021

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

Mr. HONG Mingxian *(Chairman)*
Mr. NG Chi Chung *(Chief Executive Officer)*
Dr. FENG Xiaogang *(appointed on 9 December 2021)*

NON-EXECUTIVE DIRECTORS:

Mr. CAI Huatan *(Honorary Chairman)*
Mr. WU Qinghan

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. CHAN Sing Nun
Mr. LAM Kit Lam
Mr. CHEN Naike

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

33/F, Differ Fortune Centre
No. 503 Gaolin Middle Road
Huli District
Xiamen City
Fujian Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Suites 501-05, 5/F, AIA Central,
No. 1 Connaught Road Central,
Central, Hong Kong

COMPANY SECRETARY

TAM Wai Tak Victor

AUDITOR

BDO Limited

AUTHORISED REPRESENTATIVES

HONG Mingxian
TAM Wai Tak Victor

MEMBERS OF AUDIT COMMITTEE

Mr. CHAN Sing Nun *(Chairman)*
Mr. LAM Kit Lam
Mr. WU Qinghan

MEMBERS OF REMUNERATION COMMITTEE

Mr. LAM Kit Lam *(Chairman)*
Mr. NG Chi Chung
Mr. CHAN Sing Nun

MEMBERS OF NOMINATION COMMITTEE

Mr. HONG Mingxian *(Chairman)*
Mr. LAM Kit Lam
Mr. CHAN Sing Nun

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications

COMPANY WEBSITE

www.dfh.cn

STOCK CODE

06878

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income from financial related services	**199,378**	185,077	144,634	129,462	181,215
Income from assets management business	**917,906**	709,115	777,613	715,038	118,053
Income from trading of commodities	**120,958**	5,196,314	1,329,594	–	–
Income from automobile e-commerce business	**21,490**	–	–	–	–
Other income	**66,642**	79,122	53,686	35,832	53,272
Costs of property sold	**(584,555)**	(437,746)	(539,075)	(466,131)	–
Costs of trading of commodities	**(120,837)**	(5,190,210)	(1,328,264)	–	–
Cost of automobile e-commerce business	**(18,513)**	–	–	–	–
Gain on disposals of subsidiaries	**140,683**	109,241	72,888	31,947	–
Gain on redemption of convertible bonds	**–**	–	–	–	8,770
Employee benefit expenses	**(60,163)**	(69,765)	(59,949)	(39,706)	(33,547)
Depreciation and amortisation expenses	**(20,746)**	(19,781)	(16,692)	(4,355)	(2,385)
Operating lease expenses	**–**	–	–	(7,629)	(3,003)
Short-term lease expenses	**(975)**	(154)	(1,195)	–	–
Equity-settled share-based payments	**–**	(335)	(1,624)	(3,729)	(8,335)
Other expenses	**(150,409)**	(113,647)	(97,739)	(52,947)	(53,133)
Share of results of associates	**(21,113)**	128,420	124	(7,076)	492
Share of results of joint ventures	**–**	(13,619)	11,088	–	10,910
Gain on disposal of investment properties	**–**	2,988	61,874	–	–
Change in fair value of derivative financial instruments	**–**	–	–	–	1,960
Gain on bargain purchase arising from acquisition of subsidiaries	**–**	–	–	40,072	1,861
Change in fair value of investment properties	**121,794**	23,344	72,362	56,495	7,094
Change in fair value of other financial assets	**61,076**	3,017	(863)	6,750	–
Finance costs	**(48,051)**	(88,610)	(43,353)	(35,505)	(56,337)
Profit before income tax	**624,565**	502,771	435,109	398,518	226,887
Income tax expense	**(186,239)**	(149,441)	(98,978)	(108,091)	(47,975)
Profit for the year	**438,326**	353,330	336,131	290,427	178,912
Attributable to:					
Owners of the Company	**440,759**	356,115	335,503	255,728	173,562
Non-controlling interests	**(2,433)**	(2,785)	628	34,699	5,350
	438,326	353,330	336,131	290,427	178,912

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**8,319,847**	8,148,490	5,937,918	5,572,090	4,668,602
Total liabilities	**(5,598,455)**	(5,800,170)	(4,346,667)	(3,912,751)	(3,175,034)
Non-controlling interests	**–**	(42,288)	(4,098)	(29,846)	(122,995)
Equity attributable to owners of the Company	**2,721,392**	2,306,032	1,587,153	1,629,493	1,370,573

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to report another financial year with satisfactory annual results for Differ Group Holding Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021 (the "Year").

BUSINESS REVIEW

During the Year, the Group reported a record high profit of approximately RMB438.3 million, representing an increase of 24.1% as compared to the corresponding period of last year. The increase in profit are primarily attributable to the income and gain on disposal of subsidiaries from our assets management business.

Amid the ongoing outbreak of coronavirus disease (COVID-19) and the uncertain economic environment, the Group remained cautiously optimistic on the valuable assets and maintained a balance portfolio of assets management business to provide the Group with stable and diversified revenue stream. Considering that COVID-19 has fundamentally changed the customer spending habits and e-commerce is poised to become a major trend in foreseeable future, the Group has decided to establish and carry out all its automobile e-commerce businesses in China under the brand of Cherries Car (車厘籽汽車) ("Cherries Car"). Cherries Car focus on development of the following five distinct services:

(i) business to business platform in relation to sale and purchase of automobiles (B2B Automobile Sales (買賣車));

(ii) business to customers platform in relation to sale and purchase of automobiles (B2C Automobile Sales (車智銷));

(iii) a platform for integration of storage, exhibition and sales of automobile, direct sale and marketing activities, such as organising flash sales, group purchase and advertising (Smart Car City (雲車城));

(iv) a platform for providing after-sales services, including maintenance and repairs of cars and sale of parts (Automobile Master (車師傅)); and

(v) a platform providing professional automobile supply chain financing for institutional customers (e.g. car dealers) and finance lease service to retailing customers so as to provide comprehensive financing service to institutional customers as well as retailing customers (Automobile Financing (車金服)).

As the Group has rich experience in providing financial related services in the automobile industry, the Board believe that the new business will open up new sources of income for the Group.

Meanwhile, the Group has also gained public recognition in the capital market. It has been selected as a constituent stock of FTSE Global Equity Index Series – China Regional Index in September 2021. On top of that, it has also been selected as a constituent stock of Hang Seng Composite Index and included as eligible stocks of the Shenzhen-Hong Kong Stock Connect in March 2022. The Group took advantage of its status as a reputable listed company in Hong Kong to raise funds through borrowings and issue of bonds. The Group believed that a stable and prudent capital structure will build a solid foundation for its long term development. The Group will continue to explore and diversify its source of funding to ensure sustainable and steady development of the business.

CHAIRMAN'S STATEMENT

PROSPECTS

Year 2021 was a momentous year in China, with various landmark regulations marking fundamental and significant changes to key industries and areas of society. At the same time, continued outbreak of COVID-19 has slowed down the economic recovery in China, and is expected to have a prominent impact on economic development in 2022. The Group will adopt a prudent approach and closely monitor the financial position. The Group shall maintain as position of financial stability and solid cash reserves to seize any business expansion and investment opportunities.

APPRECIATION

I express my sincere gratitude to all shareholders, investors, customers and business partners for maintaining their support and confidence of the Group over the years. I would also like to express my heartfelt appreciation to all the Board members and staff of the Group for their valuable contribution. In the future, the Company will continue to strive for sustainable and satisfactory returns for all of its shareholders.

Mr. HONG Mingxian
Chairman

Hong Kong
30 March 2022

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

EXECUTIVE DIRECTORS

Mr. HONG Mingxian (洪明顯), aged 47, was appointed as our executive Director on 4 December 2012. Mr. Hong is the chairman of our Company. Mr. Hong is responsible for the overall strategic formulation, management and planning of our Group.

Mr. Hong attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in July 2004. Mr. Hong is the vice chairman of Xiamen City Federation of Industry and Commerce (Chamber of Commerce) (廈門市工商聯(總商會)), the vice chairman of 2nd Council of Xiame Glory Society (廈門光彩事業促進會), a chief supervisor of Capital Association of Fujian Chamber of Commerce (福建閩商資本聯合會), the honorary chairman of Zhejiang Province Fujian Chamber of Commerce (浙江省福建商會) and the honorary chairman of Fujian Youth Entrepreneurship Promotion Association (福建青年創業促進會). Mr. Hong was awarded the title of "Excellent builder of non-public economy of Fujian Province (福建省非公有制經濟優秀建設者)" from People's Government of Fujian Province.

Mr. Hong has about 8 years' experience in corporate management before he joined the Group in September 2008. From August 2007 and September 2009, Mr. Hong worked at a property development company based in Jiangsu Province, People's Republic of China ("PRC") and last held the position of executive director.

Mr. NG Chi Chung (吳志忠), aged 49, was appointed as an executive Director on 26 November 2013. Mr. Ng is the chief executive officer of our Company. Mr. Ng is responsible for the overall business development and management of our Group. Mr. Ng attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in January 2008. Mr. Ng has previously worked at various companies in Hong Kong and Shishi, Fujian Province, and has over 10 years' experience in corporate management. From 2002 to 2008, Mr. Ng was a member of the senior management of a vehicle trading company based in Shishi. Mr. Ng joined the Group in September 2008.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

Dr. Feng Xiaogang (馮晓剛), aged 56, was appointed as our executive Director on 9 December 2021. Dr. Feng is responsible for investment and business management of our Group. Dr. Feng holds a Bachelor of Law degree from Tianjin Normal University, a Master of Business Administration degree from the University of Science and Technology Beijing and a Doctor of Philosophy degree in Management from Twintech International University College of Technology. Dr. Feng currently acts as an investment consultant for various companies in PRC and overseas. Dr. Feng has extensive experience in management and investment. During the period from 2001 to 2013, Dr. Feng was a senior management of Ambow Education Holding Ltd. ("Ambow Education"), a company listed on the New York Stock Exchange. During his tenure at Ambow Education, Dr. Feng led various fund raising, mergers and acquisitions projects. Prior to joining Ambow Education, Dr. Feng also worked in a government entity in the PRC and various international companies and was mainly responsible for investment and business management.

Dr. Feng was the chairman and an executive director of Courage Investment Group Limited (Hong Kong stock code: 1145 and Singapore stock code: CIN), a company listed on the Main Board of the Hong Kong Stock Exchange and the Singapore Stock Exchange from 12 January 2021 to 1 January 2022 and re-designated to a non-executive director on 1 January 2022. Dr. Feng was also an executive director of Tack Fiori International Group Limited (now known as Life Healthcare Group Limited) (stock code: 928), a company listed on the Main Board of the Hong Kong Stock Exchange, until 15 February 2016 when he was re-designated as a non- executive director and served until 31 October 2019.

NON-EXECUTIVE DIRECTORS

Mr. CAI Huatan (蔡華談), aged 62, was appointed as an executive Director on 26 November 2013 and re-designated to a non-executive director on 28 February 2019. Mr. Cai is the honorary chairman of our Company. Mr. Cai graduated from a postgraduate programme in economic law from the Law School of Sichuan University (四川大學) in 1996. Before he joined the Group in September 2008, Mr. Cai has approximately 30 years of experience in management and public administration. From 1980 to 2005, Mr. Cai worked for various departments of the governments of Shishi and Quanzhou.

Mr. WU Qinghan (吳清函), aged 58, was appointed as a non-executive director on 26 November 2013. Mr. Wu has over 25 years experience in trading and manufacturing. He has been the chairman of a manufacturing company in Shishi since 2000. He has been the chairman of Shishi Lingxiu General Chamber of Commerce (石獅市靈秀商會) since 2005. Mr. Wu was a director of a group company from April 2010 to May 2012 and a director of another group company from July 2009 to January 2013.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kit Lam (林洁霖), aged 47, joined the Group as an independent non-executive Director on 7 June 2017. Mr. Lam is an Honorary Citizen of Xiamen City and is the chairman of DEBON Asset Management Inc.. He has over 15 years of experience in the banking industry. He became a deputy general manager of the Bank of East Asia (China) Ltd. ("BEA") Shanghai branch in 2007, he then worked as a general manager at BEA Wuhan branch and subsequently at BEA Xiamen branch until August 2014.

Mr. Lam obtained a bachelor's degree in commerce from the University of Victoria in 1997, a master's degree in world economics from the Beijing University in 2005 and a master's degree in international real estate from the Hong Kong Polytechnic University in 2010. He was appointed as a professional member of the Royal Institution of Chartered Surveyors since 2014. He was a committee member of the Chinese People's Political Consultative Conference ("CPPCC") of Xiamen City (2012) and an invited guest member of CPPCC of Hubei Province (2010). He is currently the vice chairman of the North American Alliance of Commerce Association.

Mr. CHAN Sing Nun (陳星能), aged 47, joined the Group as an independent non-executive Director on 26 November 2013. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr. Chan has over 15 years' experience in auditing, accounting and financial management. Mr. Chan is a company secretary of Platt Nera International Limited (stock code: 1949) and also a principal of an audit firm in Hong Kong. Other than his directorship in the Company, Mr. Chan served as an independent non-executive director of Fameglow Holdings Limited (stock code: 8603) from 21 September 2018 to 7 January 2021 and is currently an independent non-executive director of Guangdong Kanghua Healthcare Co., Ltd (stock code: 3689).

Mr. Chen Naike (陳乃科), aged 54, joined the Group as an independent non-executive Director on 4 December 2019. Mr. Chen is the chairman of Guohe Holding Group Limited (國和控股集團有限公司) since 2007, chairman of Zhejiang Qiaoshang Holding Limited (浙江僑商控股有限公司) since 2014. He has over 25 years' experience in corporate management, trading and manufacturing.

Mr. Chen obtained a bachelor's degree in Electronic Technology from School of Marine Science and Technology at Northwestern Polytechnical University (西北工業大學航海工程學院) in 1990 and a master's degree in Business Administration from School of Management at Zhejiang University (浙江大學工商管理學院) in 2006. Mr. Chen has undertaken a number of public service and community activities. Mr. Chen is at present a deputy of the Thirteenth National People's Congress of the People's Republic of China (十三屆人大代表), vice chairman of Zhejiang Federation of Returned Overseas Chinese (浙江省僑聯副主席), vice chairman of Zhejiang Association of Overseas Chinese Entrepreneurs (浙江省僑商會常務副會長), the first chairman of Zhejiang Lishui Association of Overseas Chinese Entrepreneurs (浙江首屆麗水僑商會會長) and member of All-China Federation of Returned Overseas Chinese (中國僑聯常委).

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

SENIOR MANAGEMENT

Mr. CHU Sung Fai (朱宋輝), aged 64, is the director of certain subsidiaries and is responsible for the overall business execution and management. Mr. Chu obtained a diploma in management in 1983 from the Open University of Fujian (福建廣播電視大學) (a long distance learning course). Mr. Chu joined our Group in 2011 and he has extensive management experience in money lending and asset management business.

Mr. CHENG Yun Chung RONIE (鄭潤聰), aged 49, is the manager in charge of corporate finance and fund raising activities within the Group. Mr. Cheng joined our Group in 2015. Graduated from University of Warwick, Mr. Cheng is a fellow member of the Institute of Chartered Accountant of England and Wales with over 20 years of experience in the financial industries with experience spanning from auditing to private equity fund to listed companies.

Mr. TAM Wai Tak Victor (譚偉德), aged 44, is the financial controller and company secretary of the Company. Mr. Tam joined our Group in 2013. He is responsible for financial reporting and company secretarial matters of the Company. Mr. Tam graduated with a bachelor of arts in accounting & finance (first class honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tam has over 20 years of experience in the field of auditing, accounting and financial management.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2021 the turnover of the Group was mainly derived from the (i) provision of financial related services (including express loan services, finance lease services, guarantee services, consultancy services and security brokerage services), (ii) assets management business (including a) property development and investment and b) rental income and management fee income), (iii) commodity trading business and (iv) automobile e-commerce business.

Effect of COVID-19 pandemic

The outbreak of coronavirus disease (COVID-19) has brought unprecedented challenges to China in past two years. Considering that the COVID-19 pandemic has fundamentally changed the consumers' behavior worldwide and e-commerce is poised to become a major trend in the future, the Company has been exploring new business opportunities in the potential operation of online e-commerce platform in first half of 2021. The Board has noticed a trend in China where online e-commerce platforms in the automobile industry have transformed traditional offline business model into a new online smart business model, not only driving up demand for financial related services, the data generated from the platforms can also help drive revenue from peripheral services. As the Group has many years of experience in providing financial related services in the automobile industry, the Board is of the view that there is sufficient experience and knowledge for the Group to explore the new businesses as an extension of its existing financial related services, in order to diversify and open up new sources of income for the Group. The Board decided to commerce the online automobile e-commerce business in second half of 2021.

Meanwhile, China's economy was showing signs of recovery in the impact of the COVID-19 pandemic in 2021 and the Group has improved operating efficiency and minimized the impact of the COVID-19 pandemic through measures like, quality improvement and efficiency enhancement. The assets management business showed stable performance. The Group secured properties construction schedules and flat delivery schedules, such as Differ One City and Differ Humane Mansion. As a result, for the year 2021, revenue from sales of properties increased by 32.2% as compared with that for the year 2020.

For financial related services business, there was slight increase in demand of express loan services from our customers due to the COVID-19 pandemic still caused adverse effect on the economy and other business segments in China in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The turnover decreased from approximately RMB6,090.5 million for the year ended 31 December 2020 to approximately RMB1,259.7 million for the year ended 31 December 2021, representing a decrease of approximately RMB4,830.8 million or 79.3%. The decrease was attributable to the net effect of the following reasons:

(i) Financial related services

a.) Express loan services

The Group has provided money lending services to customers in the PRC and Hong Kong. Our customers are mainly small and medium enterprises. Our Group's express loan service income increase by 17.6% from approximately RMB135.6 million for the year ended 31 December 2020 to RMB159.4 million for the year ended 31 December 2021. The increase of express loan service income was mainly due to the increase of average loan receivables during the period.

b.) Finance lease services

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

Our Group's finance lease services income decreased by 50.5% from approximately RMB20.1 million for the year ended 31 December 2020 to RMB9.9 million for the year ended 31 December 2021. The decrease was mainly due to the Group's prudent and conservative strategy to develop this business.

c.) Guarantee services

We provided the financing guarantee services during the year ended 31 December 2021 and 2020. Our Group's guarantee service income increased by 114.5% from approximately RMB11.0 million for the year ended 31 December 2020 to approximately RMB23.7 million for the year ended 31 December 2021. The increase of income from guarantee services was mainly due to the guarantee service income from associates.

(ii) Assets management business

a.) Property development and investment

The income from assets management business is mainly contributed by the sales of properties of Differ One City (鼎豐壹城), Differ Sky Realm (鼎豐天境), She People Ancient City (畲鄉古城) and Differ Humane Mansion (鼎豐書香豪庭), which Differ One City (鼎豐壹城) is located in Longquan City, the PRC, while Differ Sky Realm (鼎豐天境) and She People Ancient City (畲鄉古城) are located in Lishui, the PRC and Differ Humane Mansion (鼎豐書香豪庭) is located in Nanan, the PRC.

Differ One City (鼎 豐 壹 城) is a residential and commercial development comprises properties for residential purposes, shops, a shopping mall and a hotel. The said development covers a total site area of approximately 145,688 sq.m and a total gross floor area of approximately 558,180 sq.m upon completion. Part of the residential properties of Differ One City (鼎 豐 壹 城) was completed on December 2021 and delivered to purchasers. The revenue from the Differ One City (鼎豐壹城) for the year ended 31 December 2021 was approximately RMB765.5 million.

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 99,729 sq.m and a total gross floor area of approximately 377,169 sq.m upon completion. Most of the properties of Differ Sky Realm (鼎豐天境) were sold in previous years and the revenue from disposal of the remaining parts of Differ Sky Realm (鼎豐天境) for the year ended 31 December 2021 was approximately RMB62.6 million.

She People Ancient City (畬鄉古城) 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 revenue from She People Ancient City (畬鄉古城) for the year ended 31 December 2021 was approximately RMB53.6 million.

Furthermore, Differ Humane Mansion (鼎豐書香豪庭) is a residential development comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. Differ Humane Mansion (鼎豐書香豪庭) covers a total site area of approximately 23,762 sq.m and total gross floor area of approximately 85,197 sq.m. The construction of Differ Humane Mansion (鼎豐書香豪庭) was completed in 2021 and part of which were delivered to the purchasers and the revenue of Differ Humane Mansion (鼎豐書香豪庭) for the year ended 31 December 2021 was approximately RMB23.5 million.

b.) Rental income and management fee income

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB12.7 million during the year ended 31 December 2021. Such income mainly represented the rental income, property management fee income and management fee income from fund management.

(iii) Commodity trading business

During the year ended 31 December 2021, the Group recorded the income from commodity trading business of approximately RMB121.0 million (2020: RMB5,196.3 million) and the relevant cost of trading of commodities and gross profits were approximately RMB120.8 million (2020: RMB5,190.2 million) and RMB0.2 million (2020: RMB6.1 million) respectively. Commodity trading business is usually to be considered as a low profit margin business and it is to reap profit from volume of trade. The income from commodity trading business decreased significantly due to the fact that the Group considered that the profits generated from commodity trading business was limited and it devoted its financial resources to develop other businesses during the year ended 31 December 2021.

(iv) Automobile e-commerce business

Following the completion of acquisition of Fast Sunrise Limited ("Fast Sunrise"), the Group commenced its automobile e-commerce business in the fourth quarter of 2021. Although only reflecting the financial results of the last quarter of 2021, the Group still recorded a considerable auto trading income of approximately RMB21.5 million and the relevant cost and gross profits were approximately RMB18.5 million and RMB3.0 million respectively.

Other income

Other income decreased from approximately RMB79.1 million for the year ended 31 December 2020 to approximately RMB66.6 million for the year ended 31 December 2021, representing a decrease of approximately RMB12.5 million or 15.8%. Our Group's other income for the year ended 31 December 2021 mainly represented bank and other interest income, reversal of impairment loss on finance lease, loan, and account receivables and other receivables, gain on disposal of an associate and sales of electronic devices.

Costs of property sold

The Group recorded cost of property development of approximately RMB584.6 million for the year ended 31 December 2021 (2020: RMB437.7 million). It mainly represented the land costs, construction costs and other relevant costs for part of i) Differ One City (鼎豐壹城), ii) Differ Sky Realm (鼎豐天境), iii) She People Ancient City (畲鄉古城) and iv) Differ Humane Mansion (鼎豐書香豪庭) projects.

Gain on disposal of subsidiaries

On 23 December 2021, the Group disposed 100% of the entire issued share capital of Differ Digital Company Limited (鼎豐數碼科技有限公司) ("Differ Digital") (the "Disposal Company"), a wholly owned subsidiary of the Company for a total consideration of RMB175.0 million which will be settled by cash consideration. Differ Digital and its subsidiaries (the "Differ Digital Group") is principally engaged in property development and management in the PRC and investment holding in a PRC Company. The Group recorded the gain on disposal of the Differ Digital Group of approximately RMB123.0 million in 2021.

In addition, the Group also disposed certain subsidiaries for the year ended 31 December 2021 and recorded net gain on disposal of such other subsidiaries of approximately RMB17.6 million.

Employee benefit expenses

The employee benefit expenses decreased from approximately RMB69.8 million for the year ended 31 December 2020 to approximately RMB60.2 million for the year ended 31 December 2021, representing a decrease of approximately RMB9.6 million or 13.8%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits.

Other expenses

The other expenses increased from approximately RMB113.6 million for the year ended 31 December 2020 to approximately RMB150.4 million for the year ended 31 December 2021, representing an increase of approximately RMB36.8 million or 32.3%. Our Group's other expenses mainly comprised provision of impairment loss on receivables, provision for financial guarantee, business tax and other taxes, advertising expense, legal and professional fee and various office expenses.

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

	2021	2020
	RMB'000	*RMB'000*
Advertising expense	**23,708**	13,191
Bank charges	**471**	529
Business tax and other taxes	**26,072**	15,928
Cost of electronic device sold	**3,991**	7,089
Entertainment expense	**6,534**	3,920
Impairment loss on goodwill	**–**	13,504
Legal and professional fee	**13,723**	12,813
Motor vehicle expense	**1,112**	1,013
Office expense	**5,304**	7,563
Tele-communication fee	**653**	989
Travelling expense	**1,682**	1,963
Water and electricity	**6,184**	2,286
Provision of impairment loss on finance lease, loan and account receivables, amount due from an associate and other receivables	**25,047**	19,550
Provision for compensation	**–**	3,990
Provision for financial guarantee	**23,846**	–
Others	**12,082**	9,319
	150,409	113,647

Share of results of associates

For the year ended 31 December 2021, the Group recorded share of loss of associates of approximately RMB21.1 million (2020: share of profit of associates of approximately RMB128.4 million), primarily due to share of loss from Zhongcheng City Development Group Co., Limited ("Zhongcheng") (中城城開集團有限公司) (formerly known as Fujian Zhongcheng Chuangzhan Urban Development Co., Limited* (福建中城創展城市開發有限公司)).

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 2021, the carrying amount of investment properties represents the shopping mall of Differ One City (鼎豐壹城) project and an investment property in Xiamen which are held to earn rentals under operating lease. The fair value gain on the Group's investment properties of approximately RMB121.8 million (2020: RMB23.3 million) for the year ended 31 December 2021 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 RMB440.8 million for the year ended 31 December 2021, representing an increase of approximately RMB84.7 million, or 23.8%, from approximately RMB356.1 million for the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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

(a) On 12 March 2021, Fujian Liantai Real Estate Development Co., Limited (福建聯泰房地產開發有限公司) (as the purchaser) and Differ Construction and City Development Company Limited ("鼎造城市開發有限公司") (formerly known as Differ Cultural Tours Limited (鼎豐文化旅遊有限公司)), an indirect wholly-owned subsidiary of the Company incorporated in Cayman Islands (as the vendor) entered into a sale and purchase agreement, pursuant to which the vendor has agreed to procure Ganzhou Differ Cultural Tourism Development Co., Limited (贛州鼎豐文化旅遊發展有限公司), an indirect wholly owned subsidiary of the Company to sell 51% equity interest in Shanghang Fengda Real Estate Co., Limited ("Shanghang Fengda") (上杭豐達置業有限公司) to the purchaser in the fair value of the consideration of RMB76,877,000 (the "Disposal"). The consideration should be settled by (i) share of the net income derived from the land of the Shanghang Fengda and (ii) license fee to be received for continued use of the brand of the vendor. The principal business of the Shanghang Fengda is property development. The Disposal was completed on 19 March 2021.

(b) On 18 June 2021, Xiamen Deng Yi Cultural Tourism Group Co., Limited ("廈門鼎繹文化旅遊集團有限公司") (formerly known as Xiamen Differ Cultural Tourism Group Co., Limited)* (廈門鼎豐文化旅遊集團有限公司), an indirect wholly-owned subsidiary of the Company (as the purchaser), entered into a sale and purchase agreement with Zhongcheng (as the vendor), an indirect 49% associate of the Company, to acquire 100% equity interests in Jingning Outdoor Residence Tour Investment Development Company Limited* ("Jingning Outdoor") (景寧外舍古鎮旅遊投資發展有限公司) in the aggregate consideration of RMB490,000,000 (the "Acquisition"). The consideration should be settled by: (i) RMB100,001,300 by way of cash and (ii) RMB389,998,700 by way of setting off the debt due from the vendor to the purchaser. The principal business of the Jingning Outdoor is property development. The Acquisition was completed on 23 June 2021. After completion, Jingning Outdoor ceased to be an associate of the Company and it became an indirect wholly-owned subsidiary of the Company.

(c) On 7 August 2021, Cherries Automobile Company Limited (車厘籽汽車有限公司) (formerly known as Jiashi International Financial Limited), a direct wholly-owned subsidiary of the Company (as the purchaser), entered into a sale and purchase agreement with Wonderful Apex Limited (as the vendor) to acquire 100% equity interests in Fast Sunrise in the consideration of RMB53,000,000 (the "Acquisition 2"). Fast Sunrise and its subsidiaries ("Fast Sunrise Group"), by virtue of the execution of the VIE agreements, can enjoy the economic benefits and control the board and members' voting rights of Tianjin Free Trade Gancheng Taifeng Technology Company Limited ("Gancheng Taifeng") (天津自貿乾程泰鋒科技有限公司). The principal business of Guancheng Taifeng is online e-commerce business in automobile industry. The Acquisition 2 was completed on 30 September 2021.

(d) On 23 December 2021, Prestige Eagle Investments Limited (as the purchaser) and Differ Construction and City Development Company Limited ("鼎造城市開發有限公司"), an indirect wholly-owned subsidiary of the Company incorporated in British Virgin Islands (as the vendor) entered into a sale and purchase agreement, pursuant to which the purchaser has agreed to acquire and the vendor has agreed to sell 100% equity interests of Differ Digital for the consideration of RMB175,000,000 (the Disposal 2"). The principal business of Differ Digital Group is property development. The Disposal 2 was completed on 24 December 2021.

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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

It is anticipated that global economic uncertainties will persist in 2022 amid the continuous outbreak of various COVID-19 mutant strains. On one hand, the Group will adopt a prudent approach on the asset management business. It will closely monitor the rapid changing environment of Chinese property market and will seize the opportunities to acquire or dispose the valuable assets at a suitable time. On the other hand, the Group will actively explore the opportunities to expand the automobile e-commerce business. Following the completion of acquisition of Gancheng Taifeng, the Group has decided to establish and carry out its automobile e-commerce business under the brand of Cherries Car (車厘籽汽車), which will provide comprehensive solutions and services to a wide range of customers ranging from car manufacturers, car dealers to retailing customers.

In order to accelerate the development of Cherries Car, the Group has entered into several strategic cooperation agreements with its strategic partners. On top of that, the Group is also exploring the possible acquisition of certain potential companies in automobile industry. The Group is optimistic of the prospects of automobile industry in foreseeable future.

CONTINGENT LIABILITIES

The details of the contingent liabilities of the Group as at 31 December 2021 are set out in note 29 and 48 to the financial statements in this annual report.

COMMITMENT

The details of the commitment of the Group as at 31 December 2021 are set out in note 42 to the financial statements in this annual report.

FOREIGN EXCHANGE RISK MANAGEMENT

The exposure to currency exchange rate of the Group is minimal as majority of the Group's subsidiaries operates in the PRC with most of the transaction denominated and settled in RMB. Part of the Group's borrowings and corporate bonds are denominated in the currencies other than RMB. Such currencies are HK$ and United State dollars and their RMB equivalent amounts are approximately RMB351.9 million and RMB350.8 million as at 31 December 2021 respectively. The Group has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation has no significant impact on our Group's financial performance.

TREASURY POLICIES

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

EVENT AFTER THE REPORTING DATE

On 7 January 2022, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an associate to disposed 100% equity interest in Xiamen Differ Good Investment Consulting Company Limited (廈門市鼎戈投資諮詢有限公司) and its subsidiary* ("Xiamen Differ Good Group") at consideration of RMB25,000,000. The principal activities of Xiamen Differ Good Group are engaged in financial services in the PRC. Upon the disposal, Xiamen Differ Good Group will no longer be subsidiaries of the Company. The disposal is completed on 10 January 2022.

Other than disclosed elsewhere in this annual report, there is no significant subsequent event.

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 419 employees (2020: 406). The staff costs (included Directors' emoluments) were approximately RMB60.2 million for the year ended 31 December 2021 (2020: RMB69.8 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 annual report, there was no specific plan for material investments or capital assets as at 31 December 2021 (2020: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB328.0 million (2020: RMB421.2 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 12.8% as at 31 December 2021 (2020: 12.5%). The current ratio is 1.22 times as at 31 December 2021 (2020: 1.13 times). The Group did not use any financial instruments for hedging purpose.

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

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB228.1 million as at 31 December 2021 were mainly pledged to secure for construction of pre-sale properties and the Group's facilities of providing guarantee services to the customers (2020: RMB333.3 million). As at 31 December 2021, approximately RMB250.7 million of bank borrowing were secured by properties held for sale with carrying amount of RMB1,105.9 million (2020: Nil). As at 31 December 2021, other borrowings with carrying amount approximately RMB107.9 million (2020: RMB226.7 million) were secured by properties under development with carrying amount of RMB121.9 million (2020: RMB546.5 million) and investment properties with carrying amount of RMB661.0 million (2020: Nil), which was also secured by 100% share equity of a subsidiary (2020: 510,000 shares of a subsidiary and 100% share equity of a subsidiary). In addition, the Group's properties held for sale and investment properties of carrying amount of approximately RMB220.2 million and RMB95.8 million respectively (2020: Nil) were pledged to banks in the PRC for financial related services business.

DIRECTORS' REPORT

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the (i) assets 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 securities brokerage services), (iii) commodity trading business and (iv) automobile e-commerce business. The principal activities and other particulars of the subsidiaries are set out in note 36 to the financial statements.

CORPORATION ORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. Pursuant to a reorganisation to rationalise the group structure in preparation for the listing ("Listing"), the Company became the holding company of the Group. Details of the reorganisation are set out in the prospectus of the Company dated 3 December 2013. The Company was listed on GEM of the Stock Exchange on 9 December 2013 and was transferred Listing to Main Board on 6 July 2015.

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended 31 December 2021 and the financial position of the Group at that date are set out in the financial statements on pages 80 to 83 of this annual report.

The Board proposed a final dividend of HK0.5 cent per share in respect of the year ended 31 December 2021 subject to the approval of the shareholders at the Company's annual general meeting to be held on Wednesday, 29 June 2022. The proposed final dividend is expected to be paid on Thursday, 28 July 2022, whose names appear on the register of members of the Company at the close of business on Friday, 15 July 2022 (2020: A final dividend of HK0.5 cent per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 23 June 2022.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The register of members of the Company will be closed from Wednesday, 13 July 2022 to Friday, 15 July 2022, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 12 July 2022. Subject to the approval by shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be paid on or around Thursday, 28 July 2022.

DIVIDEND POLICY

The dividend policy of the Company aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

PRINCIPLES AND GUIDELINES OF DIVIDEND POLICY

(a) The Board adopts the policy that, in recommending or declaring dividends, the Company shall maintain as position of financial stability and solid cash reserves to take advantage of any expansion or investment opportunities that may rise from time to time, and for meeting its working capital requirements and future growth as well as its shareholder value.

(b) The Company does not have any pre-determined dividend payout ratio.

(c) The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Memorandum of Association and the Bye-Laws of the Company and all applicable laws and regulations and the factors set out below.

(d) The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- business environment;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

(e) Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

(f) Any final dividend for a financial year will be subject to shareholders' approval.

(g) The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

(h) Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Memorandum of Association and the Bye-Laws of the Company.

The Board will review this policy as appropriate from time to time.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five years is set out in the financial summary on page 3 to 4 of this annual report. This summary does not form part of the audited financial statements in this annual report.

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 33 to the financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

The details of movements in the property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 14 to the financial statements in this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively in the report. Details of the distributable reserves of the Company are set out in note 34 to the financial statements. The Company's reserves available for distribution to members as at 31 December 2021 amounted to approximately RMB1,143.1 million (2020: RMB1,195.9 million).

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's largest customer and the five largest customers accounted for approximately 4.7% and 13.5% of the Group's total income for the year ended 31 December 2021 respectively.

The purchases made by the Group from its largest supplier and the five largest suppliers accounted for approximately 28.2% and 40.4% of the Group's total cost of sales for the year ended 31 December 2021 respectively.

None of the Directors or any of their close associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year ended 31 December 2021.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Hong Mingxian ("Mr. Hong")
Mr. Ng Chi Chung ("Mr. Ng")
Dr. Feng Xiaogang *(appointed on 9 December 2021)*

Non-executive Directors

Mr. Cai Huatan
Mr. Wu Qinghan

Independent Non-executive Directors

Mr. Chan Sing Nun
Mr. Lam Kit Lam
Mr. Chen Naike

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 7 to 10 of this annual report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years and renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company. Each letter of appointment is for an initial term commencing on the date of the letter of appointment of three years unless terminated by either party giving at least one month's notice in writing. All the Directors are subject to retirement by rotation and re-election at the AGM of the Company pursuant to its articles of association.

None of the Directors proposed for re-election at the AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed elsewhere in the financial statements, no Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

EMOLUMENT POLICY AND REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

The remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the Directors of the Company, having regard to the Group's operating results, individual performance and comparable market practices.

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 9 to the financial statements in this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Disclosure of interests by Directors and Chief Executives in the Company" below, at no time during the year ended 31 December 2021 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

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

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

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

The total number of shares in respect of which options may be granted under the Scheme shall not exceed 400,000,000 shares, being 5.55% of the total number of shares in issue as at the date of the report. On 25 April 2016, the Company granted an aggregate of 84,108,000 share options to the eligible persons. All share options which were granted under the Scheme had lapsed as at 31 December 2021. Details of movements in the Company's share options during the year are set out in note 47 to the financial statements in this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year are set out in note 43 to the financial statements in this annual report. None of those transactions constitutes a disclosable connected transaction pursuant to Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

During the year, the Group had entered into the following connected transaction which is subject to annual reporting under Chapter 14A of the Listing Rules:

DIRECTORS' REPORT

DISPOSAL OF 51% EQUITY INTERESTS IN SHANGHANG FENGDA

On 12 March 2021, Fujian Liantai Real Estate Development Co., Limited (福建聯泰房地產開發有限公司) (as the purchaser) and Differ Construction and City Development Company Limited ("鼎造城市開發有限公司") (formerly known as Differ Cultural Tours Limited (鼎豐文化旅遊有限公司)), an indirect wholly-owned subsidiary of the Company incorporated in Cayman Islands (as the vendor) entered into a sale and purchase agreement, pursuant to which the vendor has agreed to procure Ganzhou Differ Cultural Tourism Development Co., Limited (贛州鼎豐文化旅遊發展有限公司), an indirect wholly owned subsidiary of the Company to sell 51% equity interest in Shanghang Fengda to the purchaser in the fair value of the consideration of RMB76,877,000 (the "Disposal"). The Purchaser was the registered owner of 49% of the equity interest in Shanghang Fengda, thus it is a connect person of the Company at the subsidiary level under the Listing Rules. The consideration should be settled by (i) share of the net income derived from the land of Shanghang Fengda and (ii) license fee to be received for continued use of the brand of the vendor.

The principal business of the Shanghang Fengda is property development. The Disposal was completed on 19 March 2021 and ceased as a subsidiary of the Group. The Directors considered the Disposal was a good opportunity for the Group to lock in a fixed percentage of the profit that will be realized upon the upcoming sale of properties from the land of Shanghang Fengda and mitigate future risk from potential fluctuations in the property market in the PRC.

BUSINESS MODEL, CREDIT RISK ASSESSMENT POLICY AND KEY INTERNAL CONTROL OF EXPRESS LOAN BUSINESS

BUSINESS MODEL

We generally provide short-term loans to our customers who pledge their assets to us. The loan amount is usually capped at a certain percentage of the appraised value of the asset pledged to us by our customers. In return, our customers pay us interests which are calculated as a percentage of the loan amount. As for governance structure, we have established a management team, comprising of an executive director, responsible persons of express loan business, financial department and legal department to approve and review our loans.

The management team has been carrying out a risk management practice to diversify our loan portfolio as its best effort and, for the year ended 31 December 2021, limiting individual loan to a level no larger than 20% of the total portfolio to ensure the relevant credit risk impact, even if realized, would be contained.

CREDIT RISK ASSESSMENT POLICY

It is our Group's policy that all customers' application for express loan are subject to credit risk assessment and background search by our management. Our procedures generally include the following key steps:

a) Application

An applicant is generally required to provide us with the following information:

(i) the identity and basic information of the applicant;

(ii) details of the proposed loan amount, the intended loan period and the purpose of the loan;

(iii) for corporate customer, the business background of its owners, the key balance sheet and income statement figures, details of its directors and shareholders;

(iv) details of any proposed collateral and/or guarantees that will be provided;

(v) if applicable, the identity and basic information of the intended guarantor and descriptions of key assets and liabilities of the intended guarantor.

b) Preliminary assessment

After receiving the information, our business manager will verify the authenticity of the documents, and conduct a preliminary assessment of the application. Our business manager will select applicants that meet our criteria of target customers, such as the Company with legally compliant business operations, efficient production processes, good credit records, healthy cash flows, and ownership of assets that are sufficient to repay all borrowings, as well as shareholders of good business reputation.

c) Due Diligence

If our business manager is satisfied with the application after the preliminary assessment, we will perform an in-depth due diligence on the applicant and, where applicable, the guarantor. Due diligence on the applicant generally includes gaining a thorough understanding of the applicant's business, production process, assets and liabilities, cash flows, source of funds for payment or repayment, credit history as well as verification of ownership and valuation of collaterals.

d) Approval of applications

When all due diligence work is completed and the results were satisfactory, our management will meet to consider the application. In addition, before final approval, our legal and compliance department is to cross-check the terms of the relevant agreements to ensure that the terms are in full compliance with the relevant laws and regulations.

POST-APPROVAL MONITORING

After the commencement of the loan period, we will conduct on-going monitoring of the borrower and the relevant collateral.

Monitoring of the borrower

Monitoring of the borrower includes ascertaining the actual usage of the loan, visiting the borrower regularly in order to understand its actual business conditions, obtaining its financial statements, telephoning the borrower on a regular basis in order to remind of its repayment schedule and understand if there is any foreseeable difficulties in repayment, etc.

Monitoring of the value of the collateral

Our business managers are responsible for monitoring of the value of the collateral on an on-going basis. For all types of collaterals, our business managers will conduct a check on the value of the collateral on a regular basis. In addition, our business manager will visit our customers spontaneously in order to physically inspect and monitor the conditions and/or the proper storage or usage of the collateral.

Follow up measures

If, as a result of our post-approval monitoring, we become aware of any circumstances that would negatively affect the collectability of our outstanding loan receivables, we may (i) discuss with our customer regarding ways to improve the situation; (ii) request our customer to provide additional collateral and/or guarantees; and/or (iii) demand immediate payment or repayment of the full outstanding amount from our customer.

Renewal application

If a customer applies for a renewal, we will go through the same approval procedures as in a new application.

Enforcement of collateral or guarantee

If a customer fails to repay the principal or interest by its due date, we will contact the customer immediately to understand the situation. We may also consider to instruct our lawyers to commence legal proceedings against the customer to recover any late payment charges and penalty interest and/or to enforce the collateral and guarantee.

Monitoring and reporting of overall market situation

The management team also monitors the overall market and particularly industry in which our major customers are operating their business. The management team will report to our executive director when any major and systematic market or industry risks come to their attention.

Details of the major terms of loans granted, collaterals and concentration of loans on major customers are set out on note 18 to the financial statements in this annual report.

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 31 December 2021, 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	Approximate percentage of the total issued share capital of the Company
Mr. Hong	Interest in controlled corporation *(Note 1)*	3,017,300,000	41.85%
Mr. Ng	Interest in controlled corporation *(Note 2)*	827,400,000	11.48%
	Beneficial owner	334,068,000	4.63%

Notes:

1. 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 3,017,300,000 Shares under the SFO.

2. 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 827,400,000 Shares under the SFO.

Save as disclosed above, as at 31 December 2021, 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 2021, 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)*	3,017,300,000	41.85%
Ms. Shi Hongjiao ("Ms. Shi")	Interest of spouse *(Note 2)*	3,017,300,000	41.85%
Ever Ultimate	Beneficial owner *(Note 3)*	827,400,000	11.48%
Ms. Ting Pui Shan ("Ms. Ting")	Interest of spouse *(Note 4)*	1,161,468,000	16.11%

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 3,017,300,000 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 827,400,000 Shares under the SFO.

4. Ms. Ting is the spouse of Mr. Ng.

DIRECTORS' REPORT

Save as disclosed above and as at 31 December 2021, the Directors are not aware 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of Cayman Islands in relation to the issue of new shares.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

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 2021.

All the independent non-executive Director 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 undertaking, 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 2021. 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.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 31 to 44 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by BDO Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

By order of the Board of
Differ Group Holding Company Limited
Hong Mingxian
Chairman

Hong Kong, 30 March 2022

CORPORATE GOVERNANCE REPORT

The board of Directors of the Company (the "Board") is pleased to present the corporate governance report for the year ended 31 December 2021.

The Company is committed to establishing good corporate governance practices, procedures and fulfilling its responsibilities to its shareholders, protecting and enhancing shareholders' value. The Company's corporate governance practices are based on the principles and code provision as set out in the Code on Corporate Governance Practices ("CG code") in Appendix 14 to the Listing Rules.

Throughout the year ended 31 December 2021, the Company had complied with the CG Code with the exception from the deviation from the code provisions C.1.8 as explained below:

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

THE BOARD AND BOARD COMMITTEES

The Directors who held office during the year ended 31 December 2021 and as at the date of this report are as follows:

Mr. Hong Mingxian	Executive Director and Chairman
Mr. Ng Chi Chung	Executive Director and Chief Executive Officer
Dr. Feng Xiaogang	Executive Director *(appointed on 9 December 2021)*
Mr. Cai Huatan	Non-executive Director and Honorary Chairman
Mr. Wu Qinghan	Non-executive Director
Mr. Chan Sing Nun	Independent non-executive Director
Mr. Lam Kit Lam	Independent non-executive Director
Mr. Chen Naike	Independent non-executive Director

The biographical details of all directors are set out under the section headed "Directors' and Senior Management Biographical Details" on pages 7 to 9.

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives. The functions performed by the Board include but not limited to formulating the Group's business strategies, reviewing the Company's financial performance and results, deciding all significant financial and operational issues, monitoring and reviewing the Group's risk management, internal control system and corporate governance; and all other functions reserved to the Board under the Company's articles of association. In addition, the Board delegates to the Group's management certain functions include the implementation of general daily operation, strategies approved by the Board, the implementation of internal control procedures and ensuring of compliance with relevant requirements and other rules and regulations. All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

CORPORATE GOVERNANCE REPORT

The Directors are required to disclose to the Board the number and nature of offices they hold in public companies or organizations and/or other significant commitments. The Board is of the view that all the Directors have devoted sufficient time and interest to the Company's affairs.

CORPORATE GOVERNANCE FUNCTION

The Board confirms and undertakes the ultimate responsibilities for acting as the corporate governance function of the Company. With the assistance from the Audit Committee, the Remuneration Committee, and the Nomination Committee, the Board has performed and fulfilled the related corporate governance duties set out in the CG Code.

CONFIRMATION OF INDEPENDENCE

During the year ended 31 December 2021, the Company has complied with Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence. Each of the independent non-executive Directors has made an annual confirmation of independence and the Board is satisfied that all the independent non-executive Directors were independent and met the independent guidelines set out in Rule 3.13 of the Listing Rules, up to the date of the annual report.

BOARD DIVERSITY POLICY

The board diversity policy aims to set out the Company's approach on the diversity of the Board. This policy applies to the Board. It does not apply to diversity in relation to the employees of the Company, nor the Board and the employees of any subsidiary of the Company.

Policy Statement

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of directors is good for corporate governance and is committed:

- To attract and retain candidate(s) for Board with a combination of competencies from the widest possible pool of available talent.

- To maintain a Board with diversity perspectives at all levels, in particular, those are aligning with the Company's strategy and objectives.

- To assess regularly the diversity profile of the Board and, where applicable, senior management prepared for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any.

- To ensure that the selection and nomination of Board positions are appropriately structured so that a diverse range of candidates can be considered.

- To set up appropriate procedures for development of a broader and more diverse pool of skilled and experienced senior management that would be prepared for Board positions.

- To ensure that changes to the Board's composition can be managed without undue disruption.

Implementation

The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy. In reviewing and assessing the Board composition and the nomination of directors (as applicable), Board diversity has to be considered from a number of aspects, including but not limited to the following:

- Gender
- Age
- Cultural and educational background
- Ethnicity
- Professional qualifications
- Skills, knowledge and industry and regional experience
- Length of service

Measurable Objectives

The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. The Board may adopt and/or amend from time to time (as applicable) such diversity perspectives and/or measurable objectives that are appropriate to the Company's business and Board succession planning, as applicable. The ultimate decision will be made based on the merits and contributions that the candidates can provide to the Company as well as taking into account the business model and specific needs of the Company from time to time.

The Nomination Committee will review this policy as appropriate and recommend revisions, if any, to the Board for consideration and approval.

The Board has reviewed its composition and is satisfied with its diversity that all Directors have, individually and collectively, contributed a reasonable spectrum of skills, experience and perspective. The Board has set a plan to achieving a gender ratio by 2024 at Board level and workforce level.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals. The Chairman of the Board is Mr. Hong Mingxian, who is responsible for the overall strategic formulation, management and planning of our Group. The Chief Executive Officer is Mr. Ng Chi Chung, who is responsible for business development and day-to-day management and operations of the Group.

There are no financial, business, family or other material/relevant relationship(s) among our Chairman, Chief Executive Officer and all Directors.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company is engaged on a service agreement with the Company for a term of three years. The Company has also issued a letter of appointment to each of the non-executive directors and independent non-executive directors for a term of three years. In accordance with Article 84 of the Company's Articles of Association, one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting ("AGM") at least once every three years. All of the retiring directors, being eligible, will offer themselves for re-election at the forthcoming AGM. Pursuant to the aforesaid provision of the Articles of Association, three directors of the Company shall retire at the forthcoming AGM of the Company and being eligible, will offer themselves for re-election at the meeting. The Company's circular, sent together with this annual report, contains detailed information of the retiring directors pursuant to the Listing Rules.

BOARD COMMITTEE

The Board has established three board committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") of the Company, with written terms of reference which are available for viewing on the websites of the Company and the Stock Exchange to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

DIRECTORS' ATTENDANCE RECORD

The Board meets regularly for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the year ended 31 December 2021, the Board held four regular board meetings which were held at approximately quarterly intervals and one general meeting, being 2021 AGM. The attendance of each Directors is as follows:

	Number of regular board meetings attended/held	**Number of general meeting attended/held**
Executive Directors:		
Mr. Hong Mingxian	4/4	1/1
Mr. Ng Chi Chung	4/4	1/1
Dr. Feng Xiaogang *(appointed on 9 December 2021)*	0/0	0/0
Non-executive Directors:		
Mr. Cai Huatan	4/4	1/1
Mr. Wu Qinghan	4/4	1/1
Independent non-executive Directors:		
Mr. Chan Sing Nun	4/4	1/1
Mr. Lam Kit Lam	4/4	1/1
Mr. Chen Naike	4/4	1/1

There were 1 additional board meetings held for normal course of business during the year with the presence of all executive Directors. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of Board members. The Board is provided with relevant materials in relation to the matters brought before the meetings. Reasonable notices of meetings are given to the Directors and the Directors are encouraged to propose new items as any other business for discussion at the meetings. Minutes are kept by the company secretary and are open for inspections by all Directors at any reasonable time. Procedures for convening meetings of the Board and Board committees and preparing minutes of the meetings have complied with the requirements of the Articles of Association of the Company and applicable rules and regulations.

AUDIT COMMITTEE

The Board has established the Audit Committee with written terms of reference on 26 November 2013, which was latest updated on 31 December 2018 in compliance with the CG code's and relevant listing rules requirements. The Audit Committee also serves and fulfils its duties as corporate governance function of the Company in accordance with the updated terms of reference. As at 31 December 2021, the Audit Committee consists of two independent non-executive Directors, namely Mr. Chan Sing Nun and Mr. Lam Kit Lam and one non-executive Director namely, Mr. Wu Qinghan. Mr. Chan Sing Nun is the chairman of the Audit Committee.

The main duties of the Audit Committee include, among others:

– monitoring the integrity of the Company's financial statements, interim and annual financial reports, and to review significant financial reporting judgments and accounting policies contained in them;

– responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;

– reporting the finding and recommendations to the Board on a regular basis;

– reviewing and examining the compliance and corporate governance policies, code of conduct and the effectiveness of risk management and internal control systems;

– reviewing the compliance with the CG code and disclosure in this Corporate Governance report.

During the year ended 31 December 2021, the Audit Committee (1) reviewed the Group's annual and interim reports and result announcements, the related accounting principles and practices adopted by the Group and provided advice and comments thereon; (2) made recommendations to the Board and the management in respect of the Group's financial reporting, risk management and internal control procedures; and (3) reviewed the Group's discloseable and connected transactions. The Audit Committee held four meetings during the year and the attendance of each member is as follows:

	Member of Audit Committee Meeting attended/held
Mr. Chan Sing Nun	4/4
Mr. Lam Kit Lam	4/4
Mr. Wu Qinghan	4/4

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee with written terms of reference on 26 November 2013, which was latest updated on 3 July 2015 in compliance with the CG code's and relevant listing rules requirements. As at 31 December 2021, the Remuneration Committee consists of two independent non-executive Directors, namely Mr. Lam Kit Lam and Mr. Chan Sing Nun and one executive Director, namely Mr. Ng Chi Chung. Mr. Lam Kit Lam is the chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include, among others:

– formulating remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, time commitment, employment conditions, and responsibilities, and individual performance of the Directors, senior management, and the general staff;

– ensuring none of the Directors determine their own remuneration.

During the year ended 31 December 2021, the Remuneration Committee reviewed and made recommendation on the remuneration package of Directors and senior management of the Group and assessed the performance of executive Directors. The Remuneration Committee held 2 meetings during the year and attendance of each member is as follows:

	Number of Remuneration Committee Meeting attended/held
Mr. Lam Kit Lam	2/2
Mr. Chan Sing Nun	2/2
Mr. Ng Chi Chung	2/2

NOMINATION COMMITTEE

The Board has established the Nomination Committee with written terms of reference on 26 November 2013, which was latest updated on 31 December 2018 in compliance with the CG code's and relevant listing rules requirements. As at 31 December 2021, the Nomination Committee consists of two independent non-executive Directors, namely Mr. Lam Kit Lam and Mr. Chan Sing Nun and one executive Director, namely Mr. Hong Mingxian. Mr. Hong Mingxian is the chairman of the Nomination Committee.

The main duties of the Nomination Committee include, among others:

– reviewing the structure, size and composition of the Board;

– make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors;

– identify suitable and qualified individuals to become Board members.

During the year ended 31 December 2021, the Nomination Committee reviewed and discussed the structure, size and composition of the Board; made recommendation on the reappointment of Directors; and confirmed the independence of the independent non-executive Directors. The Nomination Committee held 2 meeting during the year and the attendance of each member is as follows:

	Number of Nomination Committee Meeting attended/held
Mr. Hong Mingxian	2/2
Mr. Chan Sing Nun	2/2
Mr. Lam Kit Lam	2/2

NOMINATION POLICY

The Nomination Policy aims to set out the criteria and process in the nomination and appointment of directors of the Company; to advise the Board in relation to appointment of directors; ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of Company; and ensure the Board continuity and appropriate leadership at Board level. This policy applies to the directors of the Company and where applicable, senior management prepared for Board positions under the succession planning of the Company.

The Board has delegated its responsibilities and authority for selection and appointment of directors of the Company to the Nomination Committee of the Company. Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of directors of the Company rests with the entire Board.

Nomination and Appointment of Directors

Criteria:

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company’s business and corporate strategy.

- Any measurable objectives adopted for achieving diversity on the Board.

- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- Sufficiency of time to be devoted to the Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

- the considerations listed out in our Board Diversity policy.

Nomination Process

(a) Appointment of New Director

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(b) *Re-election of Director at General Meeting*

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will keep monitoring and conduct regular review on the diversity, structure, size and composition of the Board and this policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs and reflects both current regulatory requirements and good corporate governance practice.

DIVIDEND POLICY

The Company have a dividend policy.

The declaration of future dividends will be subject to the recommendation by the Board at its discretion in accordance with the Articles of Association and will depend on a number of factors, including market conditions, strategic plans and prospects, business opportunities, financial condition and operating results, working capital requirements and anticipated cash needs, statutory and contractual restrictions on the payment of dividends and other factors that the Board considers relevant.

INSIDE INFORMATION DISCLOSURE

The Company has established an inside information policy pursuant to the Part XIVA of the Securities and Futures Ordinance. The key provisions of the policy include:

1. The Directors shall establish effective procedures to identify and report potential inside information to the Board from time to time.

2. The Directors shall perform an evaluation of the information and document the evaluation process and result.

3. The Directors, senior management and any persons who might have access to the inside information shall implement precaution measures in relation to the confidentiality of unpublished inside information.

4. The Directors, senior management and any persons who have access to the inside information shall not to deal in the Company's securities when they are in possession of unpublished inside information.

5. The Directors shall ensure timely, fair and comprehensive dissemination of inside information, in principle of maintaining a fair and informed market, including issuing announcements and/or requesting trading halt in situation of unexpected and significant event.

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 2021.

AUDITOR'S STATEMENT AND THEIR REMUNERATION

The statement of the auditor of the Company about their reporting responsibilities on the Group's financial statements for the year ended 31 December 2021 is set out in the section headed "Independent Auditor's Report" of this report.

The remuneration of the Company's external auditor, BDO Limited, in respect of audit services and non-audit services for the year ended 31 December 2021 amounted to RMB1,530,000 (2020: RMB1,360,000) and Nil (2020: RMB196,000 in relation to major transaction) accordingly. The Audit Committee has assessed and satisfied with the independence of our external auditor.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective risk management and internal control system in order to safeguard the interests of the shareholders, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

Particularly, one of the core business of our Group is to provide short and medium-term financings and financing-related solutions based on our risk assessment of our customers and their collateral. Our Group has taken sufficient measures and steps to identify those inherent risks relevant to our business. We aim at minimising and managing such risks at every stage along the approval process and the post-approval monitoring process.

The Company has set up a corporate governance working committee that is composed of senior management to prepare report to the Directors and the Company's Audit Committee on a regular basis containing (1) consolidated financial statements, (2) business performance analysis, (3) material events and transaction (such as takeovers and mergers, change of key personnel and shareholders), (4) financial information of major subsidiaries, (5) information of related party transactions, connected transactions and notifiable transactions, and (6) compliance status in our businesses.

The Company currently does not have an internal audit department, and has engaged an independent professional internal control consulting firm ("Internal Control Reviewer") to review the Group's internal control system, policy and procedures and report to the Audit Committee their findings and recommendations. The Board has reviewed the need for an internal audit function and is of the view that in light of the size and nature of the business of the Group, instead of setting up an internal audit department, it would be more cost effective to appoint external independent professionals to perform independent carry and evaluation to the internal control systems, and the risk management system of the Group on an on-going basis. The Board will review at least annually the need for setting up an internal audit function.

The Board concluded that in general, the Group's risk management and internal control system is effective and adequate. The Board will continue to assess the effectiveness of risk management and internal controls by considering reviews and recommendations made by the audit committee, senior management and Internal Control Reviewer.

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

The Group provides continuing briefings and professional development to the Directors to update on the latest development in relation to the Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

During the year ended 31 December 2021, all Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending training course to develop professional skills. The relevant details are set out below:

	Reading and/or online studying	Seminars and/or workshop
Executive Directors:		
Mr. Hong Mingxian	✓	✓
Mr. Ng Chi Chung	✓	✓
Dr. Feng Xiaogang *(appointed on 9 December 2021)*	✓	✓
Non-executive Directors:		
Mr. Cai Huatan	✓	✓
Mr. Wu Qinghan	✓	✓
Independent non-executive Directors:		
Mr. Chan Sing Nun	✓	✓
Mr. Lam Kit Lam	✓	✓
Mr. Chen Naike	✓	✓

COMPANY SECRETARY

The Company Secretary of the Company, Mr. Tam Wai Tak Victor, is also the Authorized Representative of the Company. During the year, he has received no less than 15 hours of continuous professional development training accredited by various professional associations in compliance with Main Board Listing Rules 3.29.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the consolidated financial statements for the financial year ended 31 December 2021, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year then ended and properly prepared on going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

The Board and management are dedicated to meeting and communicating with shareholders at the annual general meeting of the Group. Our Chairman of the board, Chief Executive Officer and senior management will attend the annual general meeting of the Group to answer questions of shareholders.

Notice of the annual general meeting is sent to the shareholders at least 21 clear days before the holding of the annual general meeting. All other general meetings (including extraordinary general meeting) must be called by Notice of not less than fourteen (14) clear days and not less than ten (10) business days.

There are no provisions in the Companies Law of the Cayman Islands (amended in 2018) or in the Articles of Association allowing shareholders to propose new resolutions at shareholders' meetings. Shareholders who wish to propose a resolution may request the company to convene a shareholders' meeting in accordance with the procedures prescribed in the preceding paragraph.

Regarding nominations for directors by shareholders, please refer to Shareholders' Nomination Procedures for Directors Candidates on the Company website.

Shareholders may send their inquiries and concerns to the Company's principal place of business in Hong Kong in writing at any time.

In accordance with Article 58 of the articles of association of the Company, shareholders holding not less than 10% of the paid up capital of the Company can convene an extraordinary general meeting by written requisition to the Board or the secretary of the Company. In addition, shareholders can raise any questions relating to published information and latest strategic plan of the Group with the Directors. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

INVESTOR RELATIONS

The Company has maintained various communication channels with its shareholders and the investment public to ensure that they are kept abreast of the Company's latest news and development. The Company updates its shareholders on its development, financial results and major events through its annual and interim reports. All published information is promptly uploaded to the website of the Company at www.dfh.cn.

Shareholders can also submit enquires to the management and send proposals to be put forward at shareholders' meeting to the Board or senior management by sending emails to pr@dfh.cn or making phone calls to our investor relations team at +852 2619 9924. In addition, the Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

During the year ended 31 December 2021, there had been no change in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Differ Group Holding Company Limited (the "Company", "Differ" or "we") has substantially grown its businesses spanning from financial services to cultural tourism. Upholding the vision of constructing a more sustainable financial institution, the Company sees the integration of sustainability principles into its strategic planning and day-to-day operations through transparent measures as its business key, with a view to delivering long-term value to stakeholders of the Group and maintain its competitive edge. Having a deep ambition to build up long-term trusted ties with stakeholders, the Company is delighted to publish its fourth environmental, social and governance ("ESG") report (the "Report") highlighting its initiatives and efforts in pursuit of sustainability.

SCOPE OF THE REPORT

The Report examines the Company's ESG management approaches, and the corresponding performance for the period commencing on 1 January and ending on 31 December 2021 (the "Reporting Period", "2021") related to its major subsidiaries (collectively, the "Group") in Zhejiang, Fujian, Shandong and Hong Kong. Subsidiaries in Tianjin are included in 2021 in addition to those in Gingning, Longquan, Nanan, Weihai, Xiamen and Hong Kong due to the expansion of business.

REPORTING STANDARD

The Report has been prepared in accordance with the "Comply or Explain" provisions of the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx ESG Reporting Guide"). The Report has been reviewed and approved by the board of directors of the Company.

CONTACT & FEEDBACK

Having a belief that a strong trusted relationship with the community is critical for its business sustainability, the Company is committed to managing the Group with the best interests of its stakeholders; therefore, treasure your feedback on this ESG report and the sustainability performance. If you have any comments or suggestions, please write to Suites 501-05, 5/F, AIA Central, No. 1 Connaught Road Central, Central, Hong Kong or email to pr@dfh.cn.

STAKEHOLDER ENGAGEMENT

Differ values stakeholders' interests, views, and input in our journey towards sustainability. To improve our transparency and gather insights and concerns of key stakeholders related to our business operations, we regularly take a proactive approach to communicating with them. We believe the engagement process can facilitate Differ to design its sustainability strategies and plans in a more solid manner by identifying the sustainability risks and opportunities.

Details of communication channels between Differ and stakeholders are illustrated below:

Investors and shareholders

- Company website
- Company's announcements
- Annual general meeting
- Annual and interim reports

Customers

- Company website
- Customer direct communication
- Customer feedback and complaints
- Customer satisfaction surveys

Employees

- Training and orientation
- Email and opinion box
- Regular meetings
- Employee performance evaluation
- Employee activities

Suppliers and business partners

- Company website
- Customer direct communication
- Customer feedback and complaints
- Customer satisfaction surveys

Media

- Company website
- Company's announcements

Communities

- Company website
- Community activities

Government authorities and regulators

- Documented information submission
- Compliance inspections and checks
- Regular meetings/luncheons with local government representative
- Forums, conferences and workshops

Moving forward, Differ will continue to explore new communication channels to engage its internal and external stakeholders in order to comprehensively understand their needs and concerns.

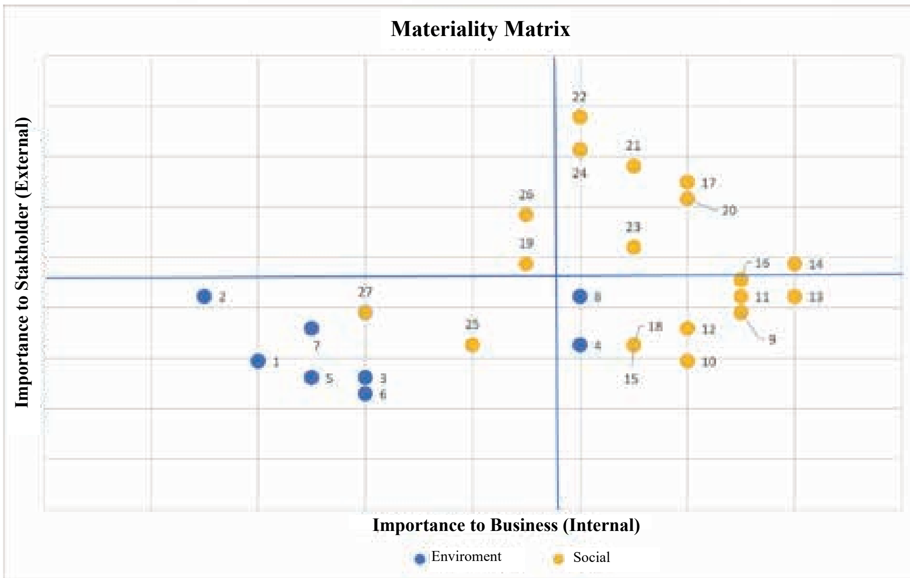
MATERIALITY ASSESSMENT

The Group recognizes the opinions from stakeholders as one of the key decision-making criteria. At such, an independent consultant was entrusted to conduct a materiality assessment to indicate the material ESG issues that directly affect the business operations and development during the Reporting Period. Analyzing the results allows the Group to identify risk factors and meet the expectations of stakeholders, as well as for shaping the Group's sustainability strategies. More details will be shown as below.

Phase	Actions
Phase 1 **Identification**	A list consisting of potential ESG topics is generated based on global trends and local reporting standards. After reviewing the information, 27 relevant topics covering environmental and social aspects were identified for the materiality assessment.
Phase 2 **Stakeholders Engagement**	The identified materials were included in an online questionnaire. Internal and external stakeholders including the board of directors, media, employees, and customers etc. were invited to score the material issues based on two aspects of "significance to the Group's business and operation" and "significance to the stakeholders".
Phase 3 **Analysis**	The collected feedbacks were analyzed and plotted in a materiality matrix to prioritize the ESG topics. Issues which fell in the upper right corner of the materiality matrix were defined as the topics that matter most to both the Group's business operation and our stakeholders' concern. Hence, this ESG report will focus on those issues and reflect the Group's related strategies and impacts. The results from the assessment will also be considered for ESG performance improvement in future.

Below is the materiality matrix based on the received responses and analysis results:

Significance of Stakeholders



Significance to the Group's Business & Operation

Environment	Social	
1. Air emission 2. Greenhouse gas emission 3. Climate change 4. Energy efficiency 5. Water & effluents 6. Use of materials 7. Waste management 8. Environmental compliance	9. Labour rights 10. Labour-management relations 11. Employee retention 12. Diversity and equal opportunity 13. Non-discrimination 14. Occupational health and safety 15. Employee training 16. Employee development 17. Prevention of child labour & forced labour 18. Customer satisfaction	19. Customer service quality & complaints handling 20. Customer health and safety 21. Marketing and product and service labelling compliance 22. Intellectual property 23. Customer privacy and data protection 24. Responsible supply chain management 25. Business ethics 26. Socio-economic compliance 27. Community investment

According to the results of the materiality matrix, the Group has focused on occupational health and safety, prevention of child labour & forced labour, non-discrimination, customer health and safety, marketing and product and service labelling compliance, Intellectual property, customer privacy and data protection and responsible supply chain management. Based on the findings, the Group will address their needs and continue to keep open dialogues with the key stakeholders.

AWARDS AND RECOGNITIONS

Adhering the principle of "Integrity, Gratitude, Prudence and Trailblazing", the Company is endeavored to continually improve its professional and innovative customer-centric service. We enthusiastically believe in our capabilities in exceeding beyond the standard requirements in the sustainability aspects.

During the Reporting Period, the Group is delighted to be honoured by several organizations regarding our performance in the company governance and sustainability aspects.

Awards	Issuing Authorities
ListCo Excellent Award 2021	AM730
Best Innovation Award	International Roadshow Center
Reading Dreams Practice Award	Reading Dreams

With our efforts in contributing the community being recognized, the Group is committed to continuously achieving excellence in business performance as well as sustainable development. We hope to pursue continuous improvement in our ESG performance in future by embedding sustainability into our business development model.

ListCo Excellent Award 2021

Best Innovation Award

Reading Dreams
Practice Award

BUSINESS ETHICS

Anti-corruption

The Group has always put its emphasis on ethical operation. We firmly stand against corruption and bribery. As such, we adopt a zero tolerance approach towards corruption, bribery, extortion, fraud and money laundering related issues.

The Group has established a code of conduct to provide guidelines on employees' behaviours and ensure the fulfilment of relevant national and regional laws and regulations, including the Prevention of Bribery Ordinance of Hong Kong, Criminal Law of the PRC and Anti- Money Laundering Law of the PRC. The Group strictly prohibit the transfer of interests in any forms by employees to stakeholder. Any breaching of the rules will lead to disciplinary actions including dismissal. Serious offenders will even be sent to disciplinary authorities for further legal actions.

To further enhance our development of integrity governance, a whistleblowing system has been established to engage related stakeholders including employees and suppliers in securing the Group's integrity. We encourage our stakeholders to report any suspected violations in either written or verbal form through email or hotline. Our Audit and investigation Department start to investigate the reported case promptly. All information is recorded in the investigation report for formulating remedial measures and improvement plans to prevent reoccurrence. Information of the reported case and the identity of the whistle-blower are kept confidential to ensure the investigation is conducted without any forms of disturbance and in a fair manner. A rewarding scheme is also implemented to motivate employees to step up when witnessing unlawful practices.

To uphold high standards of corporate governance, the Group strives to enhance its staff's awareness of anti-corruption by providing its staff and directors with anti-corruption training such as seminars provided by external speakers. Relevant persons are required to understand the anti-corruption requirements with bribery forbidden in any forms. The Group invites representatives of the third parties to provide anti-corruption training to employees to enhance their anti-corruption and integrity awareness. During the Year, the Group has provided anticorruption training to employees at management levels (including members of the Board).

Business integrity is an important factor for Differ to choose its trustworthy business partners. All of our suppliers are required to behave in a dignified manner. Therefore, an Integrity Agreement is distributed to all of the selected suppliers and service providers before cooperation to ensure they are aligned with our integrity standard.

During the Reporting Period, the Group confirmed that there were no breaches of relevant laws and regulations, and no concluded legal cases regarding corruption practices were brought against the Group or our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL STEWARDSHIP

As a responsible and effective company, Differ is dedicated to protecting the nature for cultivating a fresh, clean and harmonious living environment to all human and our next generations. The Group has carefully managed the impacts brought to the environment, such as diminish the GHG emission and other mitigations.

In order to steward to a greener and low-carbon future, the Group proactively implements a corporate environmental management system ("EMS"), so as to continuously enhance our environmental performance and bring our environmental management in line with the international and national standards. Related environmental aspects are being identified for our operations including provision of services and activities before formulating of working guidelines and mitigation strategies. A series of internal policies and working guidelines, covering greenhouse gas emission, waste management, and resource usage, has been enacted to provide detailed and people-oriented guidance for our employees to follow.

During the Reporting Period, the Group was not aware of any significant non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, generation of waste and use of resources in Hong Kong and Mainland China.

Managing Emissions and climate change

Climate Change

Differ recognizes that climate change will become one of the material issues identified by governments of different countries. With this in mind, we have implemented a range of measures to reduce greenhouse gas ("GHG") emissions across our operations. The Group has also established operation guidelines under extreme weather to outline the appropriate actions to be taken in accordance with various warnings from the Hong Kong Observatory.

Going forward, the Group will continue to strengthen climate change related polices, including conduct climate-risk assessment and formulate management measures. The risks and opportunities arising from climate change will be incorporated in the Group's decision making, risk management and daily operations.

Air and Greenhouse Gas Emissions

Although the Group has limited air emissions due to the nature of its offices, the Group continues to work to minimize its environmental impact. Establishing a comprehensive monitoring system is important for controlling pollutant emissions. Therefore, the Group has been implemented a monitoring and measurement management procedure, aiming to ensure our emissions can meet the regulatory standards. In order to centralize all of the data for better analysis and develop a consistent monitoring standard, our Integrated Management Centre is appointed to handle all the GHG emission monitoring works. Our daily GHG emissions are being recorded for annual data analysis to provide a solid foundation for further establishment of suitable strategies and policies. Saving energy is important to reducing greenhouse gas emissions. In view of that, related policies have been implemented and will be discussed in the following sections.

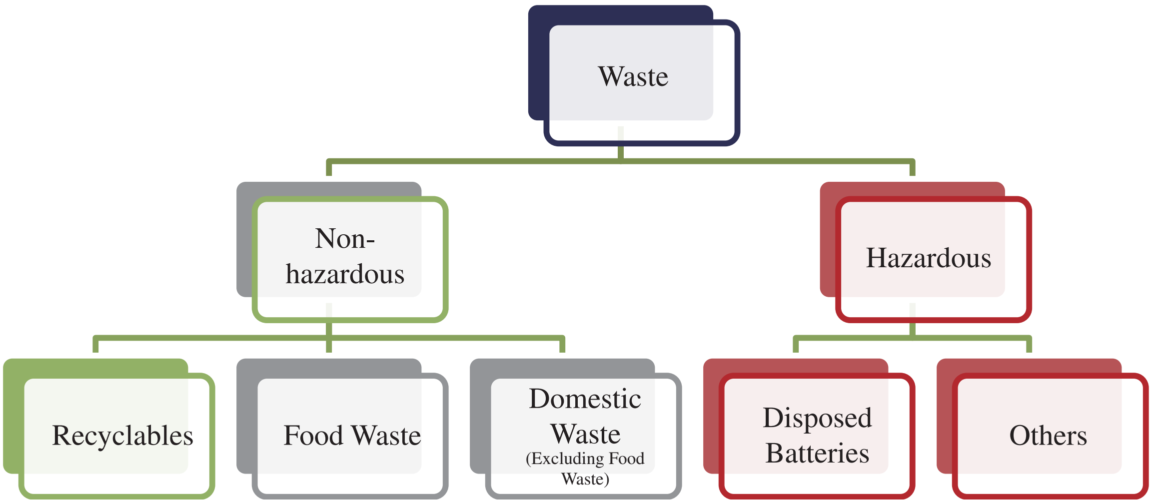
Based on the systematic collection of consumption data, the Group's major GHG emission source is electricity consumption which makes up 98% of the total GHG emission while mobile fuel combustion, paper waste disposed at landfills and business air travel also contributed to 2% of the total GHG emissions respectively. Please refer to the section titled "Our Environmental Performance" for detailed data.

Differ places a high value on GHG emission reduction and energy efficiency. Since energy consumption is one of the major contributions of GHG emission, the Group are seeking energy-saving opportunities and energy efficiency improvement to achieve the carbon reduction goal. In future, the Group plans to improve energy performance with the following actions:

- Maintaining (or lowering) consumption level of energy compared to last year
- Monitor the power consumption of office premises and increase the proportion of energy efficient equipment, such as LED lights
- Set up sensors in different areas such as office rooms, toilets and conference rooms

Managing Waste

With full acknowledgement of the potential repercussions of mishandling waste, a Waste Separation Management Policy has been enacted to provide detailed procedures on waste segregation to eradicate any unnecessary disposal. Specific instructions are designed for the illustrated wastes as shown below.



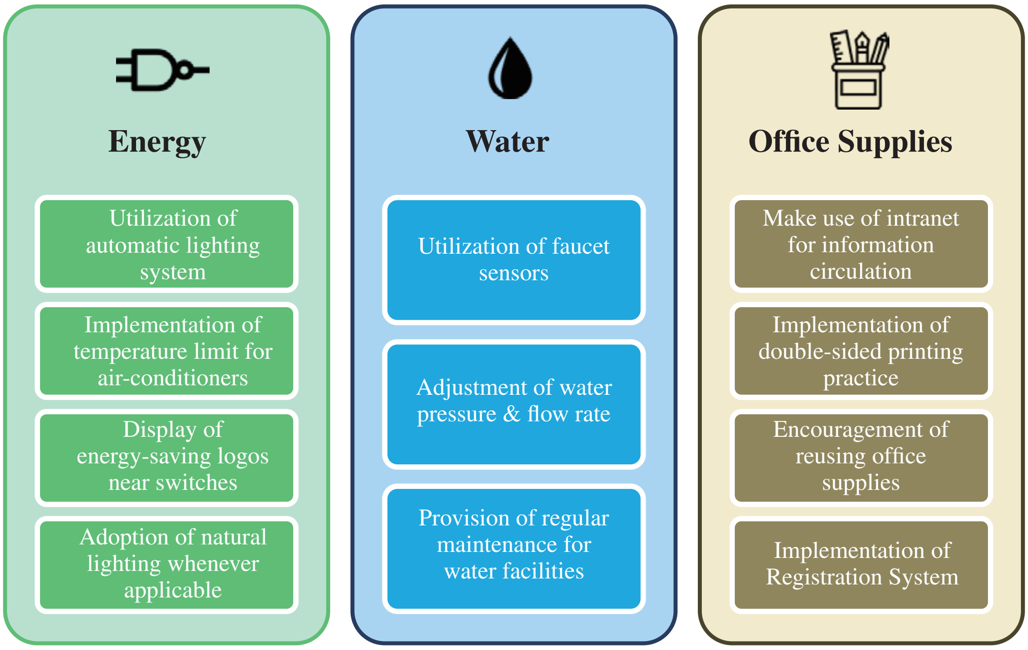
To enhance the waste collection rate, colour labelled bins are allocated in designated areas including staircase, pantry, and toilets to allow employees to access the waste facilities and conduct waste sorting easily. Apart from that, the Group pays extra attention to hazardous waste management due to its toxic and harmful characteristic. Disciplinary actions will be taken in the event that malpractices, such as mixing hazardous waste with non-hazardous waste, are observed. An administrator is entrusted to monitor and manage the whole waste management process. For example, when employees apply for new batteries for replacement, the administrator will examine the old batteries and carry out further handling so as to prevent unnecessary waste. After waste sorting and preliminary handling, all of the wastes will be collected and handled by licensed waste collectors.

Due to the business of the Group, there is no significant generation of hazardous and non-hazardous waste. Nevertheless, the Group attaches high emphasis to the waste management by implementing different waste management initiatives such as recycling, reducing single-use materials. To achieve the goal to reduce waste emissions, the Group will enhance the environmental protection awareness of the employees with the following actions:

- Reuse used envelopes and file folders for internal communications to reduce the use of paper for interim printing
- Recommend employees to elect e-version of report to reduce the printed paper

Managing the Use of Resources

In order to avoid resource depletion at the expense of future generations, Differ has been committed to achieving responsible resource consumption. It is a continuous process that takes everyone in the Group to join hands consistently. Suggested instructions regarding energy, water, and other resources consumptions are delivered to all employees to encourage everyone to make incremental progress towards the goal.



As governed by the Energy and Resources Saving Policy, various measures are taken as illustrated above. Apart from that, we uphold the idea of "maintenance rather than replacement". Regular inspections on all electrical appliances and water taps are performed to prevent any leakage and extend their lifespan.

The Group encounters no problem in getting applicable water sources, but we still endeavor to encourage the improvement of water efficiency. To continuously manage our water resources, we will take the following actions to reduce water consumption:

- Require contractors and subcontractors to recycle and reuse water on-site as much as possible

Fostering a proactive energy and resources conservation culture, we advocate promoting and educating staff on the necessities of the conservation practices. Their behaviours as well as the Group's consumption pattern are closely monitored by our Administration Department. By eliminating needless and excessive consumptions through 4R principles (i.e. reduce, reuse, replace and recycle), the Group expects to optimize its resource efficiency and embark on its sustainability journey.

The Environment and Natural Resources

The alarming trend of climate change lately has brought us unprecedented concern on environmental stewardship. The Group is constantly striving for long-term sustainable performance by actively managing emerging environmental risks and improving operational efficiencies. Internal green office guidelines have been established to cultivate habits of our employee to conserve natural resources. Special attention has been paid on pollutants and GHG emission, energy and water usage, and waste disposal. Corrective measures will be implemented once our environmental performance is found unsatisfactory in periodic audits. Root cause(s) will also be examined whenever applicable to relieve and avoid the condition.

As an office-based enterprise, we fulfil our commitment on natural resources by prudent selection of green office equipment. We solely procure products with green lifecycle, from design, production, usage to disposal. Our main criteria are energy and resource efficiency, pollutant emissions, recyclability, product health and safety, both at the manufacturing and operating stages. All our electrical appliances are either with energy efficiency labels or with certifications recognized by environmental organizations. Besides, office equipment is procured based on the National Green Procurement List, in which recyclable materials and equipment operating in renewable energy are highly favoured. In addition, procurement depends only on actual storage rather than economical purpose to minimize wastage of our precious and scarce resources.

Our Environmental Performance

Due to the Group's business nature, we do not have significant hazardous and non-hazardous waste generation. For other emissions and consumptions, they are illustrated in the below table:

Air & GHG Emissions	2021	2020	2019
Scope 1 - Direct GHG emissions[1,2] (tCO_2e)	119.66	144.95	141.12
Nitrogen oxides (NO_x) (kg)	0.35	0.476	0.005
Sulphur oxides (SO_x) (kg)	0.71	0.012	0.007
Particulate matter (PM) (kg)	0.027	0.035	0.004
Scope 2 - Energy indirect GHG emissions[3] (tCO_2e)	1,271.60	4,440.96	1,606.23
Scope 3 – Other indirect GHG emissions[4,5] (tCO_2e)	0.7	117.74	121.67
Total GHG emissions (tCO_2e)	1,391.26	4,703.65	1,869.02
GHG Intensity (tCO_2e / employee)	3.5	11.09	5.29
Resource Consumption	**2021**	**2020**	**2019**
Electricity (MWh)	1,558.59	5,505.78	1,995.68
Intensity (MWh / employee)	3.72	12.99	5.65
Energy (GJ)	5,610.92	19,820.81	7,184.44
Vehicle fuel (L)	39,955.79	67,519.62	59,036.32
Intensity (L / employee)	95.35	159.24	167.24
Energy (GJ)	1,687.49	2,213.43	1,935.34
Water (m^3)[6]	79,810.80	121,752.00	54,880.00
Intensity (m^3 / employee)	190.48	303.62	163.33
Paper (Tonnes)	0.15	4.61	3.20
Intensity (Tonnes / employee)	0.01	0.01	0.01

1 Scope 1 represents direct GHG emissions generated by the mobile combustion of unleaded petrol and gasoline. The calculation refers to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) published by the HKEPD and Electrical and Mechanical Services Department, and the guidance worksheets of World Resources Institute's GHG Protocol Tool for Mobile Combustion.

2 Data only covers office of Hong Kong and Mainland China. The calculation is based on the "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx.

3 Scope 2 represents energy indirect GHG emissions generated by the use of electricity purchased from power suppliers. Due to the COVID-19 pandemic and the corresponding arrangement of the Group, the electricity consumption was dropped in the year 2021.

4 Scope 3 represents other indirect GHG emissions caused by business air travel by employees and paper waste disposed at landfill only. The calculation refers to GHG Conversion Factors for Company Reporting published by the UK Government.

5 During the COVID-19 pandemic, the Group has suspended most of the business air travel.

6 In 2021, there was no issue in sourcing water.

SUPPORTING THE COMMUNITY

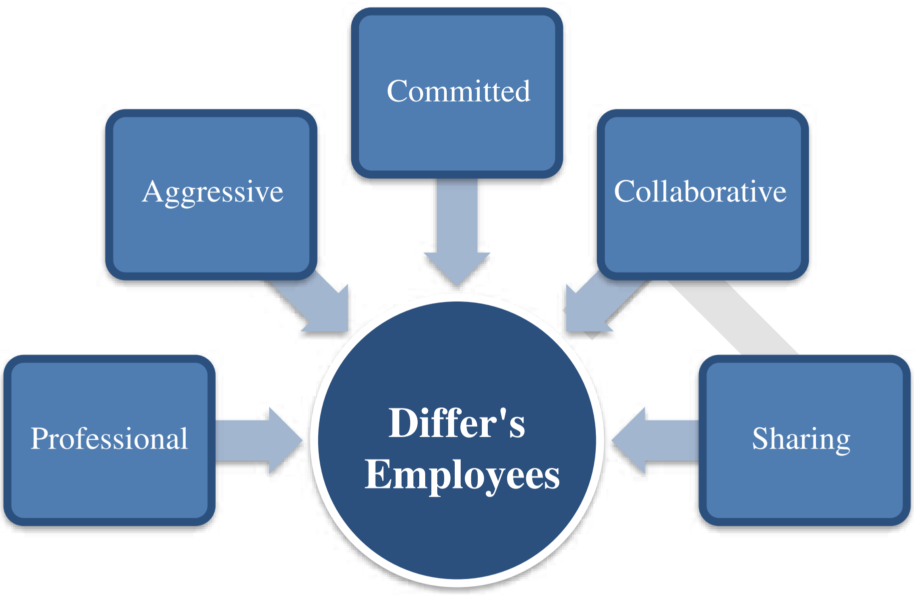
We believe that community development is one of the factors leading to sustainable business growth. As such, the Group recognizes its contribution to the community and does not hesitate to take responsibility. “Sharing and winning” is one of the core values of the group. “Sharing and win-win” is one of the core values of the Group. With “sharing” as the fundamental starting point, the Group hopes to achieve a “win-win” situation by integrating its resources and developing on collaboration opportunities with the community.

To promote community growth, we are committed to forging close and diverse partnerships with our communities to promote community-based tourism. It is expected to bring positive economic values to the society while improving the living standards of the residents at the same time. In addition, we spare no efforts in delivering special care to the elderly and children living in impoverished suburban areas. Differ actively engages in investments to address issues related to education, public health and well-being, environmental protection, and public infrastructure construction in poverty- stricken areas. In FY2021, the Group donated $50,000 to the Reading Dreams for local community development.

Other than cash donation, the Group also encourages its employees to actively participate in volunteering works to build a harmonious society in a hand-in-hand manner. We will never stop caring for our communities and will continue our corporate responsibility to find ways to strike a balance between community growth and business development.

OUR PEOPLE

Having a prudent standard on employee management is imperative to the Group because of its international status as a financial institution. Our skillful and carefully selected financial management team is able to provide our clients with top-notch professional services. Meanwhile, we strive to provide a platform for employees to reach their full potential and achieve positive personal growth.



Employment Conditions

In a tight talent market, attracting and retaining talents is of utmost concern for companies. Therefore, we spare no effort in designing attractive remuneration packages and building an ethical and friendly working environment for innovative and responsible candidates. The compensation package takes a performance-based approach that motivates employees to reach their goals and perform quality work while staying productive. Nevertheless, there are a wide range of responsible employment practices that exceed legal minimum standards to increase the satisfaction of qualified employees. For example, employee performance is assessed every two years. Bonuses and service awards are given to employees who perform well in terms of discipline, quality of service, environment and safety to express their appreciation for diligence, payroll, work and training funding. All employees are entitled to paid leaves (including annual leave, sick leave, maternity and paternity leave, marriage leave, breastfeeding leave and compassionate leave). Both Hong Kong and Chinese employees are secured with mandatory provident fund and social welfare scheme respectively. Besides, the Group is dedicated to promoting work-life balance. Therefore, staff is not encouraged to work overtime beyond our fixed working hours, and it requires a prior approval from the management and the staff is compensated.

The Group embraces the idea of creating a fairness and anti-discrimination workplace. All job application candidates and employees are being treated with respect and equally regardless of race, sex, marital status, pregnancy, disability status or other forms of difference that are unrelated to the job requirements. Differ never allows discriminatory behavior, including during the hiring, promotion, performance evaluation, and payroll decision-making processes.

During the Reporting Period, the Group was not aware of any material breaches of relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

The breakdowns of employment data are as below:

Employees		2021	Turnover rate
Total number of employees		419	34.7%
By gender	Male	224	37.5%
	Female	195	31.6%
By category	Senior Management	48	–
	Middle Management	78	–
	General Employees	293	–
By age group	Under 30	77	65.4%
	31 – 50	293	29.7%
	51 or above	49	8.9%
By type	Full-time	418	–
	Part-time	1	–
By geographical region	Mainland China	400	35.7%
	Hong Kong	19	15.4%

Healthy and Safe Workplace

Differ is committed to proactively paving the way for improving the physical and mental health of our valuable employees. As governed by the Health, Safety, Environment and Workspace Condition Policy, a series of procedures regarding workspace hygiene and safety practices are endorsed to eliminate potential safety hazards and maintain a tidy working environment. Eye-catching safety signs are displayed on machineries and equipment with high safety risks to remind workers. In addition, personal protection equipment is distributed to those who are exposed to potential occupational risks to safeguard their physical health.

A healthy and safe workspace can only be maintained with the joint collaboration of employees and management. To encourage employees to adopt appropriate health and safety practices, we continue to promote the importance of everyone's contribution to this aspect and to be fully informed about dangers and precautions. Fire drill is also organized to let employees be familiar with the evacuation routes and locations of fire extinguishers, so that they can response quickly in case of fire outbreak.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to safety of our working environment and protection of our employees from occupational hazards in Hong Kong and Mainland China. There were no work-related fatalities in each of the past three years including the Reporting Period and lost days due to work injury cases was recorded in the Reporting Period.

Employee Wellness

Mental wellness is of vital importance in maintaining healthy and safe workspace. Therefore, diversified recreational and team-bonding activities such as birthday party, sports day, Dragon Boat Festival activities, mountaineering, orientation and Thanksgiving activities were organized during the Reporting Period to cultivate a work-life balance culture and allow our employees to feel relaxed while spending quality time together.


Dragon Boat Festival Activities


Employee Gathering Activities

Other than work-life balance, the Group also pays extra attention to foster a family- friendly working environment which allows employees to balance their work commitments with their family responsibilities. By inviting staff family members to our activities, we hope to show our support to the employees, hence build a Differ Big Family.


Winter Solstice Activities

Protect Our People during COVID-19 Epidemic

As our business continue to work through the pandemic, it is essential to establish practical measures to protect our valuable asset – our employees. Amid the COVID-19 pandemic, the Group has followed the public health measures of the HKSAR Government. Employees are required to fill health declaration form. Those who had direct or indirect contact with confirmed cases must undergo compulsory testing or compulsory quarantine for 14 days at designated places before resuming their work.

As COVID-19 continued to grip and disrupt economies, the Group came under severe strain. The Group was highly aware of the impact of COVID-19 on the health and safety of its employees. In addition to complying with the COVID-19 guidelines of the HKSAR Government, the Group has also strengthened a series of mitigation measures to ensure our staff's health and safety:

– Body temperature measurement before the start of a workday

– Daily cleaning of all working areas

– Provision of sanitary gel in all departments

– Toilets and pantries are implemented to enhance the hygiene and safety of workspace

– Social distancing policy

– Special working arrangements are adopted in different offices by team heads if necessary

– Attend online meetings instead of face-to-face meetings if necessary

It is critical to raise employees' awareness on the necessity of maintaining workspace and personal hygiene. In view of that, training regarding information on COVID-19 has been organized to all staff to deliver accurate knowledge on the issue. The Group will continue to enhance its epidemic policy and preventive measures so as to build a safe and sound working environment for its precious staff.

Development and Training

Through training and development, it is expected to expedite employees' acquisition of knowledge, skills and abilities required for effective job performance to meet the industry and our growing demands. In order to systematically standardize and manage our training, a Training Management Procedure has been established.

A well-designed training plan is necessary to optimize the effectiveness of the training. On account of that, a "SMART" strategy is imposed on the process of drafting the annual training plan that the training outcomes must be specific, measurable, attainable, relevant and time-bound. The information gathered based on the needs of the department is also taken into account during the planning phase of the organization that supports training resources, including internal and external vocational coaching. Information collected based on departmental needs is also being considered in the planning stage for arranging supportive training resources, including internal and external vocational coaching.

After discussions with supervisors, the annual training plan is enacted and will be evaluated at the end of the year to ensure it unleashes potentials of our employees in full strength.

Staying well-informed of the industrial advancement is the secret to keep ahead of our competitors. In addition to appointing in-house experienced employees as training mentors, we invite outside experts from the financial industry to share their experiences and the latest market trends. Written examinations are conducted to evaluate employees' performances and learning effectiveness in a fair and transparent manner. In 2021, a wide range of training programmes were been organized according to both corporate operational and employee development needs.

We realize embedding the concept of continuous self-learning is rather pivotal in fostering a proactive enhancement culture. Hence, employees at all levels are provided with additional learning materials such as reference books and training videos to support ongoing training in their free time. In addition, a training funding scheme has been established as an aid for sponsorship of external training for staff. Funds are granted correlated to their work performance.

The breakdowns of employment data are as below:

Training		2021
Training percentage		97.5%
By gender	Male	52.1%
	Female	47.9%
By category	Senior management	11.9%
	Middle management	18.8%
	Frontline & General Staff	69.3%
Average training hours		5.72
By gender	Male	4.95
	Female	6.59
By category	Senior management	2.79
	Middle management	2.44
	Frontline & General Staff	7.18

Labour Standard

The Group firmly upholds its responsibility in protecting labour rights and children. Therefore, we adopt a zero tolerance approach towards employment of child and forced labour. By establishment and implement of our Anti-Child and Underage Labour Policy and Anti-Forced Labour Policy, the Group strictly abides by relevant labour laws and national regulations, including Provisions on the Prohibition of Using Child Labour, the Law on the Protection of Minors of the PRC, and the Labour Law of the PRC.

To eliminate the opportunity to hire child labor, all job seekers must provide an authentic identity card or certification for rigorous screening prior to hiring. Background information is also being thoroughly examined to ensure their accuracy and legitimacy. In the event of discovering any falsification of document, the Group will terminate the contract without hesitation and take legal actions.

Mutual respect is the foundation for maintaining a harmonious workspace, therefore we spare no efforts in safeguarding their labour rights. Strict policies are in place to prohibit all forms of physical and psychological abuse, including violence, humiliation, detention, and threats. Employees are encouraged to report to the management team verbally or in written form anonymously in case of any unsatisfactory treatments or suspected abuse cases. Prompt investigation and remediation will be taken within a week. The commitment in child and forced labour prevention is also extended to our supply chain management that termination of contract will be enacted when discovering any violations of the related laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to child and forced labour.

OUR VALUE CHAIN

Supply Chain Management

With the ambition to become a leader in the capital management industry, the Group realizes its duty in being a trendsetter in corporate social responsibility and environmental stewardship. Apart from internal governance, we also influence our supply chain to commit in achieving environmental sustainability and addressing social concerns. With the joint collaboration, we hope to build a pathway towards socially and environmentally sustainable development.

In order to select trustable business partners, a comprehensive selection criterion has been endorsed to assess their contribution on environmental conservation, labour rights protection and ethical operation. The Group recognizes the significance of supply chain management in reducing indirect environmental and social risks. Furthermore, the Group is aware of its suppliers' environmental and social practices and attempts to involve them in socially responsible acts in the context of green supply chain management. A Code of Conduct for suppliers and customers has also been introduced to promote mutual commitment to social responsibility in the supply chain industry. With the guidance on fulfilling suppliers and clients' social obligation, they are expected to stick to it throughout our business cooperation. To further facilitate the implementation of the Code of Conduct, inspections are conducted to ensure that suppliers and customers meet the Group's expectations and standards. Training sessions regarding the document are offered occasionally to deepen and broaden their knowledge on this specific aspect. In case of any violation of the document or laws and regulations, the Group will take disciplinary actions. The procurement process must be regularly reviewed and closely monitored by the Group to ensure that contract procurement is carried out fairly and impartially.

To build strong relationships with our stakeholders, the Group has conducted online surveys with customers and suppliers to maintain active engagement and convey our expectation. We incorporated their feedback into the process of identifying the material topics. To enhance greater corporate social responsibility, we will review the services of suppliers and their performance meet procurement requirements.

Guidance based on promotion of building a sustainable community is divided into four aspects in the Code of Conduct. We encourage them to go beyond our suggested rules, thereby creating a better community and images for the Group and their companies.

Build a Fair & Equal Workplace

- Treat employees with respect and dignity
- Forbid physical and mental abuse to staff
- Maintain an equal and discrimination-free workplace

Protect Labour Rights

- Respect freedom of association
- Prohibit inhumane exemplary measures and intimidation

Environmental Conservation

- Adopt mitigation practices
- Establish comprehensive environmental management system
- Promote resources saving by adopting 4R Principle

Ethics & Integrity

- Avoid conflicts of interests
- Enforce anti corruption policy and measures
- Implement systematic documentation system

Number of suppliers by geographical region

Geographical region	Number of suppliers
China	468
Hong Kong	0
Others	0

Leading Quality Services

Being innovative and having unique insights are the key factors to stand out from all the competitors in this competitive industry. As providing quality services is the core value of the Group, we endeavor to propose professional services and revamp our capital management to cater the needs of our clients under this ever- changing market. We also pleased to serve our clients in an immediate and timely manners for solving their inquiries.

Unique insights require accurate and intuitive understanding of the industry; hence the best ideas are always raised by employees. We encourage our employees to express their ideas and share their opinions with us. Therefore, we offer rewards to motivate our employees to make contributions in bringing practical and innovative ideas. In addition, we have formed an Internal Quality Committee that comprises of experts from different aspects such as finance, legal compliance and management etc. The Committee's duties are to regularly review and update our policies and procedures regarding service quality to deliver customer-oriented service, as well as analyses the market trends to capture the instant messages.

During the Reporting Period, the Group was not aware of any material breaches of laws and regulations relating to health and safety, advertising, labelling, privacy matters, and intellectual property rights of products and services in Hong Kong and Mainland China.

Customer Satisfaction

Excellent customers services are the cornerstone of a successful company. The Group is dedicated to offering to the clients with our best services. Furthermore, we established a customer's services mechanism to ensure the service quality. The mechanism strength the bonding with clients and elevate customer's loyalty. We also conduct questionnaires and visits, we are able to collect information relating to their cooperate operations and design the best custom-made services for them.

We are welcome to any customer enquiries and complaints, and we will treat all the opinions in a fair and humble manner. For any complaints, we will handle them with greatest patience. The practices are under a procedural manual that had been distributed to all employees. Prompt actions will be taken to investigate the cases and remedial action plans will be carried out where necessary. After settling the enquiry/complaint, the case will be further examined to figure out the root cause to prevent similar cases from reoccurrence.

Customer Privacy

Our business is built on the mutual trust with our clients. Therefore, we spare no efforts in resolving their concerns, especially in the privacy aspect. We deeply understand how pivotal privacy means to our clients, therefore stringent guidelines and procedures on collecting, using, transferring, storing and disclosing customers' information have been established and widely implemented. In order to provide value-added services and enhance customer's experience, relevant information is collected and handled in a secure and confidential manner. Only authorized personnel who received proper training are granted rights to access, process and erase the information. In the event of receiving governmental and legal orders to disclose the data, Differ will only take further actions after getting clients' prior consent.

Intellectual Property Rights

The Group understand intellectual property ("IP") protection is critical to fostering innovation. Without protection of innovative ideas, businesses cannot reap the full benefits of their inventions which will eventually lead to less motivation on research and development. Therefore, we established an Intellectual Property Management Manual to standardize and strengthen the Group's IP right management. A series of comprehensive instructions covering our research, product and service development, and documentation processes is thoroughly explained to all of our employees to instil the concept of IP rights protection into their minds. A series of comprehensive instructions covering our research, product and service development, and documentation processes is thoroughly explained to all of our employees to instil the concept of IP rights protection into their minds. Permission is required for all situations of copying, using and transferring related documents. To prevent the Group's IP and confidential information from leaking, all employees and cooperation partners are required to sign the non-disclosure agreement. Legal actions will be taken once infringement of our IP right is observed.

For enhancing the employees' awareness on intellectual property rights, the Group provided training and promotional campaigns to the employees especially the top management. All departmental managers should be fully aware of the importance of IP rights and strictly comply with the Anti-unfair Competition Law of the PRC to resolutely eliminate the loss caused by improper behaviour.

HKEx ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A: Environment		
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note:* Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Environmental Stewardship – Managing Emissions
KPI A1.1	The types of emissions and respective emissions data.	Environmental Stewardship – Managing Emissions, Our Environmental Performance
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Stewardship – Our Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Stewardship – Our Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Stewardship – Our Environmental Performance
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Stewardship – Managing Emissions, Our Environmental Performance
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Stewardship – Managing Emissions, Our Environmental Performance

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
A2 Use of Resources	Policies on efficient use of resources including energy, water and other raw materials. *Note:* Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Environmental Stewardship – Managing the Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Stewardship – Our Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Stewardship – Our Environmental Performance
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Stewardship – Managing the Use of Resources, Our Environmental Performance
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Stewardship – Our Environmental Performance
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	Our operation does not involve the use of raw and packaging materials
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Stewardship – The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Stewardship – The Environment and Natural Resources
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact the issuer	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People – Employment Conditions
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Our People – Employment Conditions
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our People – Employment Conditions
B2 Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People – Healthy and Safe Workplace
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Our People – Healthy and Safe Workplace
KPI B2.2	Lost days due to work injury	Our People – Healthy and Safe Workplace
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our People – Healthy and Safe Workplace
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note:* Training refers to vocational training. It may include internal and external courses paid by the employer.	Our People – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Our People – Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our People – Development and Training

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People – Labour Standard
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People – Labour Standard
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People – Labour Standard
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Our Value Chain – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Our Value Chain – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Our Value Chain – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our Value Chain – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our Value Chain – Supply Chain Management
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Value Chain – Leading Quality Services
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Due to the business nature of the Group, products related complaints received and recall for safety and health reasons is considered not material.

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Our Value Chain – Leading Quality Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Value Chain – Leading Quality Services
KPI B6.4	Description of quality assurance process and recall procedures.	Our Value Chain – Leading Quality Services
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Our Value Chain – Leading Quality Services
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethics – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business Ethics – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Business Ethics – Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business Ethics – Anti-corruption
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Supporting the Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Supporting the Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Supporting the Community

INDEPENDENT AUDITOR'S REPORT

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25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

TO THE SHAREHOLDERS OF DIFFER GROUP HOLDING COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Differ Group Holding Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 80 to 210, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment on finance lease, loan and account receivables

Refer to notes 5 and 18 to the consolidated financial statements.

As at 31 December 2021, the Group had finance lease, loan and account receivables amounting to RMB1,147,134,000 and the Group was exposed to credit risk thereof. The Group has applied HKFRS 9 Financial Instruments and assessed impairment for these receivables based on expected credit losses ("ECL") model. In determining the impairment losses on finance lease, loan and account receivables, the management assessed historical default rates, the values of the collaterals as well as those relevant forward-looking information such as the expected future cash flows and forward-looking macroeconomic factors which involve estimation and significant judgement. The assessment on the ECL of finance lease, loan and account receivables were performed with the assistance of an independent external valuer.

Due to the significance of finance lease, loan and account receivables (representing 14% of total assets) to the consolidated financial statements as a whole and the use of judgement and estimates by management in assessing the recoverability of finance lease, loan and account receivables, we considered this as a key audit matter.

Our responses:

Our key procedures in relation to the management's impairment assessment on finance lease, loan and account receivables included:

– Checking, on a sample basis, the ageing profile of the finance lease, loan and account receivables as at 31 December 2021 to the underlying financial records and post year-end settlements to bank receipts;

– Inquiring of management for the status of each of the material finance lease, loan and account receivables past due as at year end date and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade or transaction records, checking historical and subsequent settlement records and other correspondence with the customers;

– Performing public search of credit profile of selected customers, considering the credit profiles of the debtors, guarantors and the collaterals (if any), as well as external evidence and factors, to assess whether management's assessment of ECL was appropriate;

– Assessing management's forecast of future repayments and current financial conditions of the debtors, based on historical experience and value of collaterals (if any) etc;

– Evaluating the appropriateness and reasonableness of methodology, parameters and assumptions used in the measurement of ECL such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, key data inputs and forward-looking information;

– Involving an auditor's expert to assist our assessment on the appropriateness of methodology and the reasonableness of key data inputs; and

– Assessing the competence, capabilities and objectivity of the independent external valuer and auditor's expert.

Valuation of investment properties

Refer to notes 5 and 15 to the consolidated financial statements.

The Group has investment properties of RMB756,801,000 as at 31 December 2021 and a fair value gain of RMB121,794,000 was accounted for under "change in fair value of investment properties" in the consolidated statement of comprehensive income during the year.

Due to the existence of significant judgements and estimates of the assumptions involved in the property valuations, we considered this is a key audit matter.

The Group engaged independent external valuers to determine the valuation of the Group's investment properties. The valuation was arrived at using income approach by considering the capitalised income derived from the existing tenancies of the properties or, where appropriate, using market approach by reference to market evidence of transaction prices for similar properties, taking into account differences such as age, location and individual factors.

Our responses:

Our key procedures in relation to the valuation of the investment properties included:

– Assessing the competence, capabilities and objectivity of the independent external valuers engaged by the Group;

– Assessing appropriateness of the methodologies applied and the reasonableness of the key assumptions based on our knowledge of the property industry, research evidence of estimated selling prices with reference to comparable market transactions for similar properties and comparing the estimated developer's cost to historical records, focusing in particular on material properties where the growth in capital values was significantly higher or lower than our expectations based on available market information; and

– Checking the accuracy of the rental data provided by the Group to the independent external valuers by agreeing them on a sample basis to the Group's records.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
Cheung Or Ping
Practising Certificate no. P05412

Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Income from financial related services	7	**199,378**	185,077
Income from assets management business	7	**917,906**	709,115
Income from trading of commodities	7	**120,958**	5,196,314
Income from automobile e-commerce business	7	**21,490**	–
Other income	7	**66,642**	79,122
Costs of property sold		**(584,555)**	(437,746)
Costs of trading of commodities		**(120,837)**	(5,190,210)
Costs of automobile e-commerce business		**(18,513)**	–
Gain on disposal of subsidiaries	38	**140,683**	109,241
Employee benefit expenses		**(60,163)**	(69,765)
Depreciation expenses		**(20,746)**	(19,781)
Short-term lease expenses		**(975)**	(154)
Equity-settled share-based payments		**–**	(335)
Other expenses		**(150,409)**	(113,647)
Share of results of associates		**(21,113)**	128,420
Share of results of a joint venture		**–**	(13,619)
Gain on disposal of investment properties		**–**	2,988
Change in fair value of investment properties		**121,794**	23,344
Change in fair value of other financial assets		**61,076**	3,017
Finance costs	10	**(48,051)**	(88,610)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Profit before income tax	8	**624,565**	502,771
Income tax expense	11	**(186,239)**	(149,441)
Profit for the year		**438,326**	353,330
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		**–**	10,604
– Net change in debt investments measured at fair value through other comprehensive income		**5,321**	4,979
– Transfer to profit or loss upon disposal of debt investments measured at fair value through other comprehensive income		**–**	(728)
– Release of translation reserve upon disposal of subsidiaries		**(81)**	–
		5,240	14,855
Total comprehensive income for the year		**443,566**	368,185
Profit/(loss) for the year attributable to:			
Owners of the Company		**440,759**	356,115
Non-controlling interests		**(2,433)**	(2,785)
		438,326	353,330
Total comprehensive income attributable to:			
Owners of the Company		**445,999**	371,195
Non-controlling interests		**(2,433)**	(3,010)
		443,566	368,185
Earnings per share	13		
– Basic (RMB cents)		**6.11**	5.23
– Diluted (RMB cents)		**6.11**	5.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**309,327**	174,377
Investment properties	15	**756,801**	677,200
Interests in associates	16	**370,180**	400,286
Finance lease, loan and account receivables	18	**60,538**	74,759
Goodwill	19	**96,031**	83,338
Other financial assets	20	**342,020**	358,238
Prepayments, deposits and other receivables	21	**347,481**	635,277
Deferred tax assets	32	**36,897**	43,569
		2,319,275	2,447,044
Current assets			
Inventories of properties	22	**3,810,641**	3,191,108
Other inventories		**–**	281
Finance lease, loan and account receivables	18	**1,086,596**	1,374,221
Prepayments, deposits and other receivables	21	**474,004**	554,117
Other financial assets	20	**138,858**	97,713
Tax receivables		**60,076**	50,343
Restricted bank deposits	17	**228,054**	333,293
Cash and bank balances – general accounts	23	**99,951**	87,935
Cash and bank balances – held on behalf of customers	24	**5,486**	12,435
		5,903,666	5,701,446
Assets classified as held-for-sale	41	**96,906**	–
		6,000,572	5,701,446
Current liabilities			
Accounts payable	25	**411,094**	563,151
Accruals, other payables, deposits received and deferred income	26	**749,196**	1,513,266
Contract liabilities	27	**2,644,848**	2,309,703
Lease liabilities	28	**10,229**	10,659
Financial guarantee	29	**23,846**	–
Provision for taxation		**367,982**	265,774
Bank and other borrowings	30	**558,201**	278,013
Corporate bonds	31	**146,370**	111,223
		4,911,766	5,051,789
Liabilities classified as held-for-sale	41	**7,905**	–
		4,919,671	5,051,789
Net current assets		**1,080,901**	649,657
Total assets less current liabilities		**3,400,176**	3,096,701

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Other payables and deposits received	26	**145,956**	75,472
Lease liabilities	28	**9,134**	5,176
Bank and other borrowings	30	**159,631**	469,196
Corporate bonds	31	**196,988**	163,753
Deferred tax liabilities	32	**167,075**	34,784
		678,784	748,381
Net assets		**2,721,392**	2,348,320
EQUITY			
Share capital	33	**14,734**	14,734
Reserves	34	**2,706,658**	2,291,298
Equity attributable to owners of the company		**2,721,392**	2,306,032
Non-controlling interests	37	**–**	42,288
Total equity		**2,721,392**	2,348,320

The consolidated financial statements were approved and authorised by the board of directors on 30 March 2022 and are signed on its behalf:

Hong Mingxian	**Ng Chi Chung**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000 *(Note 34)*	Merger and other reserves RMB'000 *(Note 34)*	Statutory reserve RMB'000 *(Note 34)*	Financial assets revaluation reserve RMB'000 *(Note 34)*	Translation reserve RMB'000	Share options reserve RMB'000 *(Note 34)*	Retained profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	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
Profit/(loss) for the year	–	–	–	–	–	–	–	356,115	356,115	(2,785)	353,330
Other comprehensive income for the year	–	–	–	–	4,251	10,829	–	–	15,080	(225)	14,855
Total comprehensive income for the year	–	–	–	–	4,251	10,829	–	356,115	371,195	(3,010)	368,185
Issue of ordinary shares by placing	597	89,576	–	–	–	–	–	–	90,173	–	90,173
Acquisition of a subsidiary	427	97,043	–	–	–	–	–	–	97,470	–	97,470
Acquisition of assets through acquisition of a subsidiary	878	158,828	–	–	–	–	–	–	159,706	1,200	160,906
Disposal of subsidiaries	–	–	(165,228)	(29,775)	–	–	–	195,003	–	15,000	15,000
Capital injection of non-controlling interests	–	–	–	–	–	–	–	–	–	25,000	25,000
Transfer to statutory reserve	–	–	–	22,369	–	–	–	(22,369)	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	–	–	335	–	335	–	335
At 31 December 2020	14,734	1,650,607	(1,184,212)	145,497	12,251	(13,906)	26,143	1,654,918	2,306,032	42,288	2,348,320

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000 *(Note 34)*	Merger and other reserves RMB'000 *(Note 34)*	Statutory reserve RMB'000 *(Note 34)*	Financial assets revaluation reserve RMB'000 *(Note 34)*	Translation reserve RMB'000	Share options reserve RMB'000 *(Note 34)*	Retained profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	14,734	1,650,607	(1,184,212)	145,497	12,251	(13,906)	26,143	1,654,918	2,306,032	42,288	2,348,320
Profit/(loss) for the year	–	–	–	–	–	–	–	440,759	440,759	(2,433)	438,326
Other comprehensive income for the year	–	–	–	–	5,321	(81)	–	–	5,240	–	5,240
Total comprehensive income for the year					5,321	(81)		440,759	445,999	(2,433)	443,566
Arising from acquisition of additional interests in a subsidiary	–	–	(3)	–	–	–	–	–	(3)	(14,997)	(15,000)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(24,858)	(24,858)
Transfer to statutory reserve	–	–	–	34,952	–	–	–	(34,952)	–	–	–
Share options lapsed	–	–	–	–	–	–	(26,143)	26,143	–	–	–
Final dividend paid	–	(30,636)	–	–	–	–	–	–	(30,636)	–	(30,636)
At 31 December 2021	14,734	1,619,971	(1,184,215)	180,449	17,572	(13,987)	–	2,086,868	2,721,392	–	2,721,392

For the Company's subsidiary operated in financial guarantee business in the People's Republic of China (the "PRC"), amount of approximately RMB25,023,000 as at 31 December 2021 (2020: RMB25,023,000) which was set aside in the PRC books of accounts as reserve in accordance with the relevant rules governing the financial guarantee business in the PRC for non-matured obligation and guarantee indemnity reserve and was not distributable.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	**2021 RMB'000**	2020 RMB'000
Cash flows from operating activities			
Profit before income tax		**624,565**	502,771
Adjustments for:			
Bank and other interest income	7	**(26,875)**	(23,552)
Interests expenses	10	**48,051**	88,610
Depreciation of property, plant and equipment	8	**20,746**	19,781
Share of results of associates		**21,113**	(128,420)
Share of results of a joint venture		**–**	13,619
Change in fair value of investment properties		**(121,794)**	(23,344)
Equity-settled share-based payments	8	**–**	335
Gain on disposal of property, plant and equipment	8	**(142)**	(258)
Gain on disposal of investment properties		**–**	(2,988)
Impairment loss on goodwill	8	**–**	13,504
Write-down of inventories		**29,151**	–
Change in fair value of other financial assets		**(61,076)**	(3,017)
Gain on disposal of debt investments measured at fair value through other comprehensive income		**–**	(728)
Gain on re-measurement on pre-existing interest in a joint venture	7	**–**	(15,487)
Provision for impairment loss on financial assets	8	**25,047**	19,550
Reversal of impairment loss on financial assets	7	**(11,990)**	(3,053)
Provision for financial guarantee	8	**23,846**	–
Gain on disposal of subsidiaries		**(140,683)**	(109,241)
Gain on disposal of an associate	7	**(11,007)**	–
Operating profit before working capital changes		**418,952**	348,082
(Increase)/decrease in other inventories		**(15)**	232
Increase in inventories of properties		**(45,286)**	(1,083,162)
Decrease/(increase) in finance lease, loan and account receivables, net of deferred income		**337,437**	(602,384)
Increase in prepayments, deposits and other receivables		**(965,430)**	(1,209,540)
Decrease in contract assets		**–**	3,624
Increase in restricted bank deposits		**(4)**	(294,579)
Decrease in cash and bank balances – held on behalf of customers		**6,950**	10,524
(Decrease)/increase in accounts payables		**(140,565)**	122,475
Increase in accruals, other payables and deposits received		**149,324**	1,246,871
Increase in contract liabilities		**1,130,589**	1,073,555
Cash generated from/(used in) operations		**891,952**	(384,302)
Interest received		**26,875**	23,552
Income tax paid		**(86,078)**	(59,520)
Net cash generated from/(used in) operating activities		**832,749**	(420,270)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(160,630)**	(20,758)
Receipt of government grant related to property, plant and equipment		**20,904**	–
Proceeds from disposal of property, plant and equipment		**159**	51
Additions of investment properties		**(331,900)**	(332,730)
Receipt of government grant related to investment properties		**61,400**	–
Proceeds from disposal of investment properties		**–**	37,786
Investments in other financial assets		**(89,192)**	(9,239)
Proceeds from disposal of other financial assets		**51,101**	34,304
Acquisition of subsidiaries, net of cash and cash equivalents	39	**(104,367)**	–
Acquisition of additional interests of subsidiaries		**(15,000)**	(113,061)
Acquisition of asset through acquisition of a subsidiary	40	**–**	4
Disposal of subsidiaries, net of cash disposal of	38	**53,120**	38,479
Net cash used in investing activities		**(514,405)**	(365,164)
Cash flows from financing activities			
Proceeds from issue of corporate bonds		**209,319**	29,325
Proceeds from bank and other borrowings		**262,631**	654,411
Repayments of bank and other borrowings		**(512,981)**	(607,960)
Repayments of corporate bonds		**(140,937)**	(40,375)
Repayments of lease liabilities		**(13,821)**	(7,928)
Interest paid		**(84,126)**	(118,392)
Advance from non-controlling interests		**4,278**	714,041
Issue of ordinary shares by placing		**–**	90,173
Capital injection from non-controlling interests		**–**	25,000
Dividend paid		**(30,636)**	–
Net cash (used in)/generated from financing activities		**(306,273)**	738,295
Net increase/(decrease) in cash and cash equivalents		**12,071**	(47,139)
Cash and cash equivalents at beginning of the year		**87,935**	139,770
Effect of foreign exchange rates, net		**–**	(4,696)
Cash and cash equivalents at end of the year		**100,006**	87,935
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**100,006**	87,935
Less: included in the assets classified as held for sale	41	**(55)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows and consolidated statement of financial position		**99,951**	87,935

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE INFORMATION

Differ Group Holding Company Limited (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 Company in the PRC is located at 33/F, Differ Fortune Centre, No. 503 Gaolin Middle Road, Huli District, Xiamen City, Fujian Province, the PRC and the principal place of business of the Company in Hong Kong is located at Suites 501-05, 5/F, AIA Central, No. 1 Connaught Road Central, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (together with the Company, collectively referred to as the "Group") are set out in note 36 to the consolidated financial statements.

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") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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.

3. ADOPTION OF HKFRSs

3.1 Adoption of revised HKFRSs

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the annual period beginning on 1 January 2021.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the amendments to HKFRSs has no material impact on the consolidated financial statements. In addition, the Group has early adopted the amendment to HKFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021 ahead of the effective date and applied the amendment from 1 January 2021.

Amendment to HKFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021

In April 2021, the HKICPA issued an amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months and applied to rent concessions for which any reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment Covid-19-Related Rent Concessions. The Group has early adopted the amendment Covid-19-Related Rent Concessions beyond 30 June 2021 in the current annual financial statements.

The adoption of amendment to HKFRS 16 has no material impact on the consolidated financial statements.

3. **ADOPTION OF HKFRSs – continued**

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 consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendment to HKAS 16	Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS	Annual improvements to HKFRS 2018-2020[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 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 consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year, are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.1 Business combination and basis of consolidation – continued

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.3 Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4.4 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units（“CGU”）that are expected to benefit from the synergies of the combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4.5), and whenever there is an indication that the unit may be impaired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.4 Goodwill – continued

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.5 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- goodwill; and
- interests in subsidiaries and associates

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU (see note 4.4), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.6 Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method to write off the cost of each item of property, plant and equipment to its estimated residual value over its estimated useful life, as follows:

Leasehold improvement	The shorter of the lease terms and 5 years
Motor vehicles	4 to 5 years
Furniture, fixtures and office equipment	3 to 5 years
Other properties leased for own use	The shorter of asset's expected useful lives and lease terms

The assets' estimated residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction-in-progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate classes of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.7 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

4.8 Leases

Accounting as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist 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.

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. Except for right-of-use asset that meet the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.8 Leases – continued

Accounting as a lessee – continued

Right-of-use asset – continued

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at depreciated cost. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it 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 assets arising from the properties under tenancy agreements are carried at depreciated cost.

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

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are 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 uses 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.8 Leases – continued

Accounting as a lessee – continued

Lease liability – continued

Subsequent to the commencement date, the Group measures 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) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and right-of-use asset is adjusted by the same amount.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.8 Leases – continued

Accounting as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate leases. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on a either a straight-line basis or another systematic basis over the remaining lease term.

4.9 Inventories of properties

Completed properties and properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy and other directly attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

4.10 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.11 Employee benefits

The Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries.

The employees of the Company'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.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

4.12 Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

4.12 Financial Instruments – continued

(i) Financial assets – continued

Debt instruments – continued

Fair value through other comprehensive income（“FVOCI”）: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.12 Financial Instruments – continued

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss（“ECL”）on trade receivables, financial assets measured at amortised cost and debt instruments measured at FVOCI. The ECL are measured on either of the following bases: (1) 12 months ECL: these are the ECL that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for account receivables using HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL are based on the 12 months ECL. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.12 Financial Instruments – continued

(ii) Impairment loss on financial assets – continued

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group rebutted the presumption of credit impaired when the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account, except for investment in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in equity.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due for a number of years. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.12 Financial Instruments – continued

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including accounts payable, accruals, other payables and deposits received, bank and other borrowings and corporate bonds are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.12 Financial Instruments – continued

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with the accounting policy set out in note 4.12(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group’s cash management.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.14 Provisions and contingent liabilities

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

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

All provisions are reviewed at the end of reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.15 Accounting for income tax

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.15 Accounting for income tax – continued

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries and associates where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

An exception to the general requirement in determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.16 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.16 Revenue recognition – continued

(a) Services income

Income from financial guarantee service (as the case may be, including assessment fee related to issuance of financial guarantee) is recognised over the contract period on a time apportionment basis.

Financial consultancy service income is recognised when services are rendered.

Financial securities service income on dealings in securities contracts are recognised as revenue on the transactions dates when the relevant contract notes are executed.

(b) Sales of properties

The Group develops and sells residential and commercial properties. Revenue is recognised when control over the property has been transferred to the customer.

The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until the control has passed to the customer. Therefore, revenue is recognised at a point in time when customer obtains control of completed properties. The control is transferred when the buyer obtains the physical possession of the completed property.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

(d) Rental income

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant leases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.16 Revenue recognition – continued

(e) Income from disposal of distressed financial assets

The disposal of distressed assets is recognised on a contract by contract transfer of control approach over a single point in time.

(f) Sales of goods

Income from sales of goods is recognise at a point in time when the control of goods have been passed to customers.

(g) Management fee income

Management fee income is recognised when services are rendered.

(h) Membership fee income

Membership fee income is recognised on a straight-line basis over the contract term.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when the Group has the right to consideration under the contracts with customer from the sales or services but not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.16 Revenue recognition – continued

Contract costs – continued

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4.17 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.18 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Where the grant relates to an asset, the grant is credited to a deferred income account and is released to the profit or loss on a straight-line basis over the expected useful life of the relevant asset.

Where the grant relates to an asset measured at fair value, the grant is deducted from the carrying amount of the asset and recognised in profit or loss in the same accounting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.19 Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the average exchange rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the parent of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.20 Related parties – continued

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

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

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

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

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined by the Group's major operations.

4.22 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

On lapse of share options according to the plan, corresponding amount recognised in share options reserve is transferred to retained profit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.23 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgements

Principal versus agent consideration

In assessing whether the Group is acting as a principal or an agent in a transaction, the management assesses if the Group obtained control of goods before they are transferred to customers. The Group is a principal if it controls the promised goods before transferring it to the customer and revenue is recognised on a gross basis. Otherwise, the Group is an agent and revenue is recognised on a net basis.

Subsidiary governed under structured agreements

The Group conducts its provision of e-commerce through a subsidiary governed under structured agreements (the "Structured Subsidiary"). The Group does not have any equity interests in the Structured Subsidiary. The directors of the Company assessed whether or not the Group has control over the Structured Subsidiary based on whether the Group has the power over the Structured Subsidiary, has right to variable returns from its involvement with the Structured Subsidiary and has the ability to affect those returns through its power over the Structured Subsidiary. After assessment, the directors of the Company concluded that the Group has control over the Structured Subsidiary as a result of the structured agreements (the "Structured Agreements") and accordingly, the Group has consolidated the financial position and results of the Structured Subsidiary in the consolidated financial statements for the year ended 31 December 2021.

Nevertheless, the Structured Agreements may not be as effective as legal ownership in providing the Group with control over the Structured Subsidiary and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Structured Subsidiary. The directors of the Company, based on the advice of their legal counsel, consider that the Structured Agreements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – continued

Key sources of estimation uncertainty

Impairment of financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Impairment of non-financial assets (other than goodwill)

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This may require an estimation of the value-in-use of the CGU to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Impairment of goodwill

The Group test whether goodwill has suffered any impairment on an annual basis. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. For the purposes of impairment testing, goodwill is allocated to its respective CGUs. The recoverable amounts of the CGUs have been determined based on value-in-use or fair value less cost of disposal, whichever is higher. The value in use calculation derived from the most recent budget plan approved by the management requires the management to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate and future revenue growth rate to calculate the present value of those cash flows.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – continued

Key sources of estimation uncertainty – continued

Income taxes

The Group is mainly subject to income taxes in jurisdictions in Hong Kong and the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred income tax provisions in the period in which such determination is made.

The Group is subject to land appreciation tax（"LAT"）in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognises these LAT based on management's best estimates according to the understanding of the tax rules, by using a single best estimate of the most likely outcome approach. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and deferred tax provisions in the periods in which such taxes have been finalised with local tax authorities.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

Net realisable value of inventories of properties

The Group assesses the carrying amounts of inventories of properties according to their estimated net realisable value based on the realisability of these properties, taking into account construction costs to completion based on the existing development plans and the estimation of selling prices of the properties of comparable locations and conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of significant estimates.

6. 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 services, express loan services, consultancy services, finance lease services, financial securities services and assets management (investments in distressed assets, equities and management of funds) in the PRC and Hong Kong;

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

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

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

During the year ended 31 December 2021, the Group has commenced the operation of automobile e-commerce business, which has been identified as a reporting segment.

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

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

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

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

6. SEGMENT INFORMATION – continued

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 2021

	Financial services RMB'000	Property development and investment RMB'000	Trading of commodities RMB'000	Automobile e-commerce RMB'000	Total RMB'000
Revenue from external customers	208,249	909,035	120,958	21,490	1,259,732
Inter-segment revenue	30,847	–	–	–	30,847
Segment revenue	239,096	909,035	120,958	21,490	1,290,579
Segment results	247,991	415,310	2,743	(1,922)	664,122
Unallocated corporate expenses					(6,443)
Unallocated finance costs					(33,114)
Profit before income tax					624,565

6. SEGMENT INFORMATION – continued

For the year ended 31 December 2020

	Financial services RMB'000	Property development and investment RMB'000	Trading of commodities RMB'000	Total RMB'000
Revenue from external customers	197,508	696,684	5,196,314	6,090,506
Inter-segment revenue	90	–	138,529	138,619
Segment revenue	197,598	696,684	5,334,843	6,229,125
Segment results	157,482	390,494	1,257	549,233
Equity-settled share-based payments				(335)
Unallocated corporate expenses				(3,255)
Unallocated finance costs				(42,872)
Profit before income tax				502,771

6. **SEGMENT INFORMATION – continued**

Segment assets and liabilities

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

	2021 RMB'000	2020 RMB'000
Segment assets		
Financial services	**1,735,658**	1,438,427
Property development and investment	**6,496,700**	6,217,932
Trading of commodities	**22,356**	491,190
Automobile e-commerce	**47,009**	–
Total segment assets	**8,301,723**	8,147,549
Unallocated		
– Property, plant and equipment	**13,650**	–
– Deposits and prepayments	**2,820**	–
– Cash and bank balances	**1,654**	941
Total assets	**8,319,847**	8,148,490
Segment liabilities		
Financial services	**96,561**	149,064
Property development and investment	**4,732,403**	4,835,116
Trading of commodities	**2,318**	48,857
Automobile e-commerce	**2,917**	–
Total segment liabilities	**4,834,199**	5,033,037
Unallocated		
– Accruals and other payables	**46,840**	29,651
– Lease liabilities	**14,766**	–
– Other borrowings	**359,292**	462,506
– Corporate bonds	**343,358**	274,976
Total liabilities	**5,598,455**	5,800,170

6. SEGMENT INFORMATION – continued

Other segment information

For the year ended 31 December 2021

	Financial services RMB'000	Property development and investment RMB'000	Trading of commodities RMB'000	Automobile e-commerce RMB'000	Unallocated RMB'000	Total RMB'000
Additions to non-current assets (other than financial assets)	**4,004**	**406,946**	**–**	**–**	**16,945**	**427,895**
Equity accounted for investments in associates	**–**	**370,180**	**–**	**–**	**–**	**370,180**
Depreciation of property, plant and equipment	**(12,060)**	**(5,390)**	**(1)**	**–**	**(3,295)**	**(20,746)**
Share of results of associates	**79**	**(21,192)**	**–**	**–**	**–**	**(21,113)**
Gain on disposal of property, plant and equipment	**142**	**–**	**–**	**–**	**–**	**142**
(Loss)/gain on disposal of subsidiaries	**(425)**	**137,495**	**3,613**	**–**	**–**	**140,683**
Change in fair value of investment properties	**597**	**121,197**	**–**	**–**	**–**	**121,794**
Change in fair value of other financial assets	**40,182**	**20,894**	**–**	**–**	**–**	**61,076**
Provision for financial guarantee	**(10,067)**	**(13,779)**	**–**	**–**	**–**	**(23,846)**
Write down of inventories	**–**	**(29,151)**	**–**	**–**	**–**	**(29,151)**
Provision of impairment loss on financial assets	**(20,172)**	**(4,875)**	**–**	**–**	**–**	**(25,047)**
Reversal of impairment loss on financial assets	**11,770**	**220**	**–**	**–**	**–**	**11,990**
Bank and other interest income	**22,955**	**3,918**	**1**	**1**	**–**	**26,875**
Finance costs	**(479)**	**(13,787)**	**(671)**	**–**	**(33,114)**	**(48,051)**

6. SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31 December 2020

	Financial services RMB'000	Property development and investment RMB'000	Trading of commodities RMB'000	Unallocated RMB'000	Total RMB'000
Additions to non-current assets (other than financial assets)	2,175	354,357	–	–	356,532
Equity accounted for investments in associates	8,914	391,372	–	–	400,286
Depreciation of property, plant and equipment	(13,908)	(5,866)	(7)	–	(19,781)
Impairment loss on goodwill	(13,504)	–	–	–	(13,504)
Share of results of associates	(6,739)	135,159	–	–	128,420
Share of results of a joint venture	–	(13,619)	–	–	(13,619)
Gain on disposal of property, plant and equipment	–	258	–	–	258
Gain on disposal of subsidiaries	–	109,241	–	–	109,241
Gain on disposal of investment properties	–	2,988	–	–	2,988
Change in fair value of investment properties	(1,700)	25,044	–	–	23,344
Change in fair value of other financial assets	3,017	–	–	–	3,017
Provision of impairment loss on financial assets	(13,508)	(6,042)	–	–	(19,550)
Reversal of impairment loss on financial assets	3,053	–	–	–	3,053
Bank and other interest income	22,051	1,498	3	–	23,552
Finance costs	(1,388)	(41,617)	(2,733)	(42,872)	(88,610)

6. SEGMENT INFORMATION – continued

Other segment information – continued

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

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

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

	2021	2020
	RMB'000	RMB'000
Customer A *(Note)*	**N/A**	703,785

Note: There is no revenue from a customer contributing over 10% of the total revenue of the Group for the year ended 31 December 2021. Customer A is a customer from trading of commodities segment for the year ended 31 December 2020.

7. REVENUE AND OTHER INCOME

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

	2021 RMB'000	2020 RMB'000
Income from financial related services		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from financial consultancy services	**3,302**	14,875
Income from financial securities services	**3,087**	3,452
Revenue from other sources		
Income from guarantee services	**23,673**	11,038
Interest income from:		
– Entrusted loans	**18**	109
– Money lending	**159,360**	135,533
– Finance lease services	**9,938**	20,070
	199,378	185,077

	2021 RMB'000	2020 RMB'000
Income from assets management business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from sales of properties	**905,213**	684,734
Revenue from other sources		
Income from disposal of distressed financial assets	**–**	4,724
Rental income and sublease rental income	**4,435**	14,829
Management fee income	**8,258**	4,828
	917,906	709,115

7. REVENUE AND OTHER INCOME – continued

	2021	2020
	RMB'000	RMB'000
Income from trading of commodities		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of commodities	**120,958**	5,196,314

	2021	2020
	RMB'000	RMB'000
Income from automobile e-commerce business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of goods	**20,760**	–
Membership fee income	**730**	–
	21,490	–

	2021	2020
	RMB'000	RMB'000
Timing of revenue recognition within the scope HKFRS 15		
At a point in time	**1,053,320**	5,890,875
Transferred over time	**730**	8,500
	1,054,050	5,899,375

7. REVENUE AND OTHER INCOME – continued

	2021 RMB'000	2020 RMB'000
Other income		
Bank and other interest income	**26,875**	23,552
Gain on disposal of property, plant and equipment	**142**	258
Government grants*	**574**	3,520
Reversal of impairment loss on finance lease, loan and account receivables and other receivables	**11,990**	3,053
Sales of electronic devices	**6,565**	13,017
Gain on disposal of an associate	**11,007**	–
Gain on re-measurement of pre-existing interest in a joint venture	**–**	15,487
Net foreign exchange gain	**5,957**	7,325
Others	**3,532**	12,910
	66,642	79,122

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

8. PROFIT BEFORE INCOME TAX

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

	2021	2020
	RMB'000	RMB'000
Auditor's remuneration		
– audit service	**1,530**	1,360
– non-audit service	**–**	196
	1,530	1,556
Cost of inventories	**694,754**	5,623,125
Write-down of inventories	**29,151**	–
Cost of inventories recognised as expenses	**723,905**	5,623,125
Depreciation of property, plant and equipment	**20,746**	19,781
Impairment loss on goodwill	**–**	13,504
Impairment loss on finance lease, loan and account receivables, amount due from an associate and other receivables	**25,047**	19,550
Reversal of impairment loss on finance lease, loan and account receivables, amount due from an associate and other receivables	**(11,990)**	(3,053)
Provision for financial guarantee	**23,846**	–
Equity-settled share-based payments	**–**	335
Direct operating expenses arising from investment property that did not generate rental income during the year	**6,733**	7,867
Employee's costs (including directors' remuneration *(note 9)*		
– Salaries and allowances	**53,951**	60,661
– Pension scheme contributions – Defined contribution plans	**1,410**	3,900
– Other benefits	**4,802**	5,204
	60,163	69,765
Net foreign exchange gain	**(5,957)**	(7,325)
Gain on disposal of property, plant and equipment	**(142)**	(258)

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The remuneration of each of the directors for the years is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2021				
Executive directors:				
Mr. Hong Mingxian（"Mr. Hong"）	–	638	15	653
Mr. Ng Chi Chung（"Mr. Ng"）	–	510	15	525
Dr. Feng Xiaogang[1]	–	30	–	30
	–	1,178	30	1,208
Non-executive directors:				
Mr. Wu Qinghan	82	–	–	82
Mr. Cai Huatan	82	–	–	82
	164	–	–	164
Independent non-executive directors:				
Mr. Chan Sing Nun	82	–	–	82
Mr. Lam Kit Lam	82	–	–	82
Mr. Chen Naike	82	–	–	82
	246	–	–	246
Total	410	1,178	30	1,618

[1] Appointed with effect from 9 December 2021

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS – continued

(a) Directors' remuneration – continued

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share- based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020					
Executive directors:					
Mr. Hong	–	638	15	55	708
Mr. Ng	–	510	15	55	580
	–	1,148	30	110	1,288
Non-executive directors:					
Mr. Wu Qinghan	82	–	–	–	82
Mr. Cai Huatan	82	–	–	–	82
	164	–	–	–	164
Independent non-executive directors:					
Mr. Chan Sing Nun	82	–	–	–	82
Mr. Lam Kit Lam	82	–	–	–	82
Mr. Chen Naike	82	–	–	–	82
	246	–	–	–	246
Total	410	1,148	30	110	1,698

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS – continued

(b) Five highest paid individuals

The five highest paid individuals of the Group included two directors (2020: two) for the year ended 31 December 2021 whose emoluments are reflected in note 9(a).

The analysis of the emolument of the five highest paid individuals for the years ended 31 December 2021 and 2020 are set out below:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,042**	4,036
Pension scheme contributions	**80**	80
Equity-settled share options compensation	**–**	173
	4,122	4,289

The five highest paid individuals whose remunerations fell within the following bands:

	Number of individuals	
	2021	2020
HK$500,001 to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**2**	2
	5	5

(c) During the years ended 31 December 2021 and 2020, no director or any of the highest paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank and other borrowings	**78,719**	109,500
Interest on corporate bonds	**19,386**	28,238
Interest on lease liabilities	**1,639**	10,406
	99,744	148,144
Less: interest capitalised *(note)*	**(51,693)**	(59,534)
	48,051	88,610

Note: The weighted average capitalisation rate for the year on fund's borrowed is 7.73% (2020: 8.98%) per annum.

11. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax		
Hong Kong Profits Tax	**280**	283
PRC		
– Enterprise income tax（"EIT"）	**89,315**	167,984
– LAT	**74,086**	24,979
– Withholding tax	**655**	523
	164,336	193,769
Deferred tax *(note 32)*	**21,903**	(44,328)
	186,239	149,441

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% (2020: 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%.

11. INCOME TAX EXPENSE – continued

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% (2020: 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 years ended 31 December 2021 and 2020.

A reconciliation of the income tax expense applicable to profit before income tax at the statutory tax rate to the income tax expense at the effective tax rate for each year is as follows:

	2021 **RMB'000**	2020 RMB'000
Profit before income tax	**624,565**	502,771
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**130,332**	155,199
Tax effect of income not taxable for tax purpose	**(51,213)**	(48,240)
Tax effect of expenses not deductible for tax purpose	**21,537**	8,507
Tax effect of tax losses not recognised	**29,453**	16,177
Utilisation of tax losses previously not recognised	**(89)**	(1,459)
Provision for LAT	**74,086**	24,979
Tax effect on EIT of LAT payable	**(18,522)**	(6,245)
Withholding tax for interest paid by PRC subsidiaries	**655**	523
Income tax expense	**186,239**	149,441

12. DIVIDENDS

(a) The directors of the Company proposed a final dividend of HK0.5 cent per ordinary share (2020: HK0.5 cent), totaling HK$36,042,000 (equivalent to RMB30,636,000) (2020: HK$36,042,000 (equivalent to RMB30,636,000)) in respect of the year ended 31 December 2021. This proposed dividend is subject to the approval of the shareholders at the forthcoming annual general meeting and not recognised as dividend payable in the consolidated financial statements for the year ended 31 December 2021. No interim dividend was declared and paid during the year (2020: nil).

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

	2021 **RMB'000**	2020 RMB'000
Final dividend paid in respect of prior year – HK0.5 cent per oridinary share (2020: nil)	**30,636**	–

13. 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:

	2021 **RMB'000**	2020 RMB'000
Profit for the year attributable to owners of the Company	**440,759**	356,115

	2021 **Number of shares** **('000)**	2020 Number of shares ('000)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,208,386**	6,806,287
Basic earnings per share (RMB cents)	**6.11**	5.23
Dilutive earnings per share (RMB cents) (Note)	**6.11**	5.23

13. EARNINGS PER SHARE – continued

Note:

The computation of diluted earnings per share for the year ended 31 December 2021 is calculated based on the profit attributable to owners of the Company and the weighted average number of ordinary shares.

The computation of diluted earnings per share for the year ended 31 December 2020 do 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Construction-in-progress	Other properties leased for own use (*note 28*)	Motor vehicles	Furniture, fixtures and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2020	16,090	127,125	35,628	5,170	13,399	197,412
Additions	157	17,469	1,843	1,572	1,560	22,601
Lease modification	–	–	1,201	–	–	1,201
Acquisition of subsidiaries (*note 39*)	–	–	–	150	210	360
Disposals	–	–	–	(538)	(2)	(540)
Disposal of subsidiaries (*note 38*)	(9)	–	(2,612)	(132)	(1,399)	(4,152)
Written off	–	–	(1,914)	–	(42)	(1,956)
Exchange realignment	(159)	–	(680)	(26)	(34)	(899)
At 31 December 2020 and at 1 January 2021	**16,079**	**144,594**	**33,466**	**6,196**	**13,692**	**214,027**
Additions	**1,360**	**136,393**	**17,032**	**627**	**1,346**	**156,758**
Lease modification	**–**	**–**	**637**	**–**	**–**	**637**
Acquisition of subsidiaries (*note 39*)	**–**	**–**	**–**	**23**	**437**	**460**
Disposals	**–**	**–**	**–**	**(119)**	**–**	**(119)**
Disposal of subsidiaries (*note 38*)	**(227)**	**–**	**(5,363)**	**(234)**	**(388)**	**(6,212)**
Written off	**–**	**–**	**(1,995)**	**–**	**(14)**	**(2,009)**
Classified as assets held for sale (*note 41*)	**–**	**–**	**(1,534)**	**–**	**–**	**(1,534)**
At 31 December 2021	**17,212**	**280,987**	**42,243**	**6,493**	**15,073**	**362,008**

14. PROPERTY, PLANT AND EQUIPMENT – continued

	Leasehold improvement	Construction-in-progress	Other properties leased for own use *(note 28)*	Motor vehicles	Furniture, fixtures and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:						
At 1 January 2020	6,312	–	10,184	1,534	6,249	24,279
Charge for the year	4,210	–	11,534	1,346	2,691	19,781
Write back on disposals	–	–	–	(525)	(2)	(527)
Disposal of subsidiaries *(note 38)*	(8)	–	(770)	(35)	(791)	(1,604)
Write back on written off	–	–	(1,914)	–	(42)	(1,956)
Exchange realignment	(69)	–	(217)	(14)	(23)	(323)
At 31 December 2020 and at 1 January 2021	**10,445**	**–**	**18,817**	**2,306**	**8,082**	**39,650**
Charge for the year	**4,641**	**–**	**12,924**	**1,319**	**1,862**	**20,746**
Write back on disposals	**–**	**–**	**–**	**(102)**	**–**	**(102)**
Disposal of subsidiaries *(note 38)*	**(172)**	**–**	**(3,990)**	**(43)**	**(199)**	**(4,404)**
Write back on written off	**–**	**–**	**(1,995)**	**–**	**(14)**	**(2,009)**
Classified as assets held for sale *(note 41)*	**–**	**–**	**(1,200)**	**–**	**–**	**(1,200)**
At 31 December 2021	**14,914**	**–**	**24,556**	**3,480**	**9,731**	**52,681**
Net carrying amount:						
At 31 December 2021	**2,298**	**280,987**	**17,687**	**3,013**	**5,342**	**309,327**
At 31 December 2020	5,634	144,594	14,649	3,890	5,610	174,377

15. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
At 1 January	**677,200**	747,800
Additions	**270,500**	332,730
Disposals	**–**	(34,798)
Disposal of subsidiaries *(note 38)*	**(312,693)**	(391,876)
Change in fair value	**121,794**	23,344
At 31 December	**756,801**	677,200

All of the Group's leasehold interest in land and buildings held to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

As at 31 December 2021, the fair values of the investment properties of the Group in the PRC were assessed by Vincorn Consulting and Appraisal Limited ("Vincorn") (2020: APAC Appraisal and Consulting Limited and Vincorn). All of them are independent qualified professional valuers, members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

As at 31 December 2021 and 2020, the fair values of the completed investment properties are determined by applying the combination of market approach and income approach by reference to the comparable sales evidences as available on the relevant market and, where appropriate, using income approach, by capitalised rental income as shown on the tenancy agreements and assumed that the Group sells the properties on the open market without the benefit or burden of a deferred term contract, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the properties.

As at 31 December 2020, the fair values of the investment properties under construction are estimated using a residual approach by making reference to estimated property value as if completed at valuation date with appropriate deduction on construction costs, marketing, professional fees, contingency, finance charges, and other relevant costs, and the anticipated developer's profits.

As at 31 December 2021, among the carrying amount of the investment properties, RMB61,400,000 (2020: nil) is the government grant related to the investment properties and such amount is deducting in arriving the carrying amounts of the investment properties. The Group has fulfilled all the conditions attaching to the grant.

15. INVESTMENT PROPERTIES – continued

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	2021	2020
	RMB'000	RMB'000
At 1 January (level 3 recurring fair value)	**677,200**	747,800
Additions	**270,500**	332,730
Disposals	**–**	(34,798)
Disposal of subsidiaries	**(312,693)**	(391,876)
Change in fair value	**121,794**	23,344
At 31 December (level 3 recurring fair value)	**756,801**	677,200

15. INVESTMENT PROPERTIES – continued

The following table shows the significant unobservable inputs used in the valuation model:

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Range of unobservable inputs 2021	Range of unobservable inputs 2020
Commercial buildings, the PRC	3	Direct comparison and income approach	Term yield	The higher the term yield, the lower the fair value	**2.0%**	3.0%
			Expected vacancy rate	The higher the expected vacancy rate, the lower the fair value	**0%**	0%
			Reversionary rate	The higher the reversionary rate, the lower the fair value	**3.25%**	3.5%
Shopping mall, the PRC	3	Direct comparison and income approach	Term yield	The higher the term yield, the lower the fair value	**4%**	N/A
			Expected vacancy rate	The higher the expected vacancy rate, the lower the fair value	**0%–10%**	N/A
			Reversionary rate	The higher the reversionary rate, the lower the fair value	**5.5%**	N/A
Property units under construction, the PRC	3	Residual approach	Budgeted retail unit value (RMB/s.q.m)	The higher the budgeted retail unit value, the higher the fair value	**N/A**	RMB3,600 to RMB10,637
			Budgeted unit outstanding construction cost (RMB/s.q.m)	The higher the budgeted unit outstanding construction cost, the lower the fair value	**N/A**	RMB1,147 to RMB3,152
			Anticipated developer's profit margin	The higher the anticipated developer's profit margin, the lower the fair value	**N/A**	15% to 25%

15. INVESTMENT PROPERTIES – continued

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

As at 31 December 2021, investment properties of approximately RMB661,004,000 (2020: nil) were pledged to secure the Group's other borrowings (note 30) and approximately RMB95,797,000 (2020: nil) were pledged to secure the banking facilities granted to certain customers (note 29).

16. INTERESTS IN ASSOCIATES

	2021 **RMB'000**	2020 RMB'000
Share of net assets	**370,180**	400,286

Details of the Group's associates are as follows:

Name	**Place of incorporation, operation and principal activity**	**Percentage of ownership interests/voting rights/profit share**
廈門創翼商業保理有限公司 (Xiamen Chuang Yi Commercial Factoring Company Limited ^)（"Chuang Yi"）	PRC, provision of commercial factoring services in the PRC	– (note (a)) (2020: 20%)
中城城開集團有限公司 (Zhongcheng City Development Group Co., Limited^) ("Zhongcheng") (Formerly known as 福建中海外城市開發有限公司 (Fujian China Overseas Urban Development Co., Limited^))	PRC, property development and management and commodity trading business in the PRC	49% (2020: 49%) (note (b))

^ English name is for identification only.

The above associates are accounted for using equity method in the consolidated financial statements. The financial statements of the above associates are conterminous with those of the Group.

16. INTERESTS IN ASSOCIATES – continued

(a) During the year ended 31 December 2021, the Group disposed its entire equity interest in Chuang Yi at cash consideration of RMB20,000,000. The consideration has not yet settled and included in other receivables as at 31 December 2021. Upon the completion of the disposal, Chuang Yi ceased to be an associate of the Group.

(b) During the year ended 31 December 2020, the Group disposed its 51% equity interest in Zhongcheng. Upon the completion of disposal, the Group's effective interest in Zhongcheng was changed from 100% to 49% and Zhongcheng became an associate of the Group. Further details of the disposal of subsidiaries are set out in note 38.

The financial effect arising from the retained interest in Zhongcheng was summarised as follows:

	2020 RMB'000
Fair value of 49% interest retained by the Group	256,213
Fair value of identifiable net assets attributable at the date to be associate	798,718
Group's share of net assets	391,372
Gain on bargain purchase*	135,159

* A gain on bargain purchase of RMB135,159,000, which arose the excess of the Group's interests in the fair value of the net identifiable assets of Zhongcheng and its subsidiaries over the fair value of the retained interest, was included in "Share of results of associates" in the consolidated statement of comprehensive income for the year ended 31 December 2020.

16. INTERESTS IN ASSOCIATES – continued

Summarised financial information, adjusted to reflect adjustments made by the Group when using equity method, is presented below:

Chuang Yi

	2021 RMB'000	2020 RMB'000
From 1 January to the date of disposal/year ended 31 December		
Revenue for the period/year	**415**	672
Profit/(loss) for the period/year and total comprehensive income	**396**	(33,695)

Zhongcheng

	2021 RMB'000	2020 RMB'000
Year ended 31 December/from the date to be an associate to 31 December		
Revenue for the year/period	**2,953,862**	–
Loss for the year/period and total comprehensive income	**(43,249)**	–

	Zhongcheng		Chuang Yi
	2021 RMB'000	2020 RMB'000	2020 RMB'000
As at 31 December			
Current assets	**1,122,711**	2,792,099	45,286
Non-current assets	**404,640**	412,007	12
Current liabilities	**(372,061)**	(1,766,709)	(726)
Non-current liabilities	**(399,821)**	(638,679)	–
Net assets	**755,469**	798,718	44,572

17. RESTRICTED BANK DEPOSITS

The amount mainly represented the guarantee deposits for construction of pre-sale properties. In accordance with relevant government requirements, certain property development companies of the Group are required to place the proceeds received from pre-sale of properties as guarantee deposits for construction of properties. Such deposits can only be used for payments for construction costs of relevant property development projects when approval from related government authority is obtained. The restriction will be released upon the completion of construction.

As at 31 December 2021 and 2020, the Group's restricted bank deposits were denominated in RMB and kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

18. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	2021 RMB'000	2020 RMB'000
Non-current asset		
Finance lease receivables	**60,538**	74,759
Current assets		
Entrusted loan receivables	**–**	548
Finance lease receivables	**55,921**	33,631
Loan receivables	**881,427**	1,299,115
Receivables from guarantee customers	**14,528**	22,225
Account receivables	**134,720**	18,702
	1,086,596	1,374,221

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

	2021		2020	
	Minimum lease payments RMB'000	Present value RMB'000	Minimum lease payments RMB'000	Present value RMB'000
Not later than one year	**62,331**	**55,921**	41,271	33,631
Later than one year and not later than five years	**70,895**	**60,538**	91,418	74,759
	133,226	**116,459**	132,689	108,390
Unearned finance income	**(16,767)**	**–**	(24,299)	–
Present value of minimum lease payments	**116,459**	**116,459**	108,390	108,390

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

18. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

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 contract term for each loan contract is normally two years.

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

Interest rates on finance lease, loan and account receivables are offered to customers based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends. The effective interest rates of loan and account receivables charged by the Group are summarised below:

	2021 **% per month**	2020 % per month
Entrusted loan receivables	**1.0**	1.0
Finance lease receivables	**0.5 to 1.1**	0.5 to 1.1
Loan receivables	**1.1 to 5.0**	1.0 to 5.0

The Group has certain concentration risk on finance lease, loan and account receivables as it has eight (2020: eight) customers with outstanding balances of approximately RMB1,048,260,000 (2020: RMB1,258,802,000) as at 31 December 2021.

The directors of the Company consider that the fair values of loan and account receivables are not materially different from their carrying amounts.

18. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

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:

	2021	2020
	RMB'000	RMB'000
0 to 30 days	**3,267**	209,272
31 to 90 days	**3,801**	2,058
91 to 180 days	**17,296**	407,612
Over 180 days	**1,108,242**	807,813
	1,132,606	1,426,755

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

	2021	2020
	RMB'000	RMB'000
Not yet past due	**1,097,359**	1,393,945
Past due 0 to 30 days	**24,226**	191
Past due 31 to 90 days	**3,992**	337
Past due 91-180 days	**–**	99
Over 180 days	**7,029**	32,183
	1,132,606	1,426,755

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

18. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

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

	RMB'000
At 1 January 2020	23,786
Impairment loss recognised	17,310
Reversal of impairment loss	(2,800)
Disposal of subsidiaries	(568)
At 31 December 2020 and 1 January 2021	37,728
Impairment loss recognised	14,689
Reversal of impairment loss	(10,103)
Disposal of subsidiaries	(492)
Classified as assets held for sale	(9,992)
At 31 December 2021	**31,830**

The Group holds collaterals over the loan receivables, certain account receivables and receivables from guarantee customers, and the banks hold collaterals over the entrusted loan receivables and certain account receivables on behalf of the Group. The fair value of the collaterals in respect of such loan and account receivables is as follows:

	2021 **RMB'000**	2020 RMB'000
Real estate	**95,849**	455,971
Movable property	**34,632**	63,397
Property rights	**1,003,169**	1,335,719
Others	**3,500**	9,000
	1,137,150	1,864,087

18. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

As at 31 December 2021 and 2020, the finance lease receivables in respect of certain machineries, properties, motor vehicles and other assets are effectively secured by the underlying assets, as the rights to the machineries, properties, motor vehicles and other assets would be reverted to the Group in the event of default payment, and the deposits received from finance lease customers amounted to approximately RMB13,664,000 (2020: RMB23,741,000) (note 26).

During the years, the Group did not dispose of any of its finance lease, loan and account receivables to independent third party.

19. GOODWILL

	2021	2020
	RMB'000	RMB'000
At 1 January	**83,338**	33,400
Acquisition of subsidiaries *(note 39)*	**12,693**	63,442
Impairment loss	**–**	(13,504)
At 31 December	**96,031**	83,338

As at 31 December 2021, the carrying amounts of goodwill allocated to a CGU of finance leasing of RMB19,896,000 (2020: RMB19,896,000), allocated to CGUs of property development of RMB70,593,000 (2020: RMB63,442,000) and allocated to a CGU of automobile e-commerce business of RMB5,542,000 (2020: nil).

The recoverable amount of CGUs are determined based on value in use calculation or fair value less cost of disposal, whichever is higher.

The recoverable amount of CGU of finance leasing is determined based on value in use calculation which covers a detailed 5-year budget plan plus an extrapolated cash flow projection by applying a long term estimated growth rate of zero (2020: zero), with a pre-tax discount rate of 11.2% (2020: 11%).

The recoverable amount of CGU of property development is determined based on value in use calculation which covers a detailed 5-year budget plan plus an extrapolated cash flow projection by applying a long term estimated growth rate of zero (2020: zero), with a pre-tax discount rate of 11.3% (2020: 13.7%).

The recoverable amount of CGU of e-commerce is determined based on value-in-use calculation which covers a detailed 5-year budget plan plus an extrapolated cash flow projection by applying a long term estimated growth rate of 10% (2020: N/A), with a pre-tax discount rate of 12.5% (2020: N/A).

19. GOODWILL – continued

The Group management's key assumptions, including estimated of future revenue, operating costs, pre-tax discount rate and growth rate beyond five-year period, have been determined based on past performance and its expectations for the market's development. The discount rate used is pre-tax and reflect specific risks relating to the relevant business.

During the year ended 31 December 2020, the Group has continued to operate the finance leasing business without any new customer. Due to the declining prospects in finance lease business, the Group assessed the recoverable amount of the CGU of finance leasing and the carrying amount of this CGU is written down to its recoverable amount of RMB19,896,000. An impairment loss of approximately RMB13,504,000 was recognised within "other expenses" in the consolidated statement of comprehensive income. No impairment of goodwill is necessary for the CGU of property development as it demonstrates sufficient cash flows that justify the carrying value of the goodwill.

The directors concluded that the cash-generating unit demonstrates sufficient cash flows that justify the carrying value of the goodwill and hence no impairment of goodwill is necessary as at 31 December 2021.

20. OTHER FINANCIAL ASSETS

	2021 RMB'000	2020 RMB'000
Non–current:		
Financial assets measured at FVTPL		
– Unlisted equity securities *(note (a))*	**–**	36,000
– Distressed assets *(note (b))*	**59,619**	60,331
– Fund investment	**600**	1,000
– Consideration receivable *(note 38(c))*	**281,801**	260,907
	342,020	358,238
Current:		
Financial assets measured at FVTPL		
– Equity securities listed in Hong Kong	**–**	7,136
– Consideration receivables *(note 38(a))*	**42,960**	–
Financial assets measured at FVOCI		
– Distressed assets *(note (b))*	**95,898**	90,577
	138,858	97,713
	480,878	455,951

Notes:

(a) During the year ended 31 December 2021, the Group disposed its unlisted equity securities to an associate at RMB30,000,000. The Group recognised no gain or loss regarding the disposal.

(b) The distressed assets represented equity and debt instruments without open or active quotations.

20. OTHER FINANCIAL ASSETS – continued

Notes: – continued

(c) Fair value measurement of financial assets

There were no transfers into or out of level 1 and 3 during the years.

	2021 RMB'000	2020 RMB'000
Level 1 recurring fair value		
Equity securities listed in Hong Kong	–	7,136
Level 3 recurring fair value		
Unlisted equity securities	–	36,000
Distressed assets	**155,517**	150,908
Fund investment	**600**	1,000
Consideration receivables	**324,761**	260,907
	480,878	448,815

The movements during the year in the balance of these financial assets at level 3 fair value measurements are as follows:

	2021 RMB'000	2020 RMB'000
Opening balance	**448,815**	128,000
Additions *(Note)*	**151,877**	333,809
Disposals	**(65,250)**	(20,305)
Disposal of subsidiaries *(note 38)*	**(121,189)**	–
Fair value gain recognised in profit or loss	**61,304**	2,332
Fair value gain recognised in other comprehensive income	**5,321**	4,979
Closing balance	**480,878**	448,815

Note: During the year ended 31 December 2021, additions of an amount of consideration receivable of approximately RMB76,877,000 (2020: consideration receivable of approximately RMB260,907,000 and distressed assets of approximately RMB72,902,000) are non-cash transaction.

20. OTHER FINANCIAL ASSETS – continued

Notes: – continued

(c) Fair value measurement of financial assets – continued

The Group's financial assets carried at fair value at 31 December 2021 and 2020 arrived at on the basis of valuations carried out on those dates by independent qualified professional valuers not connected to the Group. The valuation techniques used in determining the fair value measurement of level 3 financial instruments is arrived with discount cash flow approach and market approach with details as follows. There has been no change in the valuation technique used in the prior year.

	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input(s) to fair value
	2021 RMB'000	2020 RMB'000				
Financial assets						
– Distressed assets	**155,517**	150,908	Level 3	Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts	• The higher the recoverable amounts, the higher the fair value
– Fund investment	**600**	1,000	Level 3		• Expected recovery date	• The earlier the recovery date, the higher the fair value
					• Discount rates that correspond to the expected risk level	• The higher the discount rates, the lower the fair value.
– Consideration receivables	**324,761**	260,907	Level 3	Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts	• The higher the recoverable amounts, the higher the fair value
					• Expected recovery date	• The earlier the recovery date, the higher the fair value
					• Discount rates that correspond to the expected risk level	• The higher the discount rates, the lower the fair value
					• Expected pre-sale performance of disposed company	• The higher the pre-sale performance, the higher the fair value
					• Profitability of disposed company	• The higher the profitability, the higher the fair value
– Unlisted equity securities	**–**	36,000	Level 3	Market approach	• Marketability discount	• The higher the marketability discount, the lower the fair value

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Non-current assets		
Deposit paid	**2,747**	–
Other receivables	**260,000**	–
Consideration receivables	**84,734**	–
Amount due from an associate *(note a)*	**–**	635,277
	347,481	635,277
Current assets		
Prepaid expenses	**39,435**	29,882
Deposits paid	**53,086**	8,145
Amounts paid for land and properties acquired for asset management business	**–**	83,680
Other receivables	**111,980**	176,187
Consideration receivables	**256,604**	256,223
Amount due from an associate *(note a)*	**12,899**	–
	474,004	554,117

Note:

(a) As at 31 December 2021 and 2020, the amount due from an associate was unsecured, interest-free and repayable on demand.

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – continued

The below table reconciled the impairment loss allowance of the amount due from an associate and other receivables for the year:

	RMB'000
At 1 January 2020	900
Impairment loss recognised	2,240
Reversal of impairment loss	(253)
At 31 December 2020 and 1 January 2021	2,887
Impairment loss recognised	10,358
Reversal of impairment loss	(1,887)
Disposal of subsidiaries	(637)
At 31 December 2021	**10,721**

22. INVENTORIES OF PROPERTIES

	2021	2020
	RMB'000	RMB'000
Properties held under development	**1,651,834**	2,905,705
Properties held for sale	**2,158,807**	285,403
	3,810,641	3,191,108

(a) Properties held under development comprises leasehold interests in land are located in the PRC and have lease terms expiring from 30 to 70 years (2020: 30 to 70 years). Right-of-use assets related to interests in leasehold land where the interest in the land is held for development of inventories are included in the same line item as inventories of properties as that within which the corresponding assets.

As at 31 December 2021, properties held under development amounted to approximately RMB433,630,000 (2020: RMB420,622,000) are expected to be recovered within 12 months.

Upon completion of construction works, properties held under development will be transferred to properties held for sale.

22. INVENTORIES OF PROPERTIES – continued

(b) As at 31 December 2021, properties held under development of RMB121,907,000 were pledged to secure the Group's other borrowings (2020: RMB546,513,000) (note 30) and properties held for sale of RMB1,105,936,000 (2020: nil) were pledged to secure the Group's bank borrowings (note 30).

As at 31 December 2021, properties held for sale of RMB220,233,000 (2020: nil) were pledged to secure the banking facilities granted to associates (note 29).

(c) In prior year, the Group received a notification (the "Notification") from Shandong Lid Liquidation Affairs Limited (the "Administrator"), a limited liability company established in the PRC, to be the reforming party to the restructuring plan in respect of Weihai Zhongtian Real Estate Company Limited ("Weihai Zhongtian") in accordance with the Corporate Bankruptcy Law of the PRC under the supervision of the Administrator. Pursuant to the restructuring plan, Weihai Zhongtian has to repay the liabilities to the respective creditors under the supervision of the Administrator. In return, the Group obtained the assets in Weihai Zhongtian which are mainly represented by inventories of properties. As at 31 December 2021, the agreed liabilities of RMB377,761,000 (2020: RMB387,912,000) is included in other payables (note 26) and the carrying amount of the respective inventories of properties that to be realised for the repayment is approximately RMB470,000,000 (2020: RMB470,000,000). Such inventories of properties are restricted for the repayment to the respective creditors under the restructuring plan.

23. CASH AND BANK BALANCES – GENERAL ACCOUNTS

Bank balances earn interest at floating rates based on daily bank deposit rates.

As at 31 December 2021, the Group has cash and bank balances denominated in RMB amounting to approximately RMB89,600,000 (2020: RMB73,859,000) kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

24. CASH AND BANK BALANCES – HELD ON BEHALF OF CUSTOMERS

Cash at banks held on behalf of customers are segregated bank accounts which only maintain clients' monies in the course of the conduct of the regulated activities. The Group classified the clients' monies as cash and bank balances – held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding payable to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

25. ACCOUNTS PAYABLE

	2021 RMB'000	2020 RMB'000
Accounts payable from property development	**405,159**	549,024
Accounts payable from financial services		
– clearing house	**539**	1,614
– cash client	**5,396**	12,513
	411,094	563,151

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

	2021 RMB'000	2020 RMB'000
Less than 1 month	**394,250**	529,818
1 to 3 months	**1,482**	29,725
More than 3 months but less than 12 months	**10,813**	2,115
More than 12 months	**4,549**	1,493
	411,094	563,151

26. ACCRUALS, OTHER PAYABLES, DEPOSITS RECEIVED AND DEFERRED INCOME

	2021	2020
	RMB'000	RMB'000
Current liabilities		
Accruals, other payables and deposits received *(note a)*	**601,720**	715,432
Consideration payable *(note c)*	**48,000**	–
Business and other tax payables	**90,983**	59,002
Deposits received from finance lease customers *(note 18)*	**7,164**	17,241
Amounts due to non-controlling interests	**–**	714,041
Deferred income *(note b)*	**1,329**	7,550
	749,196	1,513,266
Non-current liabilities		
Other payables *(note a)*	**118,552**	68,972
Deposits received from finance lease customers *(note 18)*	**6,500**	6,500
Deferred income *(note b)*	**20,904**	–
	145,956	75,472

Notes:

(a) Pursuant to note 22 to the consolidated financial statements, the Group received the Notification from the Administrator to be the reforming party to the restructuring plan in respect of Weihai Zhongtian in accordance with the Corporate Bankruptcy Law of the PRC under the supervision of the Administrator.

Pursuant to the restructuring plan, Weihai Zhongtian has to repay the liabilities to the respective creditors under the supervision of the Administrator. In return, the Group obtained the assets in Weihai Zhongtian which are mainly represented by inventories of properties. The basis of the liabilities assumed by the Group was estimated from the realised estimated value of the inventories of properties. As at 31 December 2021, the agreed liabilities of RMB377,761,000 (2020: RMB387,912,000) is included in other payables and the carrying amount of the respective inventories of properties that to be realised for the repayment is approximately RMB470,000,000 (2020: RMB470,000,000) (note 22).

26. ACCRUALS, OTHER PAYABLES, DEPOSITS RECEIVED AND DEFERRED INCOME – continued

Notes: – continued

(a) – continued

The nature of these respective creditors mainly include bank loans, trade payables such as construction cost payable and accruals and other tax payables. According to the arrangements under the restructuring plan, the Group will repay these payables to the Administrator in a designated bank account and the Administrator will handle the Group's repayment to the respective creditors. As such, the Group classified these liabilities as other payables.

The implementation period for the restructuring plan is 36 months since 12 June 2018 unless further extended with approval by the court. During the year ended 31 December 2021, the Group received the approval from the court to extend the restructuring plan to 31 December 2023. Other payables of RMB259,209,000 is expected to be settled within 1 year from 31 December 2021 while other payables of RMB118,552,000 is expected to be settled after 1 year from 31 December 2021 (2020: RMB318,940,000 is expected to be settled within 1 year from 31 December 2020 while other payables of RMB68,972,000 is expected to be settled after 1 year from 31 December 2020) under the restructuring plan.

(b) Deferred income represents the financial guarantee service income received in advance from the customers of RMB1,329,000 (2020: RMB7,550,000) and government grant of RMB20,904,000 (2020: nil) received for the construction of certain items of construction-in-progress.

(c) The consideration in relation to the acquisition of Fast Sunrise Limited and its subsidiaries of RMB48,000,000 was not yet settled as at 31 December 2021 (note 39).

The directors considered the carrying amounts of accruals, other payables and deposits received approximate their fair values.

27. CONTRACT LIABILITIES

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

	2021 RMB'000	2020 RMB'000
Contract liabilities related to property sales	**2,644,848**	2,309,703

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.

Revenue is recognised when the customers obtains control of the completed properties.

	2021 RMB'000	2020 RMB'000
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	**838,636**	684,734

28. LEASES

The Group leases a number of properties in the jurisdictions from which it operates. The leases typically run for a period of 2 months to 5 years (2020: 10 months to 5 years). The lease payments are fixed over the lease term. For those leases of properties with lease terms of 12 months or less, the Group applies the "short-term lease" recognition exemptions for these leases.

Right-of-use assets

The analysis of the carrying amount of right-of-use assets by underlying asset is as follows:

	2021 RMB'000	2020 RMB'000
Other properties leased for own use	**17,687**	14,649
Leasehold land under inventories of properties	**911,054**	1,740,479
Leasehold land under investment properties	**172,535**	330,023
Leasehold land under construction-in-progress	**115,023**	115,023
	1,216,299	2,200,174

28. LEASES – continued

Lease liabilities

The future lease payments are due as follows:

	2021 Minimum lease payments RMB'000	**2021** Present value RMB'000	2020 Minimum lease payments RMB'000	2020 Present value RMB'000
Not later than one year	**11,411**	**10,229**	11,663	10,659
Later than one year and not later than two years	**6,875**	**6,387**	5,427	5,176
Later than two years and not later than five years	**2,799**	**2,747**	–	–
	21,085	**19,363**	17,090	15,835
Future interest expenses	**(1,722)**	**–**	(1,255)	–
	19,363	**19,363**	15,835	15,835

Analysed as reporting purposes as:

	2021 RMB'000	2020 RMB'000
Current liabilities	**10,229**	10,659
Non-current liabilities	**9,134**	5,176
	19,363	15,835

The Group had total cash outflows for leases of RMB14,796,000 during the year ended 31 December 2021 (2020: RMB8,082,000).

28. LEASES – continued

The followings are the amounts recognise in profit or loss:

	2021 RMB'000	2020 RMB'000
Depreciation expense of other properties leased for own use *(note 14)*	**12,924**	11,534
Interest on lease liabilities *(note 10)*	**1,639**	10,406
Expenses relating to short-term leases	**975**	154
Gain arising from sale and leaseback transactions	**–**	3,484

29. FINANCIAL GUARANTEE

(a) Guarantee for bank facilities granted to certain customers and associates:

	2021 RMB'000	2020 RMB'000
Financial guarantee issued	**23,846**	–

(i) As at 31 December 2021, the financial guarantee contracts represent guarantees given to banks in connection with facilities granted to the associates. The associates' banking facilities granted by the banks were RMB382,152,000 (2020: RMB467,000,000) and was fully utilised by the associates. During the year ended 31 December 2021, an ECL allowance of RMB23,846,000 (2020: nil) was provided.

As at 31 December 2020, the financial impact arising from providing the above financial guarantee is insignificant and accordingly, they are not accounted for in these consolidated financial statements.

(ii) As at 31 December 2021, the Group had given financial guarantee to banks for banking facilities granted to certain customers of the Group with maximum amount of approximately RMB255,000,000 (2020: RMB304,470,000) and was fully utilised by certain customers.

Assets pledged to secure the banking facilities granted to certain customers are disclosed in note 45 to the financial statements.

As at 31 December 2021 and 2020, the financial impact arising from providing the above financial guarantee is insignificant and accordingly, they are not accounted for in these consolidated financial statements.

29. FINANCIAL GUARANTEE – continued

(b) Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties:

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 RMB1,703,137,000 (2020: RMB1,681,211,000) 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.

30. BANK AND OTHER BORROWINGS

	2021 **RMB'000**	2020 RMB'000
Secured borrowings		
Bank borrowings	**250,674**	58,040
Other borrowings	**467,158**	689,169
	717,832	747,209
Carrying amount repayable:		
Within one year	**558,201**	278,013
More than one year, but not exceeding two years	**135,631**	469,196
More than two years, but not exceeding five years	**24,000**	–
	717,832	747,209

As at 31 December 2021, the Group has variable interest-rate bank and other borrowings which carry interest ranging from 4.8% to 15.0% (2020: 4.8% to 15.0%) per annum.

30. BANK AND OTHER BORROWINGS – continued

As at 31 December 2021, the bank borrowings of approximately RMB250,674,000 were secured by properties held for sale with carrying amount of RMB1,105,936,000 and guaranteed by Mr. Hong, Ms. Shi Hongjiao ("Ms. Shi") and a subsidiary of the Company.

As at 31 December 2020, bank borrowings of approximately RMB55,490,000 were guaranteed by Mr. Hong, Ms. Shi and a subsidiary of the Company and approximately RMB2,550,000 were guaranteed by a director of a subsidiary.

As at 31 December 2021, other borrowings of approximately RMB107,865,000 were secured by properties held under development with carrying amount of RMB121,907,000, investment properties with carrying amount of RMB661,004,000, entire interest of a subsidiary of the Company and corporate guarantees from two subsidiaries of the Company; and approximately RMB359,293,000 (2020: RMB462,505,000) were secured by personal guarantee from Mr. Hong.

As at 31 December 2020, other borrowings are secured by followings:

(i) approximately RMB76,680,000 were secured by charged of 510,000 shares of a subsidiary of the Company;

(ii) approximately RMB462,505,000 were secured by personal guarantee from Mr. Hong; and

(iii) approximately RMB149,984,000 were secured by properties held under development with carrying amount of RMB 546,513,000 and also secured by 100% equity interest of a subsidiary and corporate guarantees from an associate.

Mr. Hong is the chairman of the Company and sole shareholder of Expert Corporate Limited, the substantial shareholder of the Company.

31. CORPORATE BONDS

	2021	2020
	RMB'000	RMB'000
Corporate bonds	**343,358**	274,976
Carrying amount repayable:		
Within one year	**146,370**	111,223
More than one year, but not exceeding two years	**78,838**	35,616
More than two years, but not exceeding five years	**118,150**	124,737
More than five years	**–**	3,400
	343,358	274,976

During the year ended 31 December 2021, the Company issued Hong Kong Dollar denominated corporate bonds with principal amount of HK$246,258,000 (equivalent to RMB209,319,000) (2020: HK$34,500,000 (equivalent to RMB29,325,000)) and repaid corporate bonds of principal amount of HK$165,808,000 (equivalent to RMB140,937,000) (2020: HK$47,500,000 (equivalent to RMB40,375,000)).

The corporate bonds bear interests from 4.0% to 9.0% (2020: 1.0% to 7.5%) per annum. The interests of the corporate bonds are payable quarterly to annually (2020: quarterly to annually) in arrears every year. The corporate bonds will mature on the six months to eight years (2020: three months to eight years) from the issue dates.

As at 31 December 2021, among the balances, corporate bonds of HK$152,280,000 (equivalent to RMB128,588,000) (2020: HK$124,100,000 (equivalent to RMB105,485,000)) are guaranteed by Mr. Hong, and corporate bonds with carrying amount of HK$1,000,000 (equivalent to RMB850,000) (2020: HK$1,000,000 (equivalent to RMB850,000)) are guaranteed by Ms. Shi.

As at 31 December 2021 and 2020, the Group did not fulfil the requirements to maintain certain financial position ratio as specified in the bond agreements and the bondholders are contractually entitled to request for immediate repayment of the outstanding loan amounts. In this connection, outstanding corporate bonds with total carrying amount of HK$4,000,000 (equivalent to RMB3,400,000) (2020: HK$14,000,000 (equivalent to RMB11,900,000) were presented as current liabilities at the end of the reporting period.

32. DEFERRED TAX

The following is the analysis of deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**36,897**	43,569
Deferred tax liabilities	**(167,075)**	(34,784)
	(130,178)	8,785

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using principle taxation rate of 25% for the year (2020: 25%). The following are the major deferred tax assets and liabilities recognised by the Group and the movements thereon during the year.

	Revaluation of investment properties RMB'000	Fair value adjustment on inventories of properties arising from acquisition of subsidiaries RMB'000	Tax losses RMB'000	Fair value adjustments on financial instruments RMB'000	Total RMB'000
At 1 January 2020	(79,004)	(41,073)	–	–	(120,077)
Acquisition of a subsidiary *(note 39)*	–	(14,048)	–	–	(14,048)
Acquisition of asset through acquisition of a subsidiary *(note 40)*	–	(1,100)	–	–	(1,100)
Disposal of subsidiaries *(note 38)*	60,521	39,161	–	–	99,682
(Charged)/credited to profit or loss *(note 11)*	(1,153)	1,912	11,896	31,673	44,328
At 31 December 2020 and 1 January 2021	**(19,636)**	**(15,148)**	**11,896**	**31,673**	**8,785**
Acquisition of a subsidiary *(note 39)*	**–**	**(123,147)**	**–**	**–**	**(123,147)**
Disposal of subsidiaries *(note 38)*	**8,520**	**1,100**	**(3,533)**	**–**	**6,087**
(Charged)/credited to profit or loss *(note 11)*	**(30,449)**	**11,685**	**(8,363)**	**5,224**	**(21,903)**
At 31 December 2021	**(41,565)**	**(125,510)**	**–**	**36,897**	**(130,178)**

32. DEFERRED TAX – continued

As at 31 December 2021, the aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB1,647,222,000 (2020: RMB1,516,783,000). No deferred tax liabilities was recognised because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The Group had unrecognised deferred tax assets arising from tax losses of approximately RMB209,470,000 (2020: RMB105,912,000) as at 31 December 2021. Tax losses of RMB198,753,000 (2020: RMB93,095,000) are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the relevant entities in the Group in which the losses arose. The remaining tax losses of RMB10,717,000 (2020: RMB12,817,000) may be carried forward indefinitely. Deferred tax assets have not been recognised for such losses at the reporting date due to the unpredictability of future profit streams in the relevant subsidiaries in the PRC and/or Hong Kong.

33. 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 2020, 1 January 2021 and 31 December 2021	20,000,000	50,000	39,000
Issued and fully paid:			
At 1 January 2020	6,363,386	15,908	12,832
Issue of ordinary shares by placing *(note a)*	265,000	663	597
Issue of new shares for acquisition of a subsidiary *(note b)*	190,000	475	427
Issue of new shares for acquisition of asset through acquisition of a subsidiary *(note c)*	390,000	975	878
At 31 December 2020, 1 January 2021 and 31 December 2021	**7,208,386**	**18,021**	**14,734**

33. SHARE CAPITAL – continued

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

(a) In connection with the placing, an aggregate of 265,000,000 new ordinary shares of the Company of HK0.0025 each were issued at a price of HK$0.38 per share on 12 June 2020.

(b) An aggregate of 190,000,000 new ordinary shares of the Company of HK$0.0025 each were issued as consideration shares on 10 July 2020 in relation to step acquisition of Weihai Zhongtian.

(c) An aggregate of 390,000,000 new ordinary shares of the Company of HK$0.0025 each were issued as consideration shares on 10 July 2020 in relation to acquisition of Fengda.

34. RESERVES

Group

Details of the movements on the Group's reserves are as set out in the consolidated statements of changes in equity of the financial statements.

Share premium

The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued, net of share issue costs.

Merger and other reserves

As at 31 December 2021 and 2020, the merger reserve of the Group arose as a result of (a) the reorganisation ("Reorganisation") carried amount by the Group to rationalise the Group's structure in preparation for the listing of the Company's share and other business combination under common control; (b) gains/losses arising from changes in Group's interests in subsidiaries that do not result in a loss of control; and (c) the capital contributions by the ultimate controlling shareholder.

Statutory reserve

Statutory reserve represents appropriation of profits of the PRC subsidiaries to non-distributable reserve fund account as required by the relevant PRC statue.

Financial assets revaluation reserve

It represents fair value reserve comprises the cumulative net change in the fair value of financial instruments designated at FVOCI that are held at the end of the reporting period.

Share options reserve

Share options reserve represents the cumulative expenses recognised on the granting of share options to the employees over the vesting period.

34. RESERVES – continued

Company

	Share premium	Contributed surplus *(Note)*	Translation reserve	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	1,305,160	355,920	31,195	25,808	(259,560)	1,458,523
Loss for the year	–	–	–	–	(195,103)	(195,103)
Other comprehensive income for the year	–	–	(21,415)	–	–	(21,415)
Total comprehensive income for the year	–	–	(21,415)	–	(195,103)	(216,518)
Issue of ordinary shares by placing	89,576	–	–	–	–	89,576
Acquisition of a subsidiary	97,043	–	–	–	–	97,043
Acquisition of assets through acquisition of a subsidiary	158,828	–	–	–	–	158,828
Recognition of equity-settled share-based compensation	–	–	–	335	–	335
At 31 December 2020 and 1 January 2021	**1,650,607**	**355,920**	**9,780**	**26,143**	**(454,663)**	**1,587,787**
Loss for the year	**–**	**–**	**–**	**–**	**(48,313)**	**(48,313)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(48,313)**	**(48,313)**
Share options lapsed	**–**	**–**	**–**	**(26,143)**	**26,143**	**–**
Final dividend paid	**(30,636)**	**–**	**–**	**–**	**–**	**(30,636)**
At 31 December 2021	**1,619,971**	**355,920**	**9,780**	**–**	**(476,833)**	**1,508,838**

Note:

Contributed surplus of the Company represented the difference between the net asset values of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Reorganisation.

35. STATEMENT OF FINANCIAL POSITION OF THE HOLDING COMPANY

	Notes	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**13,650**	–
Interests in subsidiaries		**1,263,828**	1,263,828
Deposits		**2,730**	–
		1,280,208	1,263,828
Current assets			
Loan and account receivables		**–**	3,400
Prepayments		**90**	–
Amounts due from subsidiaries		**1,035,428**	1,123,594
Other financial assets		**–**	7,107
Cash and bank balances		**1,654**	941
		1,037,172	1,135,042
Current liabilities			
Accruals and other payables		**46,840**	29,651
Amounts due to subsidiaries		**29,552**	29,216
Lease liabilities		**5,779**	–
Other borrowings		**313,661**	–
Corporate bonds		**146,370**	111,223
		542,202	170,090
Net current assets		**494,970**	964,952
Total assets less current liabilities		**1,775,178**	2,228,780
Non-current liabilities			
Lease liabilities		**8,987**	–
Other borrowings		**45,631**	462,506
Corporate bonds		**196,988**	163,753
		251,606	626,259
Net assets		**1,523,572**	1,602,521
EQUITY			
Equity attributable to owners of the Company			
Share capital	33	**14,734**	14,734
Reserves	34	**1,508,838**	1,587,787
Total equity		**1,523,572**	1,602,521

On behalf of the Board

Hong Mingxian
Director

Ng Chi Chung
Director

36. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2021 are as follows:

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Differ Group (China) Company Limited (鼎豐集團(中國)有限公司) (Formerly known as Differ International Financial Limited (鼎豐國際金融有限公司))	British Virgin Islands ("BVI")	1,100 ordinary shares of US$1 each	100%	–	Investment holding, Hong Kong ("HK")
Differ Supply Chain Development Group Limited (鼎豐供應鏈發展集團有限公司)	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding, HK
Differ Good Asset Development Company Limited (鼎戈資產發展有限公司) (Formerly known as Differ Asset Development Limited (鼎豐資產發展有限公司))	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding, HK
Cherries Automobile Company Limited (車厘籽汽車有限公司) (Formerly known as Jiashi International Financial Limited (嘉實國際金融有限公司))	BVI	101 ordinary shares of US$1 each	100%	–	Investment holding, HK
Differ Financial Services Company Limited	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding, HK
Differ Construction Company Limited (鼎造有限公司) (Formerly known as Differ Cultural Tourism Development Company Limited (鼎豐文旅發展有限公司))	BVI	1 ordinary share of US$1 each	100%	–	Investment holding, HK

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Differ Construction and City Development Company Limited (鼎造城開有限公司) (Formerly known as Cultural Tours Limited (文旅有限公司))	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding, HK
Differ Hub Company Limited (鼎奐有限公司) (Formerly known as Differ Cultural and Creative Investment Company Limited (鼎豐文創投資有限公司))	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding, HK
Differ Yield Company Limited (鼎繹有限公司)	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding, HK
Fast Sunrise Limited	BVI	50,000 ordinary shares of US$1 each	–	100%	Investment holding, HK
Differ Construction and City Development Company Limited (鼎造城市開發有限公司) (Formerly known as Differ Cultural Tours Limited (鼎豐文化旅遊有限公司))	Cayman Islands	100 ordinary shares of HK$0.01 each	–	100%	Investment holding, HK
Differ Financial Holdings Limited (鼎豐金融控股有限公司)	HK	1 ordinary share of HK$1.00 each	–	100%	Investment holding and provision of express loan services, HK
Differ Supply Chain HK Limited (鼎豐供應鏈有限公司)	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Dormant, HK

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Indirectly	Principal activities and place of operation
Differ Good Asset Group Company Limited (鼎戈資產集團有限公司) (Formerly known as Differ Asset Group Limited (鼎豐資產集團有限公司))	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Investment holding, HK
Cherries Group Company Limited (車厘籽集團有限公司) (Formerly known as Jiashi Leasing Group Company Limited (嘉實租賃集團有限公司))	HK	HK$156,000,000	–	100%	Investment holding, HK
Differ Asia Pacific Financial Company Limited (鼎豐亞太金融有限公司)	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Provision of express loan services, HK
Differ Financial and Securities Limited (鼎豐金融證券有限公司)	HK	HK$15,176,000	–	100%	Provision of financial services, HK
Differ Asset Management Company Limited	HK	HK$2,500,000	–	100%	Provision of financial services, HK
Differ Commercial Management Company Limited (鼎豐商業管理有限公司)	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Dormant, HK
Differ Hub Supply Chain Company Limited (鼎奐供應鏈有限公司) (Formerly known as Differ Cultural and Creative Development Company Limited (鼎豐文創發展有限公司))	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Dormant, HK

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Differ Construction and Property Services Company Limited (鼎造物業服務有限公司) (Formerly known as Differ Property Services Company Limited (鼎豐物業服務有限公司))	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Investment holding, HK
Differ Construction and Development Group Company Limited (鼎造城開集團有限公司) (Formerly known as Differ Cultural Tourism Group Company Limited (鼎豐文旅集團有限公司))	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Investment holding, HK
Differ Cultural Tourism Operation Company Limited (鼎豐文旅運營有限公司)	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Dormant, HK
Differ Hotel Management Company Limited (鼎豐酒店管理有限公司)	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Dormant, HK
Prize Focus Limited (獎源有限公司)	HK	10,000 ordinary shares of HK$1.00 each	–	100%	Investment holding, HK
Differ Yield Property Group Company Limited# (鼎繹置業集團有限公司)	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Investment holding, HK
Differ Group (China) Company Limited^ (鼎豐集團(中國)有限公司)(i)	PRC	Registered capital of RMB288,000,000	–	100%	Investment holding, provision of express loan and trading of commodities, PRC

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Xiamen Differ Venture Capital Company Limited^ (廈門市鼎豐創業投資有限公司)(ii)	PRC	Registered capital of RMB30,000,000	–	100%	Provision of express loan services, PRC
Cherries (Xiamen) Quality Company Limited^ (車厘籽(廈門)擔保有限公司)(ii) (Formerly known as Differ Guarantee Company Limited^ (鼎豐擔保股份有限公司))	PRC	Registered capital of RMB100,000,000	–	100% (2020: 94.9%)	Provision of guarantee services, PRC
Xiamen Differ Good Capital Investment Company Limited^ (廈門市鼎戈股權投資有限公司)(i) (Formerly known as Xiamen Differ Capital Investment Company Limited^ (廈門市鼎豐股權投資有限公司))	PRC	Registered capital of HK$500,000,000	–	100%	Investment holding, PRC
Ganzhou Wen Ding Asset Management Company Limited^ (贛州市問鼎資產管理有限公司)(ii)	PRC	Registered capital of RMB500,000,000	–	100%	Provision of assets management services, PRC
Xiamen Lun Hui Trading Company Limited^ (廈門倫輝貿易有限公司)(ii)	PRC	Registered capital of RMB20,010,000	–	100%	Property holding, PRC
Xiamen Differ Good Asset Management Company Limited^ (廈門市鼎戈資產管理有限公司)(ii) (Formerly known as Xiamen Differ Asset Management Company Limited^ (廈門市鼎豐資產管理有限公司))	PRC	Registered capital of RMB500,000,000	–	100%	Provision of assets management services, PRC

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Xiamen Wen Yi Trading Company Limited^ (廈門文軼貿易有限公司)(ii)	PRC	Registered capital of RMB10,000,000	–	100%	Provision of assets management services, PRC
Xiamen Differ Good Investment Consulting Company Limited^ (廈門市鼎戈投資諮詢有限公司)(ii) (Formerly known as Xiamen Differ Dai Investment Consulting Company Limited^ (廈門市鼎豐貸投資咨詢有限公司))	PRC	Registered capital of RMB442,650,000	–	100%	Provision of express loan services, PRC
Ganzhou Hao Sheng Investment Management Company Limited^ (贛州市豪晟投資管理有限公司)(ii)	PRC	Registered capital of RMB50,000,000	–	100%	Provision of express loan and asset management services, PRC
Cherries (Xiamen) Finance Lease Limited^ (車厘籽(廈門)融資租賃有限公司)(i) (Formerly known as Jiashi (Xiamen) Finance Lease Limited^ (嘉實(廈門)融資租賃有限公司))	PRC	Registered capital of US$35,000,000	–	100%	Provision of finance lease services, PRC
Tianjin Cherries Vehicle Technology Limited^ ("Cherries Vehicle") (天津車厘籽汽車科技有限公司)(i)	PRC	Registered capital of HK$10,000,000	–	100%	Investment holding, PRC
Tianjin Free Trade Gancheng Taifeng Technology Limited^ ("Gancheng Taifeng") (天津自貿乾程泰鋒科技有限公司)(ii) (iii)	PRC	Registered capital of RMB50,000,000	–	100%	Provision for automobile e-commerce business, PRC

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Xiamen Differ Zone Property Services Company Limited^ (廈門市鼎造物業服務有限公司)(i) (Formerly known as Xiamen Differ Property Services Company Limited^ (廈門市鼎豐物業服務有限公司))	PRC	Registered capital of RMB20,000,000	–	100%	Provision of property management services, PRC
Xiamen Differ Yield Cultural Tourism Group Company Limited^ (廈門鼎繹文化旅遊集團有限公司)(ii) (Formerly known as Xiamen Differ Cultural Tourism Group Company Limited^ (廈門鼎豐文化旅遊集團有限公司))	PRC	Registered capital of RMB300,000,000	–	100%	Investment holding, PRC
Jingning Differ Property Company Limited^ (景寧鼎豐置業有限公司)(ii)	PRC	Registered capital of RMB20,000,000	–	100%	Property development, PRC
Xiamen Differ Zone Business Consulting Company Limited^ (廈門市鼎造商務諮詢有限公司)(ii) (Formerly known as Xiamen He Run Xin Business Consulting Company Limited^ (廈門禾潤信商務咨詢有限公司))	PRC	Registered capital of RMB1,000,000	–	100%	Investment holding, PRC
Jingning Tourism Investment Development Limited^ (景寧外舍古鎮旅遊投資發展有限公司)(ii)	PRC	Registered capital of RMB100,001,300	–	100%	Property development, PRC
Nanan Differ Property Company Limited^ (南安鼎豐置業有限公司)(ii)	PRC	Registered capital of RMB1,000,000	–	100%	Property development, PRC

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Weihai Zhongtian^ (威海中天房地產有限公司)(ii)	PRC	Registered capital of RMB50,000,000	–	100%	Property development, PRC
Longquan Differ Zone Cultural Tourism Company Limited^ (龍泉市鼎造文化旅遊有限公司)(ii) (Formerly known as 龍泉市鼎豐文化旅遊有限公司)	PRC	Registered capital of RMB100,000,000	–	100%	Investment holding, PRC
Longquan Differ Hotel Company Limited^ (龍泉鼎豐酒店有限公司)(ii)	PRC	Registered capital of RMB100,000,000	–	100%	Provision of hotel and tourism services and property development and investment, PRC
Jinan Differ Zone Business Consulting Company Limited^ (濟南鼎造商務諮詢管理有限公司)(ii) (Formerly known as 濟南市鼎豐商業咨詢有限公司)	PRC	Registered capital of RMB10,000,000	–	100%	Dormant, PRC
Ganzhou Differ Zone Cultural Tourism Development Company Limited^ (贛州鼎造文化旅遊發展有限公司)(ii) (Formerly known as Ganzhou Differ Cultural Tourism Development Company Limited^ (贛州鼎豐文化旅遊發展有限公司))	PRC	Registered capital of RMB1,000,000	–	100%	Dormant, PRC
Xiamen Differ Zone City Development Group Company Limited^ (廈門鼎造城市開發集團有限公司#)(i)	PRC	Registered capital of RMB500,000,000	–	100%	Investment holding, PRC

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Xiamen Differ Zone City Development Company Limited^ (廈門市鼎造城市開發有限公司#)(ii)	PRC	Registered capital of RMB100,000,000	–	100%	Investment holding, PRC
Ganzhou Differ Yield Real Estate Company Limited^ (贛州鼎繹置業有限公司#)(i)	PRC	Registered capital of RMB100,000,000	–	100%	Investment holding, PRC

^ The English names are for identification only

These companies are newly incorporated by the Group this year

(i) Registered as wholly-foreign owned enterprises under the PRC law

(ii) Registered as a limited liability company under the PRC law

(iii) Although the Company does not directly or indirectly hold any of the registered capital of Gancheng Taifeng, the Structured Agreements entered into by the subsidiary of the Company, Cherries Vehicle, Gancheng Taifeng and Gancheng Taifeng's registered shareholders altogether enable the Company to exercise control over Gancheng Taifeng. The Structured Agreements, taken as a whole, permit the financial results of Gancheng Taifeng and economic benefits of its business to flow to Cherries Vehicle. In addition, all the directors and top management in Gancheng Taifeng should be assigned by Cherries Vehicle. Through the Structured Agreements, Cherries Vehicle is able to control Gancheng Taifeng so that Gancheng Taifeng is regarded as a subsidiary of the Group.

37. NON-CONTROLLING INTERESTS ("NCI")

Summarised financial information in relation to the NCI to the Group, before intra-group eliminations, is presented below:

Summarised statement of financial position

	Differ Halo Group (note (a))		Ding Feng Sheng (note (b))		Fengda (note (c))		Cherries Quality (note (d))	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Percentage of equity interest held by NCI	**–**	49%	**–**	50%	**–**	49%	**–**	5.1%
Current								
Assets	**–**	75,747	**–**	548,929	**–**	594,927	**–**	177,305
Liabilities	**–**	(68,703)	**–**	(617,476)	**–**	(554,451)	**–**	(2,705)
	–	7,044	**–**	(68,547)	**–**	40,476	**–**	174,600
Non-current								
Assets	**–**	2,810	**–**	116,755	**–**	116,807	**–**	45
Liabilities	**–**	(606)	**–**	(368)	**–**	(1,201)	**–**	–
	–	2,204	**–**	116,387	**–**	115,606	**–**	45
Net assets	**–**	9,248	**–**	47,840	**–**	156,082	**–**	175,645
Carrying amount of NCI	**–**	4,532	**–**	23,920	**–**	(1,164)	**–**	15,000

Notes:

(a) During the year ended 31 December 2021, the Group disposed 51% equity interest in Differ Halo Limited and its subsidiaries ("Differ Halo Group") as detailed in note 38.

(b) During the year ended 31 December 2021, the Group disposed 50% equity interest in Differ Digital Group, including Xiamen Ding Feng Sheng Enterprise Management Co., Ltd ("Ding Feng Sheng"), as detailed in note 38.

During the year ended 31 December 2020, an independent third party made a capital injection of RMB25,000,000 in Ding Feng Sheng and to be the non-controlling interest. The principal activity of Ding Feng Sheng is property development in the PRC.

37. NON-CONTROLLING INTERESTS – continued

Summarised statement of financial position – continued

Notes: – continued

(c) During the year ended 31 December 2021, the Group disposed 51% equity interest in Fengda as detailed in note 38.

During the year ended 31 December 2020, the Group acquired 51% equity interests in Fengda as detailed in note 40.

(d) During the year ended 31 December 2020, there were NCI arising from interest in Cherries (Xiamen) Quality Company Limited ("Cherries Quality"), a 94.9% owned subsidiary of the Company. During the year ended 31 December 2021, the Group entered into a sale and purchase agreement with a non-controlling interest equity holder to acquire the remaining 5.1% equity interest of Cherries Quality at a consideration of RMB15,000,000. After the acquisition of additional interests in Cherries Quality from the NCI, there was no NCI in Cherries Quality as at 31 December 2021.

The difference between the consideration and the carrying amount of the net assets attributable to the additional interests in Cherries Quality being acquired from the non-controlling interest equity holders has been dealt with in merger and other reserves.

Summarised statement of comprehensive income

	Differ Halo Group		Ding Feng Sheng		Fengda		Cherries Quality	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Percentage of equity interest held by NCI	**49%**	49%	**50%**	50%	**49%**	49%	**5.1%**	–
Revenue	**4,016**	10,518	**–**	–	**–**	–	**–**	–
Profit/(loss) for the year and total comprehensive income for the year	**1,248**	885	**(6,740)**	(2,160)	**671**	(4,824)	**(59)**	–
Profit/(loss) allocated to NCI	**611**	659	**(3,370)**	(1,080)	**329**	(2,364)	**(3)**	–

37. NON-CONTROLLING INTERESTS – continued

Summarised statement of cash flows

	Differ Halo Group		Ding Feng Sheng		Fengda		Cherries Quality	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Net cash generated from/(used in) operating activities	**771**	8,817	**99,275**	(14,034)	**11,856**	(97,465)	**5,557**	–
Net cash used in investing activities	**–**	(65)	**(116,092)**	(114,210)	**(9,056)**	(114,707)	**–**	–
Net cash (used in)/generated from financing activities	**(459)**	(7,513)	**50,999**	209,002	**(2,730)**	328,300	**(5,499)**	–
Net increase in cash and cash equivalents	**312**	1,239	**34,182**	80,758	**70**	116,128	**58**	–

38. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2021

(i) On 12 March 2021, the Group entered into a sale and purchase agreement with a NCI to dispose of 51% equity interest in Fengda at consideration of RMB76,877,000. The principal business of the Fengda is engaged in property development in the PRC. The disposal was completed on 19 March 2021 and the Group recognised a gain on disposal of Fengda of approximately RMB14,455,000.

(ii) On 28 May 2021, the Group entered into a sale and purchase agreement with an associate to dispose of 100% equity interest in Quanzhou Differ Hub Supply Chain Management Company Limited ("Quanzhou Supply Chain") at consideration of RMB1,000,000. The principal business of the Quanzhou Supply Chain is engaged in commodities trading business in the PRC. The disposal was completed on 11 June 2021 and the Group recognised a gain on disposal of Quanzhou Supply Chain of approximately RMB3,613,000.

(iii) On 2 July 2021, the Group entered into a sale and purchase agreement with a NCI to dispose of 51% equity interest in Differ Halo Group at consideration of RMB3,723,000. The principal business of the Differ Halo Group is engaged in financial services in Hong Kong. The disposal was completed on 2 July 2021 and the Group recognised a loss on disposal of Differ Halo Group of approximately RMB425,000.

(iv) On 23 December 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest in Differ Digital Group at consideration of RMB175,000,000. The principal business of the Differ Digital Group is engaged in property development in the PRC. The disposal was completed on 24 December 2021 and the Group recognised a gain on disposal of Differ Digital Group of approximately RMB123,040,000.

38. DISPOSAL OF SUBSIDIARIES – continued

For the year ended 31 December 2021 – continued

	(i) Fengda RMB'000	(ii) Quanzhou Supply Chain RMB'000	(iii) Differ Halo Group RMB'000	(iv) Differ Digital Group RMB'000
Property, plant and equipment	90	2	1,430	286
Investment properties	127,900	–	–	184,793
Other financial assets	–	–	–	121,189
Inventories of properties	517,219	–	–	643,345
Other inventories	–	–	296	–
Loan and account receivables	–	–	10,678	–
Prepayments, deposits and other receivables	24,024	444,845	20,320	376,709
Amounts due from the Group	–	–	3,723	–
Tax receivables	5,939	–	–	–
Deferred tax assets	2,446	–	–	1,087
Restricted bank deposits	15,940	–	–	89,303
Cash and bank balances	5,097	89	3,307	25,637
Accounts payable	(1,822)	–	–	(15,019)
Accruals, other payables and deposits received	(427,280)	(7)	(16,803)	(380,045)
Amounts due to the Group	–	(398,742)	–	(260,000)
Contract liabilities	(205,804)	–	–	(707,317)
Lease liabilities	–	–	(1,457)	–
Bank borrowings	–	(48,800)	(10,228)	–
Provision for taxation	–	–	(1,894)	–
Deferred tax liabilities	(2,162)	–	–	(7,458)
Net assets/(liabilities) disposed of	61,587	(2,613)	9,372	72,510
Cash consideration	–	1,000	3,723	175,000
Contingent consideration *(Note a)*	76,877	–	–	–
Net (assets)/liabilities disposal of	(61,587)	2,613	(9,372)	(72,510)
Release of translation reserve	–	–	81	–
Non-controlling interests	(835)	–	5,143	20,550
Gain/(loss) on disposal of subsidiaries	14,455	3,613	(425)	123,040
Net cash inflow/(outflow) arising on disposal:				
Cash received *(Note b)*	35,250	1,000	3,723	–
Offset amount due from the Group	–	–	(3,723)	–
Cash and bank balances disposed of	(5,097)	(89)	(3,307)	(25,637)
	30,153	911	(3,307)	(25,637)

38. DISPOSAL OF SUBSIDIARIES – continued

For the year ended 31 December 2021 – continued

(a) The consideration receivable of RMB76,877,000 represented the share of net income derived from the pre-sale of residential properties and car park spaces on the land of Fengda and brand name fee.

At the disposal completion date (i.e. 19 March 2021), the fair value of the consideration receivable was RMB76,877,000 and was estimated by applying the discounted cash flow approach at a discount rate of 11.63%. The consideration receivable was measured at FVTPL and included in "other financial assets" of the consolidated statement of financial position. During the year ended 31 December 2021, RMB35,250,000 has been settled. The remaining consideration receivables of RMB42,960,000 were included in "other financial assets".

(b) The cash consideration of RMB175,000,000 in relation to the disposal of the Differ Digital Group was not yet received as at 31 December 2021 and was included in "other receivables" of the consolidated statement of financial position.

For the year ended 31 December 2020

On 12 November 2020, the Group entered into a sale and purchase agreement with an independent third party to disposal 51% equity interest in Zhongcheng and its subsidiaries for consideration of (a) cash of RMB51,000,000; and (b) dividend to be received by the purchaser for it's shares in Zhongcheng up to RMB387,600,000 ("Dividend Entitlement"). The principal business of the Zhongcheng is property development and management and commodities trading business in the PRC. The disposal was completed on 31 December 2020 and the Group recognised a gain on disposal of Zhongcheng of approximately RMB109,241,000. Upon the completion of the disposal, the Group's effective interests in Zhongcheng were changed from 100% to 49%.

38. DISPOSAL OF SUBSIDIARIES – continued

For the year ended 31 December 2020 – continued

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

	RMB'000
Property, plant and equipment	2,548
Investment properties	391,876
Finance lease and account receivables	91,664
Prepayments, deposits and other receivables	750,997
Inventories of properties	1,486,424
Cash and bank balances	1,521
Accounts payable	(52,264)
Accruals and other payables	(777,651)
Contract liabilities	(108,583)
Amounts due to the Group	(636,945)
Lease liabilities	(94,974)
Provision for taxation	(44,052)
Bank and other borrowings	(467,000)
Deferred tax liabilities	(99,682)
Net assets disposed of	443,879
Cash consideration	51,000
Consideration receivable *(Note c)*	260,907
Fair value of interest retained	256,213
Net assets disposal of	(443,879)
Non-controlling interests	(15,000)
Gain on disposal of subsidiaries	109,241
Net cash outflow arising on disposal:	
Cash consideration	51,000
Cash consideration receivable *(Note d)*	(51,000)
Cash and bank balances disposed of	(1,521)
	(1,521)

38. DISPOSAL OF SUBSIDIARIES – continued

For the year ended 31 December 2020 – continued

Notes:

(c) The consideration receivable of RMB260,907,000 represented the Dividend Entitlement. The Dividend Entitlement, up to RMB387,600,000, to be received by the purchaser for the period commencing from date of sale and purchase agreement up to 31 December 2023, will be distributed to the Group as part of the consideration in this disposal transaction. Any dividend amount in excess of the Dividend Entitlement will then be distributed to the purchaser and Group according to their respective shareholding in Zhongcheng. In the event that the total amount of dividends received by the Group is less than RMB387,600,000 as at 31 December 2023, the purchaser shall pay the shortfall to the Group by way of cash.

At the disposal completion date (i.e. 31 December 2020) and 31 December 2021, the fair value of the consideration receivable was RMB260,907,000 and RMB281,801,000 respectively. The fair value was estimated by applying the discounted cash flow approach at a discount rate of 13.74% at the disposal and 11.20% at 31 December 2021 respectively. The amount has been included in "other financial assets" of the consolidated statement of financial position.

(d) The cash consideration of RMB51,000,000 in relation to the disposal of the Zhongcheng was not yet received as at 31 December 2020 and was included in "other receivables" of the consolidated statement of financial position. The amount was fully settled during year ended 31 December 2021.

39. BUSINESS ACQUISITION

For the year ended 31 December 2021

(i) During the year ended 31 December 2021, the Group entered into a sale and purchase agreement with Zhongcheng to acquire 100% equity interest in Jingning Outdoor Residence Tour Investment Development Co., Limited ("Outdoor") at consideration of RMB490,000,000. The acquisition consideration was satisfied by: (a) cash consideration of RMB100,001,000 and (b) offset debt of RMB389,999,000 due from Zhongcheng to the Group. The acquisition was completed on 23 June 2021. The directors believe that the acquisition would enable the Group to broaden and expedite the development of the Group's assets management segment.

(ii) During the year ended 31 December 2021, the Group completed an acquisition of 100% equity interests in Fast Sunrise Limited and its subsidiaries ("Fast Sunrise Group") at cash consideration of RMB53,000,000. The acquisition was completed on 30 September 2021. The directors believe that the acquisition would enable the Group to explore new business opportunities in the potential operation of online e-commerce platform in the automobile industry.

39. BUSINESS ACQUISITION – continued

For the year ended 31 December 2021 – continued

The fair value of identifiable assets and liabilities assumed as at the respective acquisition completion date were as follows:

	(i) **Outdoor** RMB'000	**(ii)** **Fast Sunrise Group** RMB'000
Property, plant and equipment	460	–
Inventories of properties	1,712,269	–
Loan and account receivables	63,537	–
Prepayments, deposits and other receivables	15,596	48,107
Tax receivables	–	2
Cash and bank balances	587	47
Accounts payable	(5,349)	–
Accruals, other payables and deposits received	(765,774)	(698)
Contract liabilities	(117,676)	–
Bank borrowings	(280,000)	–
Provision for taxation	(17,654)	–
Deferred tax liabilities	(123,147)	–
Total identifiable net assets acquired	482,849	47,458
Satisfied by:		
Fair value of total consideration transferred	490,000	53,000
Fair value of net identifiable assets acquired	(482,849)	(47,458)
Goodwill	7,151	5,542
Net cash outflow arising from the acquisition:		
Cash consideration	(100,001)	(5,000)
Cash and bank balances acquired	587	47
	(99,414)	(4,953)

The fair value of loan and account receivables is approximately RMB63,537,000. The gross amount of loan and account receivables is approximately RMB66,467,000, of which approximately RMB2,930,000 was expected to be uncollectible at the date of acquisition. The fair value of other receivables is approximately RMB12,540,000 and none of the other receivables was expected to be uncollectible at the date of acquisition.

39. BUSINESS ACQUISITION – continued

For the year ended 31 December 2021 – continued

The revenue in the consolidated statement of comprehensive income for the year ended 31 December 2021 contributed by Outdoor and Fast Sunrise Group were approximately RMB53,580,000 and RMB21,490,000 respectively. The loss in the consolidated statement of comprehensive income for the year ended 31 December 2021 contributed by Outdoor and Fast Sunrise Group were approximately RMB43,679,000 and RMB1,921,000 respectively.

Had Outdoor and Fast Sunrise Group been consolidated from 1 January 2021, the Group's revenue would been approximately RMB1,279,458,000 and RMB1,260,115,000 respectively and profit for the year would been approximately RMB434,617,000 and RMB435,460,000 respectively. The pro forma information is for illustrative purpose only and is not necessary an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor it intended to be a projection of future results.

The acquisition-related costs of approximately RMB102,000 and RMB223,000 for Outdoor and Fast Sunrise Group respectively have been charged to other expenses in the consolidated statement of comprehensive income for the year ended 31 December 2021.

The consideration in relation to the acquisition of Fast Sunrise Group of RMB48,000,000 was not yet settled as at 31 December 2021 and was included in other payables.

The goodwill recognised will not deductible for tax purpose.

For the year ended 31 December 2020

On 18 June 2020, the Group entered into a sale and purchase agreement with an independent third party for acquisition of additional 49% equity interest of Weihai Zhongtian (the "Step Acquisition"). Weihai Zhongtian is engaged in property development. The Step Acquisition was made as part of the Group's strategy to expand the property development business in the PRC.

The consideration of the Step Acquisition was settled by 190,000,000 shares of the Company of RMB97,470,000 which was based on the share price on the Step Acquisition completion date of HK$0.57 per share.

The Step Acquisition was completed on 10 July 2020 (the "Step Acquisition Date"). Upon the completion of the transaction, Weihai Zhongtian became a wholly-owned subsidiary of the Company and the financial results of Weihai Zhongtian is consolidated into the Group's financial statements.

The fair value of the Group's 51% equity interest in Weihai Zhongtian as at the Step Acquisition Date was RMB23,156,000 and the carrying amount of the Group's interest in the joint venture was RMB7,669,000. The Group recognised a gain of approximately RMB15,487,000 on the re-measurement of the Group's pre-existing interest in the joint venture and presented as "gain on re-measurement of pre-existing interest in a joint venture" under "other income" in the consolidated statement of comprehensive income. From 1 January 2020 to the Step Acquisition Date, the share of loss of a joint venture was RMB13,619,000.

39. BUSINESS ACQUISITION – continued

For the year ended 31 December 2020 – continued

The fair value of identifiable assets and liabilities assumed as at the Step Acquisition Date were as follows:

	RMB'000
Property, plant and equipment	360
Inventories of properties	470,000
Other receivables	2,894
Cash and bank balances	2,263
Accounts payable	(567)
Accruals, other payables and deposit received	(400,335)
Contract liabilities	(3,383)
Deferred tax liabilities	(14,048)
Total identifiable net assets acquired	57,184
Satisfied by:	
Consideration shares	97,470
Fair value of previous interest in a joint venture	23,156
Fair value of net identifiable assets acquired	(57,184)
Goodwill	63,442
Net cash inflow arising from the Step Acquisition:	
Cash and bank balances acquired	2,263

The fair value of other receivables is approximately RMB2,894,000 is considered as fully recoverable.

Weihai Zhongtian has contributed no revenue but loss of approximately RMB7,803,000 in the consolidated statement of comprehensive income for the year ended 31 December 2020.

Had Weihai Zhongtian been consolidated from 1 January 2020, the Group's revenue and profit for the year would been approximately RMB6,090,506,000 and RMB324,758,000 respectively. The pro forma information is for illustrative purpose only and is not necessary an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor it intended to be a projection of future results.

The acquisition-related costs of approximately RMB168,000 have been charged to other expenses in the consolidated statement of comprehensive income for the year ended 31 December 2020.

40. ACQUISITION OF ASSET THROUGH ACQUISITION OF A SUBSIDIARY

In June 2020, the Group, entered into an agreement with an independent third party to acquire 51% equity interest in Fengda. Fengda is principally holding a land plot in the PRC for property development and investment purposes. The consideration is settled by 390,000,000 new shares of the Company. The transaction was completed in July 2020 and Fengda became an indirectly 51% owned subsidiary of the Company accordingly.

The Group elected to measure the non-controlling interests in Fengda at its fair value. The amount of non-controlling interests at the acquisition date amounted to approximately RMB1,200,000.

The net assets acquired at the date of acquisition were as follows:

	RMB'000
Prepayments and other receivables	253,196
Cash and bank balances	4
Accruals	(5)
Amount due to a shareholder	(91,189)
Deferred tax liabilities	(1,100)
	160,906
Non-controlling interests	(1,200)
Net assets acquired	159,706
Satisfied by:	
Consideration shares	159,706
Net cash inflow arising from the acquisition was calculated as follows:	
Cash and bank balances acquired	4

41. ASSETS CLASSIFIED AS HELD-FOR-SALE/LIABILITIES RELATED TO ASSETS CLASSIFIED AS HELD-FOR-SALE

During the year ended 31 December 2021, the assets and liabilities of Xiamen Differ Good Investment Consulting Company Limited and its subsidiary ("Xiamen Differ Good Group") were presented as held-for-sale following the approval of the Group's management to dispose of 100% equity interest in Xiamen Differ Good Group. As at 31 December 2021, Xiamen Differ Good Group has the following assets and liabilities:

	2021 **RMB'000**
Assets of Xiamen Differ Good Group classified as held-for-sale	
Properties, plant and equipment	**334**
Loan and account receivables	**12,682**
Prepayments, deposits and other receivables	**83,835**
Cash and bank balances	**55**
	96,906
Liabilities of Xiamen Differ Good Group classified as held-for-sale	
Accruals and other payables	**20**
Lease liabilities	**405**
Provision for taxation	**7,480**
	7,905

42. COMMITMENTS

(i) Operating lease commitments

Group as lessor

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

	2021	2020
	RMB'000	RMB'000
Within one year	**4,889**	4,841
After one year but within two years	**5,079**	4,889
After two years but within five years	**6,166**	11,245
	16,134	20,975

Leases are negotiated for terms of 8 years (2020: 8 years).

(ii) As at 31 December 2021, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,132,650,000 (2020: RMB833,500,000).

(iii) As at 31 December 2020, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to an associate of 75,950,000.

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

	2021	2020
	RMB'000	RMB'000
Contracted, but not provided for		
– Investment properties under construction	**–**	198,602
– Property development	**677,601**	1,423,664
– Property, plant and equipment	**167,266**	37,028

43. 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:

	2021	2020
	RMB'000	RMB'000
Short-term employee benefits	**4,111**	4,909
Pension scheme contributions	**144**	114
Equity-settled share-based payments	**–**	194
	4,255	5,217

43. RELATED PARTY DISCLOSURES – continued

(ii) Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties during the year end 31 December 2021 and 2020:

Company name	Relationship	Type of transaction	2021 RMB'000	2020 RMB'000
Xiamen Ding Huan Supply Chain Technology Company Limited	Associate	Guarantee service income *(Note b)*	**1,373**	–
		Cost of trading of commodities	**27,387**	–
Jingning Outdoor Residence Tour Investment Development Company Limited	Associate	Guarantee service income *(Note b)*	**3,794**	–
Lishui Fu Feng Cultural Tours Company Limited	Associate	Guarantee service income *(Note b)*	**3,687**	–
Quanzhou Ding Huan Supply Chain Management Company Limited	Associate	Guarantee service income *(Note b)*	**2,469**	–

Notes:

(a) The transactions were conducted in accordance with the terms mutually agreed between the Group and associates.

(b) As at 31 December 2021, the Group has provided guarantee in respect of banking facilities granted to associates of up to RMB382,152,000 (2020: RMB467,000,000) (note 29).

44. FINANCIAL INSTRUMENTS BY CATEGORY

Categories of financial instruments as at the reporting date are as follows:

	2021	2020
	RMB'000	RMB'000
Financial assets		
Other financial assets		
– Financial assets at FVTPL	**384,980**	365,374
– Financial assets at FVOCI	**95,898**	90,577
At amortised costs		
– Finance lease, loan and account receivables	**1,147,134**	1,448,980
– Deposits and other receivables	**782,050**	1,075,832
– Restricted bank deposits	**228,054**	333,293
– Cash and bank balances	**105,437**	100,370
	2,743,553	3,414,426
Financial liabilities		
At amortised costs		
– Accounts payable	**411,094**	563,151
– Accruals, other payables and deposits received	**781,936**	1,522,186
– Bank and other borrowings	**717,832**	747,209
– Corporate bonds	**343,358**	274,976
Lease liabilities	**19,363**	15,835
Financial guarantee	**23,846**	–
	2,297,429	3,123,357

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise other financial assets, finance lease, loan and account receivables, deposits and other receivables, restricted bank deposits, cash and bank balances, accounts payable, accruals, other payables and deposits received, bank and other borrowings, corporate bonds, lease liabilities and financial guarantee. These financial instruments mainly arise from its operations and financing activities. The Group has not used any derivatives and other instruments for hedging purposes.

In the opinion of directors, the carrying amounts of the Group's financial instruments approximated their fair values as at the end of each reporting period. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group's distressed assets also have valuation risk and legal title risk. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's restricted bank deposits, bank balances and bank and other borrowings were bearing floating interest rate. Exposure to floating interest rate exists when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

The interest rates of the above interest-bearing financial assets and financial liabilities of the Group are disclosed in notes 17, 23 and 30 respectively. The following table illustrates the sensitivity of profit after income tax for the year to a reasonably possible change in interest rates of 0.5%, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's floating rate financial instruments held at the reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk – continued

	2021		2020	
	RMB’000	**RMB’000**	RMB’000	RMB’000
	+0.5%	**–0.5%**	+0.5%	–0.5%
(Decrease)/increase in profit after income tax for the year	**(279)**	**279**	(948)	948

Credit risk

The Group’s credit risk is primarily attributable to its financial assets measured at amortised cost, debt instruments classified as FVOCI and financial guarantee contracts. The Group’s requires the review of individual outstanding amount regularly depending on individual circumstance or market condition.

The Group’s impairment requirements are based on an ECL model. The Group applies simplified approach to measure ECL on account receivables; general approach on measure ECL on finance lease, loan and interest receivables, deposits, amount due from an associate and other receivables, restricted bank deposits and bank balances. Under the general approach, financial assets migrate through the following three stages based on the change in risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Life time ECL- not credit-impaired and Stage 3: Lifetime ECL - credit-impaired.

It is the Group’s policy that all customers who wish to obtain loans from the Group are subject to management review. Receivable balances are monitored on an ongoing basis. The Group holds collaterals directly or indirectly to cover its risks associated with the receivables.

All collaterals of finance lease, loan and account receivables were held directly by the Group except for distressed assets classified as other financial assets measured at FVOCI, collateral is held by the non-performing debts’ original creditors. For entrusted loan receivables, the Group holds collateral of the customers through banks. In case of default, the banks would assist the Group to recover the loans. Based on the arrangements of the Group and the banks, the banks may apply to the court for enforcement of the loan agreements and sale of the collaterals.

At the reporting date, the Group’s exposure under outstanding finance lease, loan and account receivables were secured by the collaterals and deposits received from finance lease customers as disclosed in notes 18 and 26.

The Group also has investments in distressed assets classified as other financial assets measured at FVOCI which contain certain elements of credit risk. Depending on the status of the obligor of distressed asset, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. To minimize the credit risk of distressed assets, the Group selects counterparties with appropriate creditworthiness and repayment capacity. At the reporting date, the Group’s maximum exposure in distressed assets equal to the carrying amount of these assets as disclosed in note 20.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

The credit risk of the Group's remaining financial assets, which mainly comprise restricted bank deposits and bank balances, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Credit risk in restricted bank deposits and bank balances is mitigated as cash is deposited in banks with high credit rating.

Except for the financial guarantee given by the Group as set out in note 29, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 29.

All customers who wish to obtain financial guarantee from the Group are also subject to management review. The Group has entered into financial guarantee contracts in which it has guaranteed the banks repayment of loan by customers of the Group. The Group has the obligation to compensate the banks for the loss it would suffer because the customers fail to repay. The Group's maximum exposure under the financial guarantee contracts is disclosed in "liquidity risk" below. To mitigate such risk, the Group requests the customers to provide collateral as appropriate. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the Group will proceed with sale of collateral. In order to maintain the credit risk at desirable levels, the Group's average loan-to-value ratio was kept at a level that could ensure the recoverability of the outstanding guarantee amount. At the reporting date, the Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers as follows:

	2021 **RMB'000**	2020 RMB'000
Property rights	**590,000**	1,357,682

As at 31 December 2021 and 2020, account receivables are measured at lifetime ECL.

As at 31 December 2021, except for the balances of RMB28,218,000 of finance lease and interest receivables were considered as a significant increase in credit risk since initial recognition but not credit-impaired and the loss allowance of which is measured at lifetime ECL and the balances of RMB21,557,000 of finance lease receivables were considered as a significant increase in credit risk since initial recognition and credit-impaired and the loss allowance of which is measured at lifetime ECL, the loss allowance for all other financial instruments are measured at an amount equal to 12-month ECL.

As at 31 December 2020, except for the balances of RMB8,725,000 of finance lease and entrusted loan receivables were considered as a significant increase in credit risk since initial recognition but not credit-impaired and the loss allowance of which is measured at lifetime ECL and the balances of RMB46,310,000 of finance lease and loan receivables were considered as a significant increase in credit risk since initial recognition and credit-impaired and the loss allowance of which is measured at lifetime ECL, the loss allowance for all other financial instruments are measured at an amount equal to 12-month ECL.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

The following table provides information about the Group's exposure to credit risk and ECL for finance lease, loan and account receivables, amount due from an associate, other receivables and financial guarantee as at 31 December 2021 and 2020. The average expected loss rate is derived from the gross carrying amount and loss allowance as at 31 December 2021 and 2020 after taken into accounting of the collaterals, historical default rate and forward looking information when determined the loss allowance.

	Average expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
At 31 December 2021			
Account receivables	**3.49%**	**139,597**	**4,877**
Finance lease receivables	**2.40%**	**119,317**	**2,858**
Receivables from guarantee customers	**56.12%**	**33,106**	**18,578**
Loan receivables	**0.62%**	**886,944**	**5,517**
		1,178,964	**31,830**
Amount due from an associate	**1.16%**	**13,050**	**151**
Other receivables	**1.46%**	**723,888**	**10,570**
		736,938	**10,721**
Financial guarantee	**1.02%**	**2,340,289**	**23,846**
			66,397

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

	Average expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
At 31 December 2020			
Account receivables	3.00%	19,280	578
Finance lease receivables	8.51%	118,471	10,081
Receivables from guarantee customers	41.94%	38,277	16,052
Entrusted loan receivables	31.67%	802	254
Loan receivables	0.82%	1,309,878	10,763
		1,486,708	37,728
Amount due from an associate	0.26%	636,945	1,668
Other receivables	0.28%	433,629	1,219
		1,070,574	2,887
			40,615

The changes of the ECL rate is mainly taken the following factors into account when assessing whether credit risk has increased significantly subsequently:

– an actual or expected significant deterioration in the macro-economic environment;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

Movement in the loss allowance account in respect of finance lease, loan and account receivables, amount due from an associate, other receivables and financial guarantee during the year is as follows:

	RMB'000
At 1 January 2020	24,686
Impairment losses recognised	
– finance lease, loan and account receivables	17,310
– amount due from an associate	1,668
– other receivables	572
Reversal of impairment loss	
– finance lease, loan and account receivables	(2,800)
– other receivables	(253)
Disposal of subsidiaries	(568)
At 31 December 2020 and 1 January 2021	40,615
Impairment losses recognised	
– finance lease, loan and account receivables	14,689
– other receivables	10,358
– financial guarantee	23,846
Reversal of impairment loss	
– finance lease, loan and account receivables	(10,103)
– amount due form an associate	(1,517)
– other receivables	(370)
Disposal of subsidiaries	(1,129)
Classified as held for sale	(9,992)
At 31 December 2021	**66,397**

The origination of new finance lease, loan and account receivables, amount due from an associate, other receivables and financial guarantee net of those settled resulted in an increase in loss allowance of RMB36,903,000 during the year ended 31 December 2021 (2020: increase in loss allowance of RMB16,497,000).

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk

Management of the Group monitors current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000
At 31 December 2021						
Accounts payable	**411,094**	**411,094**	**411,094**	**–**	**–**	**–**
Accruals, other payables and deposits received	**781,936**	**781,939**	**656,887**	**118,552**	**6,500**	**–**
Bank and other borrowings	**717,832**	**793,321**	**583,023**	**185,471**	**24,827**	**–**
Corporate bonds	**343,358**	**372,864**	**162,264**	**79,909**	**130,691**	**–**
Lease liabilities	**19,363**	**21,085**	**11,411**	**6,875**	**2,799**	**–**
	2,273,583	**2,380,303**	**1,824,679**	**390,807**	**164,817**	
Financial guarantees issued						
Maximum amount guaranteed	**–**	**2,340,289**	**2,340,289**	**–**	**–**	**–**
At 31 December 2020						
Accounts payable	563,151	563,151	563,151	–	–	–
Accruals, other payables and deposits received	1,522,186	1,522,186	1,446,714	68,972	6,500	–
Bank and other borrowings	747,209	849,762	361,915	487,847	–	–
Corporate bonds	274,976	318,291	128,143	44,377	142,269	3,502
Lease liabilities	15,835	17,090	11,663	5,427	–	–
	3,123,357	3,270,480	2,511,586	606,623	148,769	3,502
Financial guarantees issued						
Maximum amount guaranteed	–	2,452,681	2,452,681	–	–	–

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Valuation risk

The Group's distressed assets classified as financial assets measured at FVTPL and FVOCI are subject to valuation risk, which is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed assets. Differences arise from variance in factors such as future cash flows, collection period, discount rate, and disposal cost, and the Group adopted conservative approach to estimate these factors so as to minimize the difference between actual results and value estimations.

Legal title risk

The Group's distressed assets are subject to legal title risk, which is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. To minimize the legal title risk, the Group closely monitors the related legal processes and regularly communicates with the debtors, lawyers and other contract parties.

Capital management

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Capital management – continued

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated the share capital. The Group will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

The net debts-to-equity ratios at 31 December 2021 and 2020 were as follows:

	2021	2020
	RMB'000	RMB'000
Bank and other borrowings	**717,832**	747,209
Corporate bonds	**343,358**	274,976
	1,061,190	1,022,185
Less: Cash and bank balances - general accounts	**(99,951)**	(87,935)
Net debts	**961,239**	934,250
Equity attributable to owners of the Company	**2,721,392**	2,306,032
Net debts to equity ratio	**35.3%**	40.5%

46. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

Reconciliation of liabilities arising from financing activities

	Lease liabilities RMB'000 *(note 28)*	Bank and other borrowings RMB'000 *(note 30)*	Corporate bonds RMB'000 *(note 31)*	Amounts due to non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	15,835	747,209	274,976	714,041	1,752,061
Changes from financing cash flow:					
Proceeds from bank and other borrowings	–	262,631	–	–	262,631
Proceeds from issue of corporate bonds	–	–	209,319	–	209,319
Repayments of bank and other borrowings	–	(512,981)	–	–	(512,981)
Repayments of corporate bonds	–	–	(140,937)	–	(140,937)
Repayments of lease liabilities	(13,821)	–	–	–	(13,821)
Advance from non-controlling interests	–	–	–	4,278	4,278
Interest paid	–	(67,750)	(16,376)	–	(84,126)
Total changes from financing cash flows	(13,821)	(318,100)	52,006	4,278	(275,637)
Other changes:					
Acquisition of subsidiaries	–	280,000	–	–	280,000
Disposal of subsidiaries	(1,457)	(59,028)	–	(718,319)	(778,804)
Classified as assets held for sale	(405)	–	–	–	(405)
Capitalised borrowing costs	–	43,098	8,595	–	51,693
Interests expenses	1,639	35,621	10,791	–	48,051
Interests accrued	(97)	(10,968)	(3,010)	–	(14,075)
New leases	17,669	–	–	–	17,669
At 31 December 2021	19,363	717,832	343,358	–	1,080,553

46. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS – continued

	Lease liabilities RMB'000 *(note 28)*	Bank and other borrowings RMB'000 *(note 30)*	Corporate bonds RMB'000 *(note 31)*	Amounts due to non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	104,595	1,183,285	299,485	–	1,587,365
Changes from financing cash flow:					
Proceeds from bank and other borrowings	–	654,411	–	–	654,411
Proceeds from issue of corporate bonds	–	–	29,325	–	29,325
Repayments of bank and other borrowings	–	(607,960)	–	–	(607,960)
Repayments of corporate bonds	–	–	(40,375)	–	(40,375)
Repayments of lease liabilities	(7,928)	–	–	–	(7,928)
Advance from non-controlling interests	–	–	–	714,041	714,041
Interest paid	–	(90,889)	(27,503)	–	(118,392)
Total changes from financing cash flows	(7,928)	(44,438)	(38,553)	714,041	623,122
Exchange adjustments	(567)	(16,706)	(13,460)	–	(30,733)
Other changes:					
Disposal of subsidiaries	(94,974)	(467,000)	–	–	(561,974)
Transaction cost	–	1,178	–	–	1,178
Capitalised borrowing costs	–	50,640	8,894	–	59,534
Interests expenses	10,406	58,860	19,344	–	88,610
Interests accrued	(8,614)	(18,610)	(734)	–	(27,958)
New leases	12,917	–	–	–	12,917
At 31 December 2020	15,835	747,209	274,976	714,041	1,752,061

47. 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. The Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted. 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:

2021

		Number of share options						
Name or category of participants	**Date of grant**	**At 1 January 2021**	**Granted**	**Exercised**	**Lapsed**	**At 31 December 2021**	**Exercise period** *(Note)*	**Exercise price** HK$
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	22,232,000	–	–	(22,232,000)	–	30 April 2017 to 30 April 2021	0.734
Total		**35,032,000**	**–**	**–**	**(35,032,000)**	**–**		

47. SHARE OPTION SCHEME – continued

2020

Name or category of participants	Date of grant	At 1 January 2020	Granted	Exercised	Forfeited	At 31 December 2020	Exercise period (Note)	Exercise price HK$
		Number of share options						
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	24,336,000	–	–	(2,104,000)	22,232,000	30 April 2017 to 30 April 2021	0.734
Total		37,136,000	–	–	(2,104,000)	35,032,000		

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%

47. SHARE OPTION SCHEME – continued

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 2020	37,136,000	0.734
Forfeited	(2,104,000)	0.734
Outstanding at 31 December 2020 and 1 January 2021	**35,032,000**	**0.734**
Lapsed	**(35,032,000)**	**0.734**
Outstanding at 31 December 2021	**–**	**–**

48. CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, save as disclosed in note 29 and elsewhere in the consolidated financial statements, the Group did not have any significant contingent liabilities.

49. EVENT AFTER THE REPORTING DATE

On 7 January 2022, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an associate to dispose 100% equity interest in Xiamen Differ Good Group at consideration of RMB25,000,000. The principal activities of Xiamen Differ Good Group are engaged in financial services in the PRC. Upon the completion of disposal, Xiamen Differ Good Group will no longer be subsidiaries of the Company. The disposal is completed on 10 January 2022.

Other than disclosed elsewhere in the consolidated financial statements, up to the date of this report, there is no significant event identified by the management subsequent to the reporting period.

PROPERTIES PORTFOLIO

PROPERTIES UNDER DEVELOPMENT/ FOR SALE AS AT 31 DECEMBER 2021

Property name	Address and lot no.	Stage of completion	Expected completion date	Type	Site area (sq.m.)	Total or estimated gross floor area (GFA) at 31 December 2021 (sq.m.)	Group's interest (%)
Differ Sky Realm 鼎豐天境	Waishe District, Jingning She Autonomous County, Lishui, Zhejiang Province, PRC 中國浙江省麗水市景寧畲族自治縣外舍區	Completed	Completed	Residential/ Commercial	99,729[(i)]	9,311[(ii)]	100
Differ Humane Mansion 鼎豐書香豪庭	Daying Village, Shuitou Town, Nanan, Fujian Province, PRC 中國福建省泉州南安市水頭鎮大盈村	Completed	Completed	Residential/ Commercial	23,762	30,660[(ii)]	100
Differ One City 鼎豐壹城	South of Dongcha Road, East of Huan Cheng East Road and North of Longquanxi, Longquan City, Zhejiang Province, PRC 中國浙江省龍泉市 東茶路以南 環城東路以東 龍泉溪以北	Construction in progress	by the end of 2022	Residential/ Commercial	145,688	99,756[(iii)]	100
Differ Sky Peak 鼎豐天峯 (formerly known as Longdu Lijing) 龍都麗景	Junction of Mishan Road and Zhengqi Road, Wendeng District, Weihai, Shandong Province, PRC 中國山東省威海市文登區米山路及正氣路交界處	Construction in progress	by the end of 2023	Residential/ Commercial	41,639	86,266[(ii)]	100
She People Ancient City 畲鄉古城	Northern side of Renmin North Road and the eastern side of Waishe Road, Waishe Zone, Jingning Town, Lishui City, Zhejiang Province, PRC 中國浙江省麗水市景寧縣城外舍社區人民北路以北及外舍路以東	Completed	Completed	Commercial	173,934	148,937[(ii)]	100

Notes:

(i) This site area covers all phases of development.

(ii) This represents saleable GFA of unsold/undelivered completed units.

(iii) This represents estimated GFA of unsold/undelivered completed units (excluding hotel and shopping mall portion) under present planning.

PROPERTIES PORTFOLIO

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2021

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date
Differ One City (shopping mall portion) 鼎豐壹城的商場	South of Dongcha Road, East of Huan Cheng East Road and North of Longquanxi, Longquan City, Zhejiang Province, PRC 中國浙江省龍泉市東茶路以南環城東路以東龍泉溪以北	Commercial	85,574	24 January 2060
Other properties	Units 201-1 to 201-9, No. 10 Hubin West Road, Siming District, Xiamen, Fujian Province, PRC 中國福建省廈門市思明區湖濱西路10號201-1至201-9單元	Commercial	4,620	1 April 2035