DIFFER GROUP HOLDING COMPANY LIMITED
鼎豐集團控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6878)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2018 was approximately RMB851,809,000 (2017: RMB299,268,000), representing an increase of approximately 184.6% as compared with the previous year.

- Profit for the year ended 31 December 2018 was approximately RMB299,276,000 (2017 (restated): RMB180,420,000), representing an increase of approximately 65.9% as compared with the previous year.

- Profit attributable to owners of the Company for the year ended 31 December 2018 was approximately RMB264,223,000 (2017 (restated): RMB174,336,000), representing an increase of approximately 51.6% as compared with the previous year.

- Earnings per share of the Company for the year ended 31 December 2018 was approximately RMB5.56 cents (2017 (restated): RMB4.12 cents).

- The directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Differ Group Holding Company Limited (the "Company") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 together with the comparative figures for the corresponding period in 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000* (Restated)
Income from financial related services	4	**136,771**	181,215
Income from assets management business	4	**715,038**	118,053
Other income	4	**35,805**	53,230
Cost of property development		**(466,131)**	–
Gain on disposals of subsidiaries		**31,947**	–
Gain on redemption of convertible bonds		**–**	8,770
Employee benefit expenses		**(39,547)**	(33,276)
Depreciation and amortisation expenses		**(4,349)**	(2,375)
Operating lease expenses		**(7,629)**	(3,003)
Equity-settled share-based payments		**(3,729)**	(8,335)
Other expenses		**(51,545)**	(51,864)
Share of results of associates		**(7,076)**	492
Share of results of joint venture		**–**	10,910
Change in fair value of derivative financial instruments		**–**	1,960
Gain on bargain purchase arising from acquisition of a subsidiary		**40,072**	1,861
Change in fair value of investment properties		**56,495**	7,094
Change in fair value of other financial assets		**6,750**	–
Finance costs	6	**(35,505)**	(56,337)
Profit before income tax	7	**407,367**	228,395
Income tax expense	8	**(108,091)**	(47,975)
Profit for the year		**299,276**	180,420

	Notes	2018 *RMB'000*	2017 *RMB'000* (Restated)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		**(13,438)**	9,368
– Fair value gain on available-for-sale financial assets		**–**	3,300
– Net change in debt investments measured at fair value through other comprehensive income		**(4,518)**	–
Items that will not be reclassified to profit or loss in subsequent periods			
– Surplus on revaluation of land and buildings		**16,829**	–
		(1,127)	12,668
Total comprehensive income for the year		**298,149**	193,088
Profit for the year attributable to:			
Owners of the Company		**264,223**	174,336
Non-controlling interests		**35,053**	6,084
		299,276	180,420
Total comprehensive income attributable to:			
Owners of the Company		**263,096**	187,004
Non-controlling interests		**35,053**	6,084
		298,149	193,088
Earnings per share	10		
– Basic (RMB cents)		**5.56**	4.12
– Diluted (RMB cents)		**5.53**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**As at 31 December 2018 RMB'000**	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	11	**19,178**	19,847	12,270
Prepaid land leases		**–**	6,105	6,512
Investment properties		**600,200**	321,000	–
Interests in associates		**15,529**	20,499	20,007
Interest in a joint venture		**–**	–	91,916
Restricted bank deposits		**–**	10,000	–
Finance lease, loan and account receivables	12	**180,899**	275,120	392,695
Goodwill		**33,400**	33,400	33,400
Other financial assets	13	**97,900**	–	–
Available-for-sale financial assets	13	**–**	131,370	56,430
Prepayments, deposits and other receivables	14	**83,680**	83,038	30,000
		1,030,786	900,379	643,230
Current assets				
Inventories of properties		**800,367**	669,263	277,874
Other inventories		**385**	–	–
Finance lease, loan and account receivables	12	**919,602**	1,101,485	912,861
Prepayments, deposits and other receivables	14	**775,651**	540,890	329,470
Other financial assets	13	**3,619**	–	–
Tax receivables		**15,240**	16,396	4,231
Restricted bank deposits		**39,847**	17,729	122,831
Cash and bank balances – general accounts		**85,656**	60,537	48,293
Cash and bank balances – held on behalf of customer		**23,775**	–	–
		2,664,142	2,406,300	1,695,560
Assets classified as held for sale	15	**452,989**	–	–
		3,117,131	2,406,300	1,695,560

	Notes	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Current liabilities				
Accounts and bills payable	16	**417,764**	141,710	47,308
Accruals, other payables, deposits received and deferred income		**178,005**	1,004,269	457,813
Contract liabilities	17	**884,527**	–	–
Provision for taxation		**79,519**	37,932	32,146
Bank and other borrowings		**193,090**	180,801	95,074
Corporate bonds		**18,270**	41,725	–
Convertible bonds		**–**	–	197,895
Derivative financial liabilities		**–**	–	8,909
		1,771,175	1,406,437	839,145
Liabilities related to assets classified as held for sale	15	**140,602**	–	–
		1,911,777	1,406,437	839,145
Net current assets		**1,205,354**	999,863	856,415
Total assets less current liabilities		**2,236,140**	1,900,242	1,499,645
Non-current liabilities				
Deposits received		**83,497**	31,025	61,714
Bank and other borrowings		**142,630**	61,950	121,335
Corporate bonds		**257,955**	225,199	95,216
Promissory note		**–**	120,000	–
Deferred tax liabilities		**110,226**	90,473	–
		594,308	528,647	278,265
Net assets		**1,641,832**	1,371,595	1,221,380
EQUITY				
Share capital	18	**10,585**	8,292	8,292
Reserves		**1,601,401**	1,299,197	1,107,106
Equity attributable to owners of the Company		**1,611,986**	1,307,489	1,115,398
Non-controlling interests		**29,846**	64,106	105,982
Total equity		**1,641,832**	1,371,595	1,221,380

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Merger and other reserves** *RMB'000*	**Statutory reserve** *RMB'000*	**Financial assets revaluation reserve** *RMB'000*	**Translation reserve** *RMB'000*	**Share options reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2017, as previously reported	8,292	356,029	239,250	43,750	300	(13,898)	12,120	382,955	1,028,798	110,395	1,139,193
Adjustments for acquisition of subsidiaries under common control	–	–	25,500	–	–	(5)	–	61,105	86,600	(4,413)	82,187
At 1 January 2017, as restated	8,292	356,029	264,750	43,750	300	(13,903)	12,120	444,060	1,115,398	105,982	1,221,380
Profit for the year (restated)	–	–	–	–	–	–	–	174,336	174,336	6,084	180,420
Other comprehensive income for the year (restated)	–	–	–	–	3,300	9,368	–	–	12,668	–	12,668
Total comprehensive income for the year (restated)	–	–	–	–	3,300	9,368	–	174,336	187,004	6,084	193,088
Transfer to statutory reserve	–	–	–	17,198	–	–	–	(17,198)	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	–	–	8,335	–	8,335	–	8,335
Acquisition of a subsidiary under common control	–	–	(500)	–	–	–	–	–	(500)	–	(500)
Arising from step acquisition of a subsidiary	–	–	(25,000)	–	–	–	–	–	(25,000)	116,047	91,047
Acquisition of additional interests in subsidiaries	—	–	22,252	–	–	–	–	–	22,252	(164,007)	(141,755)
At 31 December 2017, as restated	8,292	356,029	261,502	60,948	3,600	(4,535)	20,455	601,198	1,307,489	64,106	1,371,595

	Attributable to owners of the Company												
	Share capital	Share premium	Merger and other reserves	Statutory reserve	Financial assets revaluation reserve	Assets revaluation reserve	Convertible bonds equity reserve	Translation reserve	Share options reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017, as previously reported	8,292	356,029	232,278	60,948	3,600	–	–	(4,539)	20,455	525,966	1,203,029	–	1,203,029
Adjustments for acquisition of subsidiaries under common control	–	–	29,224	–	–	–	–	4	–	75,232	104,460	64,106	168,566
Impact on initial application of HKFRS 9	–	–	–	–	3,218	–	–	–	–	(7,604)	(4,386)	–	(4,386)
At 1 January 2018, as restated	8,292	356,029	261,502	60,948	6,818	–	–	(4,535)	20,455	593,594	1,303,103	64,106	1,367,209
Profit for the year	–	–	–	–	–	–	–	–	–	264,223	264,223	35,053	299,276
Other comprehensive income for the year	–	–	–	–	(4,518)	16,829	–	(13,438)	–	–	(1,127)	–	(1,127)
Total comprehensive income for the year	–	–	–	–	(4,518)	16,829	–	(13,438)	–	264,223	263,096	35,053	298,149
Issue of ordinary shares by placing	1,251	264,020	–	–	–	–	–	–	–	–	265,271	–	265,271
Issue of shares in respect of conversion of convertible bonds	870	200,651	–	–	–	–	(19,783)	–	–	–	181,738	–	181,738
Issue of ordinary shares for acquisition of a subsidiary	172	41,845	(376,929)	–	–	–	–	–	–	–	(334,912)	–	(334,912)
Transfer to statutory reserve	–	–	–	53,217	–	–	–	–	–	(53,217)	–	–	–
Recognition of equity component of convertible bond	–	–	–	–	–	–	19,783	–	–	–	19,783	–	19,783
Recognition of equity-settled share-based compensation	–	–	–	–	–	–	–	–	3,729	–	3,729	–	3,729
Capital injection of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	32,254	32,254
Arising from acquisition of additional interests in subsidiaries	–	–	(89,822)	–	–	–	–	–	–	–	(89,822)	(100,000)	(189,822)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(1,567)	(1,567)
At 31 December 2018	10,585	862,545	(205,249)	114,165	2,300	16,829	–	(17,973)	24,184	804,600	1,611,986	29,846	1,641,832

NOTES

1. CORPORATE AND GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Group is located at 33/F, Differ Fortune Centre, No. 503 Gaolin Middle Road, Huli District, Xiamen City, Fujian Province, the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are provision of asset management business, finance lease services and financial services.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 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.

2.3 Functional and presentation currency

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

2.4 COMMON CONTROL COMBINATION

On 21 November 2017, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Ms. Shi Hongjiao ("Ms. Shi") to acquire the entire issued share capital of Differ Cultural Tourism Development Company Limited ("Differ Cultural") (the "Acquisition") at the fair value of consideration of RMB376,929,000. Since the Group was under the control and managed by Mr. Hong Mingxian ("Mr. Hong"), the substantive shareholder of the Company, and Differ Cultural was under the control and managed by Mr. Hong via Ms. Shi through a trust arrangement, the Acquisition is considered as a combination of businesses under common control. The consideration for the Acquisition includes issue of 84,000,000 shares of the Company to Ms. Shi or her nominee and the remaining by cash after considering the outstanding debts owned by Ms. Shi, Mr. Hong and their respective associate companies to Differ Cultural and its subsidiaries at the completion date as detailed in the circular of the Company dated 23 December 2017. The principal activities of Differ Cultural and its subsidiaries are property development and management in the PRC.

The Acquisition was completed on 23 January 2018. Upon the completion of the Acquisition, Differ Cultural became a wholly owned subsidiary of the Company. As the Acquisition was regarded as business combination under common control, the Acquisition has been accounted for based on the principles of merger accounting as set out in Accounting Guideline 5, Merger Accounting for Common Control Combinations ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented.

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

Effect on consolidated statement of comprehensive income for the year ended 31 December 2017

	As previously reported *RMB'000*	Effect of Acquisition *RMB'000*	As restated *RMB'000*
Income from financial related services	**181,215**	**–**	**181,215**
Income from assets management business	**118,053**	**–**	**118,053**
Other income	**37,390**	**15,840**	**53,230**
Gain on redemption of convertible bonds	**8,770**	**–**	**8,770**
Employee benefit expenses	**(19,528)**	**(13,748)**	**(33,276)**
Depreciation and amortisation expenses	**(1,730)**	**(645)**	**(2,375)**
Operating lease expenses	**(2,450)**	**(553)**	**(3,003)**
Equity-settled share-based payments	**(8,335)**	**–**	**(8,335)**
Other expenses	**(43,471)**	**(8,393)**	**(51,864)**
Share of results of an associate	**492**	**–**	**492**
Share of results of joint venture	**–**	**10,910**	**10,910**
Change in fair value of derivative financial instruments	**1,960**	**–**	**1,960**
Gain on bargain purchase arising from acquisition of a subsidiary	**–**	**1,861**	**1,861**
Change in fair value of investment properties	**–**	**7,094**	**7,094**
Finance costs	**(56,337)**	**–**	**(56,337)**
Profit before income tax	**216,029**	**12,366**	**228,395**
Income tax expense	**(45,187)**	**(2,788)**	**(47,975)**
Profit for the year	**170,842**	**9,578**	**180,420**

Effect on consolidated statement of comprehensive income for the year ended 31 December 2017 – Continued

	As previously reported *RMB'000*	Effect of Acquisition *RMB'000*	As restated *RMB'000*
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation	**9,359**	**9**	**9,368**
– Fair value gain on available-for-sale financial assets	**3,300**	**–**	**3,300**
	12,659	**9**	**12,668**
Total comprehensive income for the year	**183,501**	**9,587**	**193,088**
Profit for the year attributable to:			
Owners of the Company	**160,209**	**14,127**	**174,336**
Non-controlling interests	**10,633**	**(4,549)**	**6,084**
	170,842	**9,578**	**180,420**
Total comprehensive income attributable to:			
Owners of the Company	**172,868**	**14,136**	**187,004**
Non-controlling interests	**10,633**	**(4,549)**	**6,084**
	183,501	**9,587**	**193,088**

Effect on consolidated statement of financial position as at 31 December 2017

	As previously reported *RMB'000*	Effect of Acquisition *RMB'000*	Combination adjustments *RMB'000*	As restated *RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	**13,070**	**6,777**	**–**	**19,847**
Prepaid land leases	**6,105**	**–**	**–**	**6,105**
Investment properties	**–**	**321,000**	**–**	**321,000**
Interest in an associate	**20,499**	**–**	**–**	**20,499**
Restricted bank deposits	**10,000**	**–**	**–**	**10,000**
Finance lease, loan and account receivables	**275,120**	**–**	**–**	**275,120**
Prepayments, deposits and other receivables	**83,038**	**–**	**–**	**83,038**
Goodwill	**33,400**	**–**	**–**	**33,400**
Available-for-sale financial assets	**131,370**	**–**	**–**	**131,370**
	572,602	**327,777**	**–**	**900,379**
Current assets				
Inventories of properties	**–**	**669,263**	**–**	**669,263**
Finance lease, loan and account receivables	**1,101,485**	**–**	**–**	**1,101,485**
Prepayments, deposits and other receivables	**258,628**	**282,382**	**(120)**	**540,890**
Tax receivables	**–**	**16,396**	**–**	**16,396**
Restricted bank deposits	**17,729**	**–**	**–**	**17,729**
Cash and bank balances	**32,475**	**28,062**	**–**	**60,537**
	1,410,317	**996,103**	**(120)**	**2,406,300**

Effect on consolidated statement of financial position as at 31 December 2017 – Continued

	As previously reported *RMB'000*	Effect of Acquisition *RMB'000*	Combination adjustments *RMB'000*	As restated *RMB'000*
Current liabilities				
Accounts payable	**–**	**(141,710)**	**–**	**(141,710)**
Accrued, other payables, deposits received and deferred income	**(81,726)**	**(922,663)**	**120**	**(1,004,269)**
Provision for taxation	**(37,464)**	**(468)**	**–**	**(37,932)**
Bank and other borrowings	**(180,801)**	**–**	**–**	**(180,801)**
Corporate bonds	**(41,725)**	**–**	**–**	**(41,725)**
	(341,716)	**(1,064,841)**	**120**	**(1,406,437)**
Net current assets	**1,068,601**	**(68,738)**	**–**	**999,863**
Total assets less current liabilities	**1,641,203**	**259,039**	**–**	**1,900,242**
Non-current liabilities				
Deposits received	**(31,025)**	**–**	**–**	**(31,025)**
Bank and other borrowings	**(61,950)**	**–**	**–**	**(61,950)**
Corporate bonds	**(225,199)**	**–**	**–**	**(225,199)**
Promissory note	**(120,000)**	**–**	**–**	**(120,000)**
Deferred tax liabilities	**–**	**(90,473)**	**–**	**(90,473)**
	(438,174)	**(90,473)**	**–**	**(528,647)**
Net assets	**1,203,029**	**168,566**	**–**	**1,371,595**
EQUITY				
Share capital	**(8,292)**	**–**	**–**	**(8,292)**
Reserves	**(1,194,737)**	**(104,460)**	**–**	**(1,299,197)**
Equity attributable to owners of the Company	**(1,203,029)**	**(104,460)**	**–**	**(1,307,489)**
Non-controlling interests	**–**	**(64,106)**	**–**	**(64,106)**
Total equity	**(1,203,029)**	**(168,566)**	**–**	**(1,371,595)**

Effect on consolidated statement of financial position as at 31 December 2016

	As previously reported *RMB'000*	Effect of Acquisition *RMB'000*	As restated *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10,659	1,611	12,270
Prepaid land leases	6,512	–	6,512
Interest in an associate	20,007	–	20,007
Interest in a joint venture	–	91,916	91,916
Finance lease, loan and account receivables	392,695	–	392,695
Prepayments, deposits and other receivables	30,000	–	30,000
Goodwill	33,400	–	33,400
Available-for-sale financial assets	56,430	–	56,430
	549,703	93,527	643,230
Current assets			
Inventories of properties	–	277,874	277,874
Finance lease, loan and account receivables	912,861	–	912,861
Prepayments, deposits and other receivables	234,618	94,852	329,470
Tax receivables	–	4,231	4,231
Restricted bank deposits	122,831	–	122,831
Cash and bank balances	20,977	27,316	48,293
	1,291,287	404,273	1,695,560

Effect on consolidated statement of financial position as at 31 December 2016 – Continued

	As previously reported *RMB'000*	Effect of Acquisition *RMB'000*	As restated *RMB'000*
Current liabilities			
Accounts payable	–	(47,308)	(47,308)
Accruals, other payables, deposits received and deferred income	(89,508)	(368,305)	(457,813)
Provision for taxation	(32,146)	–	(32,146)
Bank and other borrowings	(95,074)	–	(95,074)
Convertible bonds	(197,895)	–	(197,895)
Derivative financial liabilities	(8,909)	–	(8,909)
	(423,532)	(415,613)	(839,145)
Net current assets	867,755	(11,340)	856,415
Total assets less current liabilities	1,417,458	82,187	1,499,645
Non-current liabilities			
Deposits received	(61,714)	–	(61,714)
Bank and other borrowings	(121,335)	–	(121,335)
Corporate bonds	(95,216)	–	(95,216)
	(278,265)	–	(278,265)
Net assets	1,139,193	82,187	1,221,380
EQUITY			
Share capital	(8,292)	–	(8,292)
Reserves	(1,020,506)	(86,600)	(1,107,106)
Equity attributable to owners of the Company	(1,028,798)	(86,600)	(1,115,398)
Non-controlling interests	(110,395)	4,413	(105,982)
Total equity	(1,139,193)	(82,187)	(1,221,380)

3. ADOPTION OF HKFRSS

3.1 Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the annual period beginning on 1 January 2018.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

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

HKFRS 9 – Financial Instruments ("HKFRS 9")

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for the Group's annual periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) impairment and (3) general hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the adjustments to the amount recognised in the consolidated financial statements.

(i) Classification and measurement of financial assets and financial liabilities

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loan and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), the Group shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost are subsequently measured using the effective interest rate 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.

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.

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.

Financial assets at FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.

The following tables summarised the impact of transition to HKFRS 9 on the opening balances of accumulated profits and reserves as of 1 January 2018:

	Notes	*RMB'000*
Retained profits		
Retained profits as at 31 December 2017		601,198
Transfer from financial assets revaluation reserve relating to financial assets measured at FVTPL	3.1(i)(a)	3,600
Remeasurement of financial assets now measured at FVTPL		
Recognition of additional expected credit losses on:	3.1(i)(b)	4,730
– Finance lease, loan and account receivables	3.1(ii)	(15,934)
Restated retained profits as at 1 January 2018		593,594
Financial assets revaluation reserve		
Reserve as at 31 December 2017		3,600
Transfer to retained earnings for financial assets measured at FVTPL	3.1(i)(a)	(3,600)
Remeasurement of financial assets now measured at FVOCI	3.1(i)(c)	6,818
Restated reserve as at 1 January 2018		6,818

The following table summarises the original classification under HKAS 39 and the new classification under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amounts as at 31 December 2017 under HKAS 39 *RMB'000*	**Carrying amounts as at 1 January 2018 under HKFRS 9** ***RMB'000***
Unlisted equity investments	Available-for-sale financial assets	FVTPL	77,770	**82,500**
Distressed assets	Available-for-sale financial assets	FVTPL	53,600	**53,600**
Distressed assets classified as receivables	Loans and receivables	FVOCI	77,701	**84,519**
Finance lease, loan and account receivables	Loans and receivables	Amortised cost	1,298,904	**1,282,970**
Deposits and other receivables	Loans and receivables	Amortised cost	365,485	**365,485**
Restricted bank deposits	Loans and receivables	Amortised cost	27,729	**27,729**
Bank balances and cash	Loans and receivables	Amortised cost	60,537	**60,537**

(a) Distressed asset classified as available-for-sale financial assets of RMB53,600,000 measured at fair value at 31 December 2017. The Group intends to hold these equity investments for long term strategic purposes and the Group did not elected other comprehensive income option. Under HKFRS 9, the Group has classified these equity investments at the date of initial application as measured at FVTPL. Financial asset revaluation reserve related to these investments of RMB3,600,000 were transferred to retained profits on 1 January 2018.

(b) Unlisted equity securities of RMB77,770,000 were classified as available-for-sale financial assets and stated at cost at 31 December 2017. These investments were reclassified to financial assets at FVTPL. The Group intends to hold these equity investments for long term strategic purposes and the Group did not elected other comprehensive income option. Under HKFRS 9, the Group has classified these equity investments at the date of initial application as measured at FVTPL. As a result, additional fair value gain of RMB4,730,000 was recognised in retained profits upon remeasurement on 1 January 2018.

(c) As of 1 January 2018, distressed assets of RMB77,701,000 which are previously classified as loans and receivables were reclassified to FVOCI. The Group intends to hold these debts investments for hold to collect and sale. Under HKFRS 9, the Group has classified these debt investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value remeasurement of approximately RMB6,818,000 were recognised to the financial assets revaluation reserve on 1 January 2018.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECL") model". The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9, which include financial assets at FVOCI, finance lease, loan and account receivables, deposits and other receivables, restricted bank deposits, cash and bank balances and financial guarantee contract. HKFRS 9 requires the Group to recognise ECL for financial assets earlier than HKAS 39. Except finance lease, loan and account receivable, the impairment of other financial assets that are subject to ECL model is immaterial at the date of transition.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month 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.

Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The ECL on these financial assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

For financial assets at amortised cost, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition, and it comes to stage 3 when it is credit impaired (but it is not purchased original credit impaired). HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience that is available without undue cost or effort.

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group considers that default has occurred when the instrument 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.

ECL are a probability-weighted estimate of credit losses. They are measured as follow:

– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive); and

– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated further cash flows.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of advances and receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Group reviewed and assessed the Group's financial assets on that date that are subject to ECL requirements for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact are as follows:

- The increase in impairment allowance for finance lease, loan and accounts receivables upon the transition to HKFRS 9 as of 1 January 2018 were approximately RMB15,934,000. The adjustment to the opening retained profits as at 1 January 2018 amounted to RMB15,934,000.

- Other financial assets of the Group included deposits and other receivables, restricted bank deposits with maturity within three months and cash and bank balances. Applying the ECL model results in immaterial impairment on 1 January 2018.

The following table reconciles the impairment allowance measured in accordance with HKAS 39 (under incurred loss model) as at 31 December 2017 to the new impairment allowance measured in accordance with HKFRS 9 (under ECL model) as at 1 January 2018:

	Impairment allowances under HKAS 39	**Effect of adoption of HKFRS 9**	**Impairment allowances under HKFRS 9**
	RMB'000	*RMB'000*	*RMB'000*
Impairment allowance on:			
– finance lease, loan and accounts receivables	22,898	15,934	38,832

The expected credit loss allowances as at 1 January 2018 was determined for finance lease, loan and accounts receivables as follows:

	Average expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Account receivables	5.4	38,017	2,065
Finance lease receivables	0.3	434,191	1,490
Receivables from guarantee customers	41.1	58,375	24,002
Entrusted loan receivables	0.3	553,190	1,609
Loan receivables	4.1	238,029	9,666
		1,321,802	38,832

The credit risks inherent in the finance lease, loan and accounts receivables are assessed on the basis of ECL in the recognition and the measurement of their potential impairments in accordance with HKFRS 9. The recognition of the ECL of financial assets should be conducted using a "three-stage" model. Under the requirements of the new impairment model, financial assets held by companies should be classified into three stages.

The forward looking adjustment factor is derived from a linear regression between global corporate default rates as sourced from S&P Global Fixed Income Research and global GDP growth rates over a period from 2008 to 2017, and a scenario analysis concerning different cases of default rates in a normal distribution.

For the expected credit loss allowance, the Group has considered the loss given default of the finance lease, loan and account receivables together with the fair value of the corresponding collateral to the outstanding receivables to determine whether there are sufficient liquid assets to cover the repayment of the finance lease, loan and account receivables. The assessment has to be performed on the basis that the counterparties would have to dispose the collaterals at their fair values in the event of default and make the relevant repayments in cash. It is assumed that the disposal of the collaterals can be carried out in an orderly manner, these collaterals are readily marketable, and their fair values remain unchanged over time.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses as at 1 January 2018, without restating comparative information. Accordingly, certain comparative information may not be comparable as those was prepared under HKAS 39.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Timing of revenue recognition

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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 asset 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 asset. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

Incremental costs incurred directly attributable to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements. The management of the Company considered that HKFRS 15 did not result in significant impact on the Group's accounting policies, except for the reclassifications of contract liabilities.

Under the requirements of HKFRS 15, revenue from sale of goods and provision of services by the Group will be recognised when the customer obtains control of the promised goods or services in the contract. The Group has assessed that the adoption of HKFRS 15 would be relevant to the recognition of revenue relating to the Group's sale of properties, under which the revenue from the sale of properties during the accounting period is recognised in the Group's consolidated statement of comprehensive income on the basis that control over the ownership of the property has been passed to the customer during the current accounting period. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of mainland China, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously, the revenue from the sale of properties was recognised upon delivery of property to the purchaser pursuant to the sales agreement, which was taken to be the point in time when the risks and rewards of ownership of the property had been passed to the customer.

Revenue for the provision of consultancy services is recognised over time as those services are provided. Revenues for the provision of financial securities services and asset management solutions are recognised at a point in time.

For the supply chain agency service, the Group would render sourcing and merchandising service to its customers and enter sale and purchase agreements on behalf of its customers with the suppliers. The supply chain products are mainly chemical products and are specific by the customers before the sourcing. The Group is act as an agent and so recognised the revenue in net. The revenue is recongised when the supply chain transaction is success and completed and so it will be recognised point in time.

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the group has an unconditional right to consideration. If the group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

(i) Consideration received from customers in advance amounting to RMB908,242,000, which were previously included in accruals and other payables and deferred income are now included under contract liabilities.

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018			
	Without adoption of HKFRS 15	**Reclassifications under HKFRS 15**	**Effects of adoption of HKFRS 15**	**As reported**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated statement of financial position (extract)				
Accruals, other payables, deposits received and deferred income	1,146,029	(884,527)	–	261,502
Contract liabilities	–	884,527	–	884,527
Consolidated statement of cash flows (extract)				
Operating profit before working capital changes:				
Accruals, other payables, deposits received and deferred income	(213,124)	–	29,681	(183,443)
Contract liabilities	–	–	(29,681)	(29,681)

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

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

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 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. Information on new/revised HKFRSs that are expected to have impact on the Group's financial statements is provided below. Other new and revised HKFRSs have been issued but are not yet effective are unlikely to have material impact on the Group's financial statements upon application.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The standard will affect primarily the accounting for Group's operating leases as lessee. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB35,760,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

4. REVENUE AND OTHER INCOME

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

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Income from financial related services:		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from financial consultancy services	**3,414**	28,374
Income from supply chain agency services	**3,625**	5,402
Income from financial securities services	**269**	–
Revenue from other sources		
Income from guarantee services	**19,411**	8,888
Interest income from:		
– Entrusted loans	**54,797**	54,162
– Money lending	**21,645**	31,558
– Finance lease services	**33,610**	52,831
	136,771	181,215
Income from assets management business:		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from provision of asset management solutions	**3,302**	39,139
Income from sales of properties	**693,725**	–
Revenue from other sources		
Income from disposals/executions of distressed financial assets	**11,809**	20,233
Income from disposals of other assets	**–**	5,205
Finance income	**2,961**	44,726
Dividend income	**–**	8,750
Rental income	**3,241**	–
	715,038	118,053
Timing of revenue recognition within the scope of HKFRS 15		
At a point in time	**700,921**	44,541
Transferred over time	**3,414**	28,374
	704,335	72,915

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Other income		
Bank interest income	**350**	1,089
Gain on disposal of property, plant and equipment	**422**	146
Gain on step acquisitions	**–**	15,590
Government grants*	**10,656**	5,825
Reversal of impairment loss of loan and account receivable	**19,719**	30,073
Income from security trading	**687**	–
Others	**3,971**	507
	35,805	53,230

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

5. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's executive directors in order to allocate resources and assess performance of the segment. Executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in provision of financial services which includes the provision of guarantee, express loan, consultancy, supply chain agency services, finance lease services and assets management. The executive directors allocate resources and assess performance on an aggregated basis. The Group's revenue from external customers is divided into certain groups of products which is disclosed in note 4.

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

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is principally sourced from the PRC (including Hong Kong). The total revenue is disclosed in note 4. The Group's non-current assets other than financial instruments are principally located in the PRC.

Information about a major customer

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

	2018	2017
	RMB'000	*RMB'000*
Customer A *(note)*	**–**	67,763

Note: There is no revenue from a customer contributing over 10% of the total revenue of the Group for the year ended 31 December 2018. Customer A generated less than 10% of total revenue of the Group for the year ended 31 December 2018.

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**22,713**	18,581
Interest on corporate bonds	**15,575**	13,596
Interest on promissory note	**2,084**	1,103
Interest on convertible bonds (including imputed interest)	**–**	23,057
	40,372	56,337
Less: amount capitalised on properties under development	**(4,867)**	–
	35,505	56,337

7. PROFIT BEFORE INCOME TAX

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

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Auditor's remuneration		
– audit service	**1,305**	781
– non-audit service	**957**	1,096
Cost of inventories recognised as expenses	**466,131**	–
Depreciation of property, plant and equipment	**4,428**	2,099
Less: Amounts capitalised on properties under development	**(112)**	(131)
	4,316	1,968
Amortisation of prepaid land lease	**33**	407
Impairment loss on finance lease, loan and account receivables	**5,758**	21,619
Reversal of impairment loss on finance lease, loan and account receivables	**(19,719)**	(30,073)
Equity-settled share-based payments	**3,729**	8,335
Write off property plant and equipment	**27**	–
Direct operating expenses arising from investment property that did not generate rental income during the year	**8,338**	5,765
Employee's costs (including directors' remuneration)		
Salaries and allowances	**33,982**	28,326
Pension scheme contributions – Defined contribution plans	**1,591**	1,495
Other benefits	**3,974**	3,455
	39,547	33,276
Net foreign exchange loss	**2,210**	977
Operating lease charges in respect of properties	**7,629**	3,003
(Gain)/loss on disposal of property, plant and equipment	**(422)**	146

8. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Current tax		
Hong Kong Profits Tax	**77**	–
PRC		
– Enterprise income tax ("EIT")	**76,220**	45,713
– Land operation tax ("LAT")	**11,446**	–
– withholding tax	**595**	488
	88,338	46,201
Deferred income tax – PRC	**19,753**	1,774
	108,091	47,975

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% (2017: 25%) of the estimated assessable profits during the year, except for subsidiaries established and operated in Ganzhou, which are beneficial from a preferential tax policy from the local tax authorities and are entitled to a reduced tax rate of 15% for five years from 2016 to 2020.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation value, with certain allowance deductions.

Withholding tax was calculated at 7% (2017: 7%) of the interest paid by PRC entities to a non-PRC holding company during the year.

Hong Kong Profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2018 (2017: Nil).

9. DIVIDENDS

No dividend has been declared by the Company during the year (2017: Nil).

10. EARNINGS PER SHARE

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

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Profit for the year attributable to owners of the Company	**264,223**	174,336

	2018 Number of shares *('000)*	2017 Number of shares *('000)*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,749,414**	4,236,008
Effect of dilutive earnings per share:		
– Convertible bonds	**31,096**	–
Weighted average number of ordinary shares for the purpose of dilutive earning per share	**4,780,510**	4,236,008
Basic earnings per shares (RMB cents)	**5.56**	4.12
Dilutive earnings per shares (RMB cents) *(Note)*	**5.53**	N/A

Note:

No diluted earnings per share are presented for the year ended 31 December 2017 as the impact of convertible bonds outstanding during the year have an anti-dilutive effect on the basic earnings per share presented for the year and the exercise price of the Company's share options was higher than the average market price for shares during the period when those options are outstanding.

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2018, the Group spent approximately RMB13,348,000 (2017 (restated): RMB10,476,000) on leasehold improvement and acquisition of motor vehicles, furniture, fixture and office equipment.

12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Non-current assets		
Entrusted loan receivables	**2,254**	–
Finance lease receivables	**178,645**	249,093
Loan receivables	**–**	24,505
Distressed assets classified as receivables	**–**	1,522
	180,899	275,120
Current assets		
Entrusted loan receivables	**149,925**	553,190
Finance lease receivables	**111,472**	185,098
Loan receivables	**561,466**	213,524
Receivables from guarantee customers	**35,901**	35,477
Distressed assets classified as receivables	**–**	76,179
Account receivables	**60,838**	38,017
	919,602	1,101,485

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

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

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

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

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

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

	2018	2017
	RMB'000	*RMB'000*
0 to 30 days	**247,113**	119,691
31 to 90 days	**10,827**	121,565
91 to 180 days	**379,544**	500,632
Over 180 days	**427,116**	521,539
	1,064,600	1,263,427

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

13. OTHER FINANCIAL ASSETS/ AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Non-current:		
Available-for-sale financial assets		
– Unlisted equity securities, at cost	**–**	77,770
– Distressed assets	**–**	53,600
Financial assets measured at FVTPL		
– Unlisted equity securities	**33,000**	–
– Distressed assets	**59,900**	–
– Fund investment	**5,000**	–
	97,900	131,370
Current:		
Financial assets measured at FVTPL		
– Equity securities listed in Hong Kong	**379**	–
Financial assets measured at FVOCI		
– Distressed assets	**3,240**	–
	3,619	–
	101,519	131,370

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Non-current assets		
Amounts paid for properties acquired for asset management business	**83,680**	83,038
Current assets		
Prepaid expenses	**11,859**	4,890
Deposits paid	**6,227**	11,867
Amounts paid for land and properties acquired for asset management business	**630,444**	170,515
Other receivables	**127,121**	197,946
Amounts due from related parties	**–**	155,672
	775,651	540,890

The carrying amounts of deposits paid and other receivables approximate their fair values as these financial assets which are measured at amortised cost, are expected to be repaid within a short timescale, such that the directors considered that the time value of money is not significant.

15. ASSETS CLASSIFIED AS HELD-FOR-SALE/ LIABILITIES RELATED TO ASSETS CLASSIFIED AS HELD FOR SALE

		2018
	Notes	***RMB'000***
Assets classified as held-for-sale		
– Karhoe Group	*(a)*	**446,595**
– Interest in an associate classified as held for sales	*(b)*	**6,394**
		452,989
Liabilities related to assets classified as held-for-sale		
– Karhoe Group	*(a)*	**140,602**

(a) Karhoe Group

The Group completed the acquisition of Karhoe Company Limited ("Karhoe") and its subsidiaries (collectively the "Karhoe Group") on 27 July 2018. On the same date, the assets and liabilities of Karhoe Group was presented as held-for-sale following the approval of the Group's management to dispose of Karhoe Group.

As at 31 December 2018, Karhoe Group has the following assets and liabilities.

	2018
	RMB'000
Assets of Karhoe Group classified as held-for-sale	
Inventories of properties	**421,091**
Prepayments, deposits and other receivables	**22,880**
Cash and bank balance	**2,624**
	446,595
Liabilities of Karhoe Group classified as held-for-sale	
Accounts payable	**36,067**
Other payables	**95,413**
Deferred tax liabilities	**9,122**
	140,602

(b) Interest in an associate classified as held for sales

	2018
	RMB'000
Interest in an associate	**6,394**

As at 31 December 2017, the Group hold 17% equity interest in an unlisted entity, 廈門夏商食品有限公司 Xiamen Xiashang Food Company Limited ("Xiamen Xiashang") and classified as available-for-sale financial asset measured at cost. During the year ended 31 December 2018, the Group further acquired 10% equity interest in Xiamen Xiashang at consideration of RMB3,500,000 and Xiamen Xiashang become an associate of the Company. On 26 December 2018, the Group entered into a sale and purchase agreements to dispose of its 27% equity interest in Xiamen Xiashang to an independent third party at consideration of RMB9,450,000. As such, Xiamen Xiashang was presented at asset classified as held-for-sale as at 31 December 2018.

16. ACCOUNTS AND BILLS PAYABLE

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Accounts payable from property development	**331,580**	141,710
Accounts payable from financial services		
– clearing house	**1,109**	–
– cash client	**22,683**	–
Bills payable *(Note)*	**62,392**	–
	417,764	141,710

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

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

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Current or less than 1 month	**357,472**	140,051
1 to 3 months	**6,196**	1,137
More than 3 months but less than 12 months	**53,905**	489
More than 12 months	**191**	33
	417,764	141,710

17. CONTRACT LIABILITIES

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

	31 December 2018 *HK$'000*	1 January 2018 *HK$'000* *(Note)*	31 December 2017 *HK$'000*
Contract liabilities related to property sales	**884,527**	908,242	–

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances at 1 January 2018.

18. 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 2017, 1 January 2018 and 31 December 2018	20,000,000	50,000	39,000
Issued and fully paid:			
At 31 December 2017 and 1 January 2018	4,236,008	10,590	8,292
Issue of new share for acquisition of subsidiary *(note a)*	84,000	210	172
Issue of ordinary shares by placing *(note b)*	610,378	1,526	1,251
Issue of ordinary shares in respect of conversion of convertible bonds *(note c)*	400,000	1,000	870
At 31 December 2018	5,330,386	13,326	10,585

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

(a) An aggregate of 84,000,000 new ordinary shares of the Company of HK$0.0025 each were issued as consideration shares at a price of HK$0.61 per share on 23 January 2018 in relation to acquisition of Differ Cultural.

(b) In connection with the placing, an aggregate of 610,378,000 new ordinary shares of the Company of HK$0.0025 each were issued at a price of HK$0.53 per share on 29 June 2018.

(c) On 16 August 2018 and 14 September 2018, 50,000,000 and 350,000,000 shares were issued at HK$0.582 per share in respect of conversion of convertible bonds respectively.

19. FINANCIAL GUARANTEE CONTRACTS – CONTINGENT LIABILITIES

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

(a) The Group has arranged mortgage loan facility with certain banks for purchasers of property units and provided the guarantees to secure obligations of such purchasers of repayments. The outstanding guarantees amounted to approximately RMB755,608,000 (2017: (restated) RMB469,700,000) at the reporting date. The guarantees provided by the Group to the banks would be released upon (i) the satisfaction of mortgage loans by the purchasers of properties; or (ii) receiving the real estate owner certificates of the respective properties by the banks from the buyers as security for the mortgage loan facilities granted. No provision for the Group's obligation under the guarantees has been made as the directors considered that it was not probable that the repayments of the loans would be in default. The directors also considered that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the buyer default payments to the banks. The Group has not recognised any income in respect of these guarantees as its fair value is considered to be minimal by the directors.

(b) The Group had given financial guarantee to banks for banking facilities granted to certain customers of the Group, of maximum amount of approximately RMB606,562,000 (2017 (restated): RMB770,969,000).

20. 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:

	2018	2017
	RMB'000	*RMB'000*
Short-term employee benefits	**5,871**	4,580
Pension scheme contributions	**129**	120
Equity-settled share based payment	**1,816**	3,862
	7,816	8,562

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

Company Name	Relationship	Type of transaction	2018	2017
			RMB'000	*RMB'000*
Dragon Holdings Company Limited^ (龍之族控股有限公司) ("Dragon Holdings")	**Related company***	Guarantee service income *(note a)*	**943**	–
Jingning Outdoor Residence Tour Investment Development Company Limited^ (景寧外舍古鎮旅遊投資發展有限公司) ("Jingning Outdoor")	**Related company***	Guarantee service income *(note b)*	**7,750**	–

Note a:

In order to satisfy the conditions precedent of the Acquisition, the guarantee service agreement was entered into between Jingning Differ Real Estate Limited^ (景寧鼎豐置業有限公司) ("Jingning Differ") (as the guarantors) and Dragon Holdings (as the customer) on 19 January 2018 ("Guarantee Service Agreement 1"). The key terms of the Guarantee Service Agreement 1 are as follows:

Guarantor	:	Jinging Differ
Borrower	:	Dragon Holdings
Guarantee Cap	:	RMB73 million together with any interests, penalty interests, compensation and other related fees and expenses owed to a local branch of a PRC commercial bank
Guarantee fee rate	:	2.1% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Consultancy fee rate	:	1.0% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Term	:	from 23 January 2018 to 31 May 2018

Note b:

In order to satisfy the conditions precedent of the Acquisition, the guarantee service agreement was entered into between Jingning Differ (as the guarantor) and Jingning Outdoor (as the customer) on 19 January 2018 ("Guarantee Service Agreement 2"). The key term of the Guarantee Service Agreement 2 are as follows:

Guarantor	:	Jinging Differ
Borrower	:	Jingning Outdoor
Guarantee Cap	:	RMB250 million together with any interests, penalty interests, compensation and other related fees and expenses owed to a local branch of a PRC commercial bank
Guarantee fee rate	:	2.1% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Consultancy fee rate	:	1.0% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Term	:	from 23 January 2018 to 30 September 2022

^ The English name is for identification only

* Related companies are controlled by Mr. Hong.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As an integrated financing service provider, the Group mainly provide short to medium-term financing and financing-related solutions in the PRC. During the year ended 31 December 2018, the turnover was mainly derived from the provision of (i) asset management services (including investments on land and properties, distressed assets and equities), (ii) finance lease services, (iii) financial services (including express loan services, financial consultancy services, guarantee services and supply chain agency services).

FINANCIAL REVIEW

Turnover

The turnover increased from approximately RMB299.3 million for the year ended 31 December 2017 to approximately RMB851.8 million for the year ended 31 December 2018, representing an increase of approximately RMB552.5 million or 184.6%. The increase was attributable to the net effect of the following reasons:

Asset management services

The Acquisition of Differ Cultural and its subsidiaries ("Differ Cultural Group") was completed on 23 January 2018. Differ Cultural Group manages certain residential and commercial property projects, out of which Differ Sky Realm (鼎豐天境) is located in Lishui, the PRC and are scheduled to be completed in phases between 2018 and 2020. Differ Sky Realm (鼎豐天境) is a residential development comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. The said development covers a total site area of approximately 99,728 sq.m. and a total gross floor area of approximately 377,169 sq.m. upon completion. The construction works of Phase 1 and 2 of Differ Sky Realm (鼎豐天境) was completed and most of them were sold and delivered to the purchasers in 2018. The revenue for the Phase 1 and 2 of Differ Sky Realm (鼎豐天境) for the year ended 31 December 2018 was approximately RMB693.7 million.

Apart from the income as mentioned above, the Group also recorded the income from asset management business of approximately RMB21.3 million during the year ended 31 December 2018. Such income mainly represented the income from disposal of distressed assets, financial income from non-performing loans, income from provision of asset management solutions and rental income.

Finance lease services

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

Our Group's finance lease services income decreased by 36.4% from approximately RMB52.8 million for the year ended 31 December 2017 to RMB33.6 million for the year ended 31 December 2018. The decrease was mainly due to decrease of contribution of the finance lease income from Hong Kong.

Financial services

Financial consultancy services

The financial consultancy service income of our Group decreased from approximately RMB28.4 million for the year ended 31 December 2017 to RMB3.4 million for the year ended 31 December 2018. The decrease of the number of the customers which lead to decrease of our income from financial consultancy services.

Express loan services

Entrusted loan services

Our customers of entrusted loan services are mainly small and medium enterprises ("SMEs"). In light of the tightened credit control by PRC banks and the strong demand for financing services to SMEs, the demand of our entrusted loan services remained stable.

Our Group's entrusted loan service income slightly increased by 1.1% from approximately RMB54.2 million for the year ended 31 December 2017 to RMB54.8 million for the year ended 31 December 2018. The increase of entrusted loan service income was mainly due to the increase of average entrusted loan receivables during the period.

Money lending services

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

Guarantee services

We provided the financing guarantee services during years ended 31 December 2018 and 2017. Our Group's guarantee service income increased by 118.4% from approximately RMB8.9 million for the year ended 31 December 2017 to approximately RMB19.4 million for the year ended 31 December 2018. The Group is adopting a prudent approach to approve the application of our guarantee services from potential customers. Although the number of guarantee service decrease, the increase of income from guarantee services was mainly due to the fact that the Group has received relatively large amount of guarantee fees from certain sizable guarantee customers.

Supply chain agency services

The Group provided one-stop supply chain agency services for its customers ranging from sourcing and procurement of materials, production management, financing and negotiation the terms of sale and purchase agreements on behalf of its customers with the suppliers. The supply chain agency fee is based on the pre-agreed percentage of the relevant transaction amount.

During the year ended 31 December 2018, the Group recorded the supply chain agency fee of approximately RMB3.6 million and the relevant total transaction amount was approximately RMB0.7 billion.

Other income

Other income decreased from approximately RMB53.2 million for the year ended 31 December 2017 to approximately RMB35.8 million for the year ended 31 December 2018, representing a decrease of approximately RMB17.4 million. Our Group's other income mainly represented the bank interest income, the government grant and reversal of impairment loss recognised in finance lease, loan and account receivables. The decrease in other income was mainly due to the fact that (i) the reversal of impairment loss recognised in finance lease, loan and account receivables decrease sharply in 2018 and (ii) there was a gain on step acquisition of Lishui Fu Feng Cultural Tours Limited, one of the PRC subsidiary of Differ Cultural Group of approximately RMB15,590,000 for the year ended 31 December 2017, no such case occurred for the corresponding period in 2018.

Cost of property development

The Group recorded cost of property development of approximately RMB466.1 million for the year ended 31 December 2018. It mainly represented the land costs, construction costs and other relevant costs for Phase 1 and 2 of Differ Sky Realm (鼎豐天境). The Group recorded a gross profit of RMB227.6 million on sale of properties for the year ended 31 December 2018.

Gain on disposals of subsidiaries

In December 2018, the Group disposed 100% equity interest in Differ Network Development Limited ("Differ Network") and its subsidiaries (collectively "Differ Network Group") in the consideration of RMB37 million. The main asset of the Differ Network Group is the investment of 6.25% of Zhongnan Chengzhang (Tianjin Shi) Equity Investment Fund Partnership Limited (Limited Partnership) (the "Fund"). The Fund mainly invests in the equity interests of several PRC companies which cover a wide variety of industries, including pharmaceutical and biomedical engineering, investment, energy and natural resources, construction materials, exhibition etc and certain of which had been listed in PRC. The Group recorded the gain on disposal of subsidiaries of approximately RMB31.2 million for the year ended 31 December 2018.

In the same month, the Group also disposed 51% equity interest in Niutou Mountain (Xiamen) Differ Cultural Industry Limited 牛頭山(廈門)文旅產業有限公司 and recorded the gain on disposal of subsidiary of approximately RMB0.7 million.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB33.3 million for the year ended 31 December 2017 to approximately RMB39.5 million for the year ended 31 December 2018, representing an increase of approximately RMB6.2 million or 18.8%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits. The increase in employee benefit expenses was mainly attributable to the increase of staff salaries.

Other expenses

The other expenses decreased from approximately RMB51.9 million for the year ended 31 December 2017 to approximately RMB51.5 million for the year ended 31 December 2018, representing a decrease of approximately RMB0.4 million or 0.6%. The decrease in other expenses was mainly attributable to the decrease of the impairment loss on finance lease, loan and amount receivables and other receivables.

Gain on bargain purchase arising from acquisition of a subsidiary

In July 2018, the Group completed the acquisition of 100% of Karhoe and the sales loan of approximately RMB235.4 million at the fair value of consideration of RMB201.6 million. As the fair value of the net identifiable assets and liabilities of Karhoe Group is higher than the fair value of consideration, the Group recorded a gain on a bargain purchase in the acquisition of the Karhoe Group of approximately RMB40.1 million.

Change in fair value of investment properties

The Group's investment properties are situated in PRC and are held under the lease term from 40 to 50 years. During the year ended 31 December 2018, the fair value gain on investment properties represents (i) the fair value change of two investment properties in Xiamen which are held to earn rentals under operating lease and (ii) Chu Zhou Fu Cheng projects, which under construction and is scheduled to be completed in first half of 2019. The fair value gains on the Group's investment properties of approximately RMB56.5 million for the year ended 31 December 2018 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 RMB264.2 million for the year ended 31 December 2018, representing an increase of approximately RMB89.9 million, or 51.6%, from approximately RMB174.3 million for the year ended 31 December 2017.

OUTLOOK

The Group has continued to report remarkable business results. The Group is seeking to develop new business and explore the business opportunities to broaden its income stream. In the first quarter of 2018, the Group has obtained licenses from the Securities and Futures Commission to carry out Type 1 (Dealing in Securities) and Type 9 (Asset Management) regulated activities. The Group has commenced the securities dealing and brokerage services in Hong Kong in second half of 2018.

The Group considers the assets management business is the key growth driver and actively expanded the business. Following the completion of the acquisition of Differ Cultural Group in January 2018, the Board considers the property development business in the theme of cultural tourism to be an extension of the Group's original asset management business and a key link in asset consolidation and asset value enhancement. In addition, the acquisitions of (i) Prime Thrive Limited ("Prime Thrive") and its subsidiaries (collectively "Prime Thrive Group") and (ii) lands plots in Zhejiang province were completed and approved by the shareholders of the Company respectively in January 2019. The acquisitions have demonstrated that the Group is capable of diversifying its asset classes. It successfully extended its asset classes from non-performing asset to value asset. In view of the favorable economy and policies, in-depth experience in handling assets in the similar class by Differ Cultural Group, and the capital appreciation potential of the value assets in our portfolio, the Board believes that the acquisitions will generate significant returns in the next few years. Besides, the Group is looking for the other value assets in PRC continuously.

In conclusion, our Directors have an optimistic view on our overall business and financial prospects in future. We will continue to actively capture the opportunities presented by the current rapidly changing economic environment in the PRC, further expand our market share and reinforce our leading position, so as to maintain sustainable growth momentum and maximum the value of shareholders.

ADVANCE TO AN ENTITY

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligations arises where an advance to an entity from the Company exceeds 8% of the total assets of the Group. Pursuant to Rule 13.13 of the Listing Rules, details of advances as defined under Rule 13.15 of the Listing Rules which remained outstanding as at 31 December 2018 were as follow:

Loan Master Agreement with Customer ("Loan Master Agreement")

The Loan Master Agreement was entered into between 廈門市鼎豐貸投資諮詢有限公司 (Xiamen Differ Dai Investment Consulting Company Limited, an indirect wholly-owned subsidiary of the Company) ("Differ Dai") and 廈門豪豐投資有限公司 (Xiamen Hao Feng Investment Company Limited) ("Customer"). Pursuant to the Loan Master Agreement, Differ Dai agreed to provide loans with an aggregate amount up to RMB385,000,000 to the Customer for a period of 12 months.

The principal terms of Loan Master Agreement are as follows:

Date:	29 December 2018
Loan Cap:	Up to RMB385 million
Interest rate:	12.0% per annum
Loan period:	As mentioned above
Repayment:	Customer shall repay the interests on a monthly basis and the principal amount at the end of the loan period
Security and guarantees:	(i) the pledge of the construction land use rights in Quanzhou at market value of approximately RMB331.1 million; (ii) the pledge of the equity rights from a shareholder who owned 99% of the shares of the Customer at fair value of approximately RMB204.3 million; and (iii) personal guarantee by a shareholder who owned 99% of the shares of the Customer.

COMMITMENT

(i) Operating lease commitments

Group as Lessee

Future minimum rental payable under non-cancellable operating lease of the Group in respect of buildings at the reporting date are as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Within one year	**11,504**	5,420
After one year but within two years	**9,959**	5,866
After two years but within five years	**14,092**	15,972
	35,555	27,258

The Group leases certain properties under operating leases. The leases run for an initial period of 1 to 5 years (2017: 1 to 5 years), with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of these leases include any contingent rentals.

Group as Lessor

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Within one year	**3,685**	–
After one year but within two years	**4,663**	–
After two years but within five years	**9,933**	–
Over five years	**6,166**	–
	24,447	–

Leases are negotiated for terms of 8 years (2017: nil).

(ii) As at 31 December 2018, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,293,028,000 (2017: RMB1,114,028,000).

(iii) As at 31 December 2017, the Group had commitment, contracted but not provided for, to make direct injections for the investment of unlisted equity securities classified as available-for-sale financial assets, which is operating in PRC of RMB20,000,000.

(iv) On 21 August 2017, the Group through one of its wholly-owned subsidiaries, entered into an investment agreement with three independent third parties for establishing a company operated in the PRC and principally engaged in fund management. As at 31 December 2017, the Group had commitment, contract but not provided for, to make capital injection amounted to USD5,000,000 (equivalent to RMB32,479,000) to the company, representing 5% of the total registered capital.

(v) At the reporting date, the Group had the following other capital commitments:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Contracted, but not provided for		
– Acquisition of prepaid land lease	**566,606**	–
– Investment properties under construction	**20,032**	76,993
– Property development	**363,159**	533,032
– Acquisition of property, plant and equipment	**–**	3,874

FOREIGN EXCHANGE RISK MANAGEMENT

The exposure to currency exchange rate of the Group is minimal as majority of the Group's subsidiaries operates in the PRC with most of the transaction denominated and settled in RMB. The Group has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation has no significant impact on our Group's financial performance.

TREASURY POLICIES

The 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 financial liabilities under the guarantees provided to our customers.

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

On 21 November 2017, Differ Asset Development Limited (鼎豐資產發展有限公司), a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Ms. Shi Hongjiao ("Ms. Shi") to acquire the entire issued share capital of Differ Cultural at the fair value of consideration of RMB376,929,000. Since the Group was under the control and managed by Mr. Hong, the substantial shareholder of the Company and Differ Cultural was under the control and managed by Mr. Hong, via Ms. Shi through a trust arrangement, the Acquisition is considered as a combination of businesses under common control. The consideration is settled by 84,000,000 shares of the Company at issue price of HK$0.61 per share and the remaining by cash after considering the outstanding debts owned by Ms. Shi, Mr. Hong and their respective associate companies to Differ Cultural and its subsidiaries at the completion date as defined in the circular of the Company dated 23 December 2017. The principal activities of Differ Cultural and its subsidiaries are property development and management in the theme of cultural tourism. The Acquisition was completed on 23 January 2018. Upon the completion of the Acquisition, Differ Cultural become the wholly-owned subsidiary of the Company.

On 27 July 2018, Differ Cultural and Creative Investment Company Limited (鼎豐文創投資有限公司), a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Wang Jianxiong to acquire the entire issued share capital of Karhoe and the sale loan of approximately RMB235.4 million at the fair value of consideration of RMB201.6 million. The principal activities of Karhoe and its subsidiaries are property development and management. The aforesaid acquisition was completed on 13 August 2018. Upon the completion of the acquisition, Karhoe become the wholly-owned subsidiary of the Company.

On 18 September 2018, Cultural Tours Limited ("Cultural Tours"), an indirect wholly-owned subsidiary of the Company entered into the agreement with Hong Qiaosi (the "Creditor"), Wu Yukai (the "Vendor A") and Wu Jianfei (the "Vendor B"), pursuant to which Cultural Tours has conditionally agreed to acquire, and the Creditor has conditionally agreed to assign the loan of RMB190,000,000 (due by the Vendor A and Vendor B to Creditor)("Target Loan") to Cultural Tours at the consideration of RMB190,000,000. Pursuant to the agreement, Cultural Tours has conditionally agreed to take up, and the Vendor A and Vendor B have conditionally agree to give up, the 30% equity interest in Jingning Differ Real Estate Limited (景寧鼎豐置業有限公司) ("Jingning Differ") and Lishui Fu Feng Cultural Tours Limited (麗水市富豐文化旅遊有限公司) ("Lishui Fu Feng") respectively.

Jingning Differ and Lishui Fu Feng are principally engaged in property development and management. The aforesaid acquisition was completed on 22 November 2018. Previously, each of Jingning Differ and Lishui Fu Feng was indirect 70% owned subsidiary of the Company. Upon the completion of the acquisition, each of Jingning Differ and Lishui Fu Feng become the wholly-owned subsidiary of the Company.

On 29 December 2018, the Group has disposed 100% equity interest in Differ Network at the consideration of RMB37,000,000. Differ Network Group is principally engaged in provision of financial consultancy service and investment of fund. The aforesaid disposal was completed on 31 December 2018.

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 2018.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

EVENT AFTER THE REPORTING DATE

(a) On 7 November 2018, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Ms. Shi to acquire the entire issued share capital of Prime Thrive at a consideration of RMB499,972,000. Prime Thrive was under common control and managed by Mr. Hong, the substantive shareholder of the Company, via Ms. Shi through a trust arrangement, the acquisition is considered as a combination of businesses under the common control. The consideration is settled by 1,033,000,000 shares of the Company at issue price of HK$0.55 per share. The principal activities of Prime Thrive and its subsidiaries are property development. The acquisition was completed on 23 January 2019. Upon the completion of the acquisition, Prime Thrive became a wholly owned subsidiary of the Company.

(b) On 15 January 2019, the Group received a notification (the "Notification") from Shandong Lid Liquidation Affairs Limited (the "Administrator"), a limited liability company established in the PRC, being appointed by the court as the administrator of Weihai Zhongtian Real Estate Limited ("Weihai Zhongtian") and responsible for the reorganisation of Weihai Zhongtian, that the court has formally approval a wholly-owned subsidiary of the Group and Zhangzhou Fuyi Investment Co., Limited ("Zhangzhou Fuyi") to be the reforming parties 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 Notification, the Group and Zhangzhou Fuyi will acquire 51% and 49% of the equity interest in Weihai Zhongtian respectively without payment of any consideration. The transaction was completed before the date of this announcement.

HUMAN RESOURCES

As at 31 December 2018, the Group had a total of 308 employees (2017 (restated): 226). The staff costs (included Directors' emoluments) were approximately RMB39.5 million for the year ended 31 December 2018 (2017 (restated): RMB33.3 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 Scheme and insurance for its employees in Hong Kong.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2018 (2017: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group had total cash and bank balances (general accounts) and current restricted bank deposits of approximately RMB125.5 million (2017 (restated): RMB78.3 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 14.8% as at 31 December 2018 (2017 (restated): 19.0%). The current ratio is 1.63 times as at 31 December 2018 (2017 (restated): 1.71 times). The Group did not use any financial instruments for hedging purpose.

On 21 June 2018, pursuant to a placing and subscription agreement ("P&S Agreement"), Ever Ultimate Limited ("Ever Ultimate"), an existing shareholder of the Company, should place 610,378,000 ordinary shares of the Company to certain placees at HK$0.53 per share ("Placing Price") ("Placing"), and should also subscribe for 610,378,000 new ordinary shares issued by the Company at the same price ("Subscription"). The Placing Price represented a discount of approximately 10.17% to the closing price of HK$0.59 per share as quoted on the Stock Exchange on the date of the P&S Agreement.

The Placing was successfully placed to not less than six placees and was completed on 26 June 2018 and the Subscription was completed on 29 June 2018. The aggregate cash consideration received, before share issue expenses, was approximately HK$323,500,000 (equivalent to approximately RMB265,271,000). The transaction results in an increase of the issue share capital (nominal value of shares) and share premium of HK$1,526,000 (equivalent to approximately RMB1,251,000) and HK$321,974,000 (equivalent to approximately RMB264,020,000). Share issue expenses of approximately HK$3,583,000 (equivalent to approximately RMB2,938,000) were charged to the share premium accounts accordingly.

The Boards considered that the Subscription represented an opportunity to raise additional funds for the Company to strengthen its financial position while both the Placing and Subscription will broaden the shareholders base of the Company to facilitate future development and can also increase the liquidity of the shares. The Company has fully used the net proceeds from the Subscription for the Group's business development including lending to the Group's customers and acquisition of valuable assets in the ordinary and usual course of the Group's business.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 26 November 2013 for the purpose of providing incentives or rewards to any employees of the Company and any other eligible persons for their contribution to the Group. On 25 April 2016, the Company granted an aggregate of 84,108,000 share options to the eligible persons. The following table discloses movements in the Company's Share Options during the year ended 31 December 2018:

2018

		Number of share options						
Name or category of participants	**Date of grant**	**At 1 January 2018**	**Granted**	**Exercised**	**Forfeited**	**At 31 December 2018**	**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 Chi Chung ("Mr. Ng")	**25 April 2016**	**6,400,000**	**–**	**–**	**–**	**6,400,000**	**30 April 2017 to 30 April 2021**	**0.734**
Employees (in aggregate)	**25 April 2016**	**44,750,000**	**–**	**–**	**(15,356,000)**	**29,394,000**	**30 April 2017 to 30 April 2021**	**0.734**
Total		**57,550,000**	**–**	**–**	**(15,356,000)**	**42,194,000**		

2017

Name or category of participants	Date of grant	Number of share options At 1 January 2017	Granted	Exercised	Forfeited	At 31 December 2017	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	69,586,000	–	–	(24,836,000)	44,750,000	30 April 2017 to 30 April 2021	0.734
Total		82,386,000	–	–	(24,836,000)	57,550,000		

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 were determined using the Binomial Option Pricing Model. The fair values of the share options and the significant inputs into the model and assumptions were as follows:

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

Fair value per share option

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

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

	Number of share options	**Weighted average exercise price** *HK$*
Outstanding at 1 January 2017	**82,386,000**	
Forfeited	**(24,836,000)**	0.734
Outstanding at 31 December 2017 and 1 January 2018	**57,550,000**	0.734
Forfeited	**(15,356,000)**	0.734
Outstanding at 31 December 2018	**42,194,000**	0.734

The share options outstanding at 31 December 2018 had exercise price of HK$0.734 (2017: HK$0.734) and a weighted average remaining contractual life of 0.71 years (2017: 1.71 years).

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB39.8 million (2017: RMB27.7 million) as at 31 December 2018 were pledged to secure for the Group's facilities of providing financial services to the customers. Bank borrowings with carrying amount of approximately RMB24.0 million (2017: RMB36.0 million) were secured by finance lease receivables with carrying amount of approximately RMB34.2 million (2017: RMB49.5 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

Throughout the year ended 31 December 2018, the Company had complied with the CG Code with the exception from the deviation from the code provisions A.1.8 as explained below:

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2018.

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 2018.

All the independent non-executive Directors were delegated with the authority to review on an annual basis the compliance of the terms of the non-competition undertaking and the enforcement of the non-competition undertaking given by Mr. Hong, Mr. Ng. Expert Corporate Limited 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 2018. All independent non-executive Directors also confirmed that they were not aware of any non-compliance with the non-competition undertaking given by them during the same period.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors, namely Mr. Chan Sing Nun (chairman), Mr. Lam Kit Lam and Mr. Zeng Haisheng (members), who have reviewed the financial statements and annual results of the Group for the year ended 31 December 2018.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2018 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

Hong Kong, 28 March 2019

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