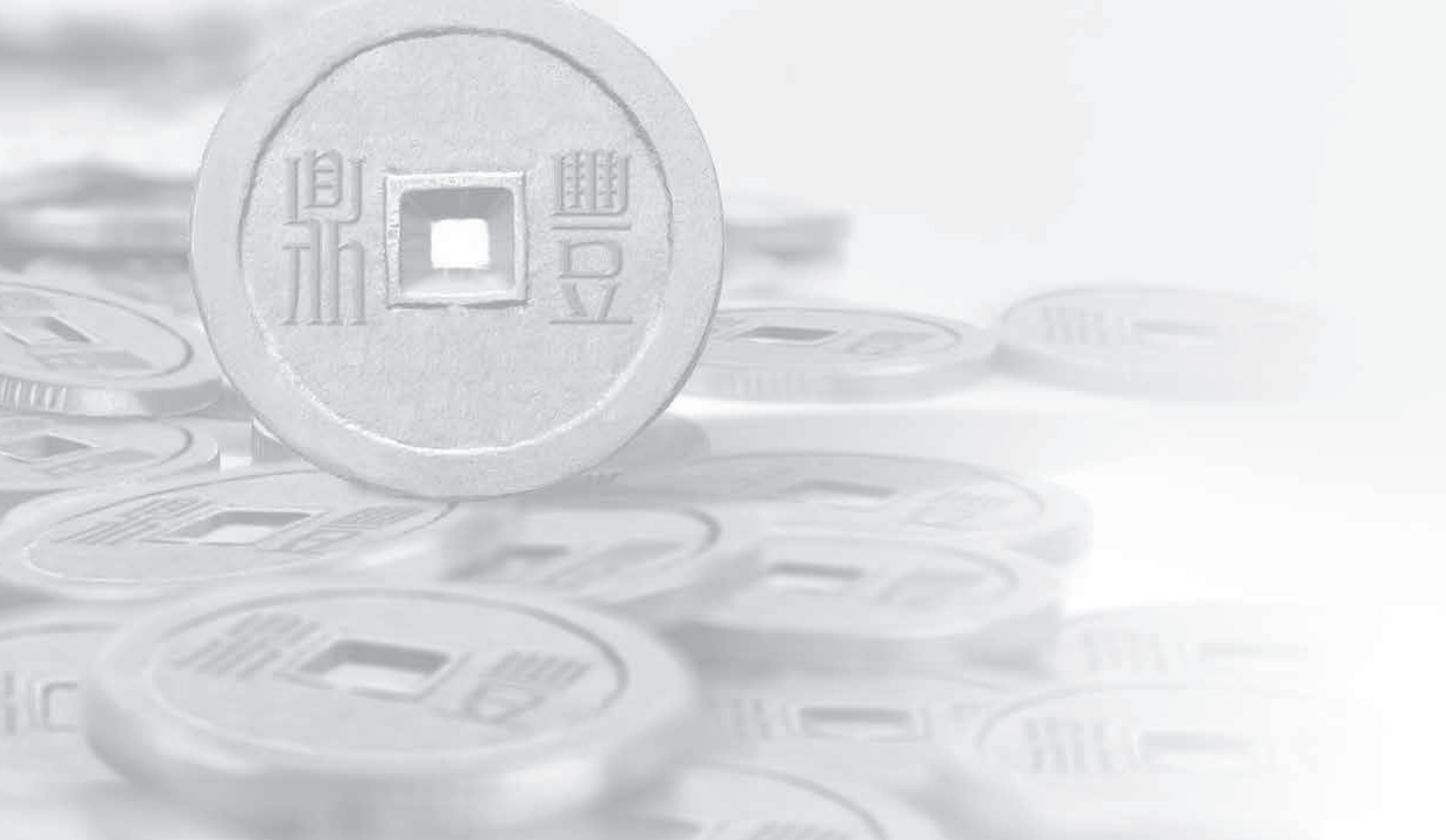
Differ Group Holding Company Limited
鼎豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6878

Annual Report 2018

CONTENTS



CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

Mr. HONG Mingxian *(Chairman)*
Mr. NG Chi Chung *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS:

Mr. CAI Huatan *(Honorary Chairman) (former executive director; re-designated as non-executive director with effect from 28 February 2019)*
Mr. CAI Jianfeng *(resigned on 28 February 2019)*
Mr. WU Qinghan

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. CHAN Sing Nun
Mr. LAM Kit Lam
Mr. ZENG Haisheng

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

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

16/F, Euro Trade Centre
13-14 Connaught Road Central
Central, Hong Kong

COMPANY SECRETARY

TAM Wai Tak Victor

AUDITOR

BDO Limited

AUTHORISED REPRESENTATIVES

HONG Mingxian
TAM Wai Tak Victor

MEMBERS OF AUDIT COMMITTEE

Mr. CHAN Sing Nun *(Chairman)*
Mr. LAM Kit Lam
Mr. ZENG Haisheng

MEMBERS OF REMUNERATION COMMITTEE

Mr. LAM Kit Lam *(Chairman)*
Mr. ZENG Haisheng
Mr. CHAN Sing Nun

MEMBERS OF NOMINATION COMMITTEE

Mr. ZENG Haisheng *(Chairman)*
Mr. LAM Kit Lam
Mr. CHAN Sing Nun

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications

COMPANY WEBSITE

www.dfh.cn

STOCK CODE

06878

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)
Income from financial related services	**136,771**	181,215	201,659	162,150	118,091
Income from assets management business	**715,038**	118,053	93,209	21,000	–
Other income	**35,805**	53,230	3,398	4,433	4,664
Cost of property development	**(466,131)**	–	–	–	–
Gain on disposals of subsidiaries	**31,947**	–	6,942	–	–
Gain on redemption of convertible bonds	**–**	8,770	–	–	–
Employee benefit expenses	**(39,547)**	(33,276)	(22,789)	(13,660)	(9,867)
Depreciation and amortisation expenses	**(4,349)**	(2,375)	(3,143)	(2,625)	(1,860)
Operating lease expenses	**(7,629)**	(3,003)	(2,601)	(1,357)	(807)
Equity-settled share-based payments	**(3,729)**	(8,335)	(12,120)	–	–
Other expenses	**(51,545)**	(51,864)	(52,183)	(25,537)	(11,440)
Share of results of associates	**(7,076)**	492	7	–	–
Share of results of joint venture	**–**	10,910	14,192	52,724	–
Change in fair value of derivative financial instruments	**–**	1,960	14,028	–	–
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	**(35,505)**	(56,337)	(42,367)	(3,641)	–
Profit before income tax	**407,367**	228,395	198,232	193,487	98,781
Income tax expense	**(108,091)**	(47,975)	(50,639)	(36,960)	(25,769)
Profit for the year	**299,276**	180,420	147,593	156,527	73,012
Attributable to:					
Owners of the Company	**264,223**	174,336	144,969	155,434	73,012
Non-controlling interests	**35,053**	6,084	2,624	1,093	–
	299,276	180,420	147,593	156,527	73,012

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)
Total assets	**4,147,917**	3,306,679	2,338,790	1,776,288	651,905
Total liabilities	**(2,506,085)**	(1,935,084)	(1,117,410)	(725,947)	(71,358)
Non-controlling interests	**(29,846)**	(64,106)	(105,982)	(95,891)	–
Equity attributable to owners of the Company	**1,611,986**	1,307,489	1,115,398	954,450	580,547

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of directors (the "Board"), I am pleased to present to the shareholders the remarkable annual results of Differ Group Holding Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2018(the "Year").

BUSINESS REVIEW

The Group witnessed an explosive growth and reported a record high turnover of approximately RMB851.8 million and profit attributable to owners of the Company surged by 51.6% to approximately RMB264.2 million. The increase in turnover and profit are primarily attributable to the significant growth in our asset management business.

The acquisition of the Differ Cultural Tourism Development Company Limited and its subsidiaries ("Differ Cultural Group") was completed in January 2018. Differ Sky Realm (鼎豐天境), one of the property projects the Differ Cultural Group manages brought RMB693.7 million of revenue for the Year resulted from Phase 1 and 2 construction works completed. 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. Therefore, the Group has been actively seeking valued assets opportunities in the Year to further expand the property development business mainly in the theme of cultural tourism.

The acquisitions of i) Prime Thrive Limited and ii) lands plots in Zhejiang province was 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. Meanwhile, the Group is looking for the other value assets in PRC continuously.

Other than developing asset management business, 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.

In the capital market, the Company took advantage of its status as a reputable listed company in Hong Kong to raise funds through placing of shares and bonds. The success in fund raising provided the backbone for the Group's rapid growth. The Board feels honored to have earned the trust of our investors. We will continue to actively seek and seize the market opportunities and create multiple income streams in order to generate satisfactory returns for shareholders on a continuous basis.

CHAIRMAN'S STATEMENT

APPRECIATION

I wish to express my gratitude to all shareholders, investors and business partners for their continued trust and support. I would also like to thank the staff members of the Group for the valuable contribution they have made, with team spirit and dedication, to the Group's long-term development. I look forward to continuing working hand-in-hand with all of us for mutual advancement. With staff members at all levels of the Group going all out, we can certainly bring our potential into full play to achieve the Group's operation objectives and create maximized value for shareholders.

Mr. HONG Mingxian
Chairman

Hong Kong
28 March 2019

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

EXECUTIVE DIRECTORS

Mr. HONG Mingxian (洪明顯), aged 44, was appointed as our executive Director on 4 December 2012. Mr. Hong is the chairman of our Company. Mr. Hong is responsible for the overall strategic formulation, management and planning of our Group.

Mr. Hong attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in July 2004. Mr. Hong is the vice chairman of Xiamen City Federation of Industry and Commerce (Chamber of Commerce) (廈門市工商聯(總商會)), the vice chairman of 2nd Council of Xiame Glory Society (廈門光彩事業促進會), a chief supervisor of Capital Association of Fujian Chamber of Commerce (福建閩商資本聯合會), the founding chairman of Xiamen City Quanzhou Chamber of Commerce (廈門市泉州商會) and the honorary chairman of Fujian Youth Entrepreneurship Promotion Association (福建青年創業促進會).

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

Mr. NG Chi Chung (吳志忠), aged 46, was appointed as an executive Director on 26 November 2013. Mr. Ng is the chief executive officer of our Company. Mr. Ng is responsible for the overall business development and management of our Group. Mr. Ng attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in January 2008. Mr. Ng has previously worked at various companies in Hong Kong and Shishi, Fujian Province, and has over 10 years' experience in corporate management. From 2002 to 2008, Mr. Ng was a member of the senior management of a vehicle trading company based in Shishi. Mr. Ng joined the Group in September 2008.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

NON-EXECUTIVE DIRECTORS

Mr. CAI Huatan (蔡華談), aged 59, was appointed as an executive Director on 26 November 2013 and re-designated to a non-executive director on 28 February 2019. Mr. Cai is the honorary chairman of our Company. Mr. Cai graduated from a postgraduate programme in economic law from the Law School of Sichuan University (四川大學) in 1996. Before he joined the Group in September 2008, Mr. Cai has approximately 30 years of experience in management and public administration. From 1980 to 2005, Mr. Cai worked for various departments of the governments of Shishi and Quanzhou.

Mr. WU Qinghan (吳清函), aged 55, was appointed as a non-executive director on 26 November 2013. Mr. Wu has over 25 years experience in trading and manufacturing. He has been the chairman of a manufacturing company in Shishi since 2000. He has been the chairman of Shishi Lingxiu General Chamber of Commerce (石獅市靈秀商會) since 2005. Mr. Wu was a director of a group company from April 2010 to May 2012 and a director of another group company from July 2009 to January 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZENG Haisheng (曾海聲), aged 60, was appointed as an independent non-executive director on 26 November 2013. Mr. Zeng graduated from a postgraduate programme in economic law from the Law School of Sichuan University (四川大學) in October 1996. Since 2006, Mr. Zeng has been the chairman of an investment company in Xiamen.

Mr. LAM Kit Lam (林洁霖), aged 44, joined the Group as an independent non-executive Director on 7 June 2017. Mr. Lam is an Honorary Citizen of Xiamen City and is the chairman of DEBON Asset Management Inc.. He has over 15 years of experience in the banking industry. He became a deputy general manager of the Bank of East Asia (China) Ltd. ("BEA") Shanghai branch in 2007, he then worked as a general manager at BEA Wuhan branch and subsequently at BEA Xiamen branch until August 2014.

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

Mr. CHAN Sing Nun (陳星能), aged 44, joined the Group as an independent non-executive Director on 26 November 2013. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr. Chan has over 15 years' experience in auditing, accounting and financial management. Mr. Chan currently is the principal of an audit firm in Hong Kong. Other than his directorship in the Company, Mr. Chan is currently an independent non-executive director of Guangdong Kanghua Healthcare Co., Ltd (stock code: 3689) and Fameglow Holdings Limited (stock code: 8603).

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

SENIOR MANAGEMENT

Mr. CHENG Yun Chung RONIE (鄭潤聰), aged 46, is the manager in charge of corporate finance and fund raising activities within the Group. Graduated from University of Warwick, Mr. Cheng is a fellow member of the Institute of Chartered Accountant of England and Wales with over 20 years of experience in the financial industries with experience spanning from auditing to private equity fund to listed companies.

Mr. TAM Wai Tak Victor (譚偉德), aged 41, is the financial controller and company secretary of the Company. Mr. Tam joined our Group in late January 2013. He is responsible for financial reporting and company secretarial matters of the Company. Mr. Tam graduated with a bachelor of arts in accounting & finance (first class honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

From January 2002 to February 2005, Mr. Tam was employed as an audit assistant at a local audit firm and was subsequently promoted to senior auditor. From April 2005 to January 2010, he assumed the positions of senior accountant and manager at Grant Thornton where he acted as audit in-charge/manager to lead the audit teams in providing professional audit services. From January 2010 to November 2010, he worked as a financial controller for a private company. From January 2011 to January 2013, he was employed as an audit manager at BDO Limited and was subsequently promoted to senior manager.

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 Tourism Development Company Limited ("Differ Cultural") and its subsidiaries ("Differ Cultural Group") was completed on 23 January 2018 (the "Acquisition"). 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, finance 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 1.2% 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 grants 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Company Limited ("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 and its subsidiaries (collectively the "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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENT

(i) Operating lease commitments

Group as Lessee

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

	2018 RMB'000	2017 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

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

	2018 RMB'000	2017 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: RMB1,434,028,000 (restated)).

(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 US$5,000,000 (equivalent to RMB32,479,000) to the company, representing 5% of the total registered capital.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	2018 RMB'000	2017 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 owed 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 Group 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 Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 services 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 Limited ("Prime Thrive") at a consideration of RMB499,972,000. Prime Thrive was under the control and managed by Mr. Hong, the substantial shareholder of the Company, via Ms. Shi through a trust arrangement, the acquisition is considered as a combination of businesses under the common control. The consideration is settled by 1,033,000,000 shares of the Company at issue price of HK$0.55 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 Company 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 the approval of these financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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.

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).

DIRECTORS' REPORT

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of (i) assets management services (including investments in lands and properties, distress assets and equities), (ii) finance lease services and (iii) financial services (including express loan services, guarantee services, financial consultancy services, supply chain services and securities dealing and brokerage services). The principal activities and other particulars of the subsidiaries are set out in note 37 to the financial statements.

CORPORATION ORGANISATION

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

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended 31 December 2018 and the financial position of the Group at that date are set out in the financial statements on pages 63 to 66 of this annual report.

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

DIVIDEND POLICY

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

PRINCIPLES AND GUIDELINES OF DIVIDEND POLICY

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

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

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

DIRECTORS' REPORT

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

FINANCIAL SUMMARY

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

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 34 to the financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

The details of movements in the property, plant and equipment of the Group for the year ended 31 December 2018 are set out in note 14 to the financial statements in this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively in the report. Details of the distributable reserves of the Company are set out in note 35 to the financial statements. The Company's reserves available for distribution to members as at 31 December 2018 amounted to approximately RMB871.3 million (2017: RMB355.1 million).

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

Revenues attributable to the Group's five largest customers accounted for less than 30% of the revenue for the year ended 31 December 2018.

The Group's suppliers were mainly general contractors. The purchases made by the Group from its largest supplier and the five largest suppliers accounted for approximately 75.6% and 83.5% of the Group's total cost of sales for the year ended 31 December 2018 respectively.

None of the Directors or any of their close associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year ended 31 December 2018.

CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES

Details of movements in the Company's convertible bonds and derivative financial liabilities during the year are set out in note 32 to the financial statements in this annual report.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Mr. Hong Mingxian ("Mr. Hong")
Mr. Ng Chi Chung ("Mr. Ng")

Non-executive Directors

Mr. Cai Huatan ("Mr. Cai") *(formerly executive director; re-designated as non-executive director with effect from 28 February 2019)*
Mr. Cai Jianfeng *(resigned on 28 February 2019)*
Mr. Wu Qinghan

Independent Non-executive Directors

Mr. Chan Sing Nun
Mr. Lam Kit Lam
Mr. Zeng Haisheng

In accordance with the Company's articles of association, Mr. Hong, Mr. Cai and Mr. Lam Kit Lam will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("AGM").

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 6 to 8 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures" below, at no time during the year ended 31 December 2018 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

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

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

DIRECTORS' REPORT

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

The total number of shares in respect of which options may be granted under the Scheme shall not exceed 400,000,000 shares, being 6.29% of the total number of shares in issue as at the date of the report. On 25 April 2016, the Company granted an aggregate of 84,108,000 share options to the eligible persons. Details of movements in the Company's share options during the year are set out in note 49 to the financial statements in this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year are set out in note 45 to the financial statements in this annual report.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions which are subject to annual reporting under Chapter 14A of the Listing Rules:

ACQUISITION OF ALL EQUITY INTEREST IN DIFFER CULTURAL TOURISM DEVELOPMENT COMPANY LIMITED

On 21 November 2017, Differ Asset Development Limited, a wholly-owned subsidiary of the Company (the "Purchaser A") entered into the conditional sale and purchase agreement with Ms. Shi Hongjiao ("Ms. Shi") (the "Vendor"), spouse of Mr. Hong to acquire the entire issued share capital of Differ Cultural Tourism Development Company Limited ("Differ Cultural") at the consideration of RMB375,000,000 ("Consideration") (the "Acquisition A"). The Consideration shall be settled by the Group in the following manners:

(i) RMB41,065,920 of the Consideration shall be satisfied by the Company to allot and issue 84,000,000 shares of the Company;

(ii) the Purchaser A to pay on behalf of the Vendor, Mr. Hong and their respective associate companies to Differ Cultural, to satisfy part or whole (in the sole and absolute discretion of the Purchaser) of the outstanding amount owed by the Vendor, Mr. Hong and their respective associate companies to Differ Cultural;

(iii) the retention sum of RMB90 million shall be retained by the Purchaser A if the existing charge executed by Jingning Differ Real Estate Limited (景寧鼎豐置業有限公司) ("Jingning Differ") in respect of its certain land in favour of a bank as security for loan facility in the sum of RMB90 million grant by such bank to Dragon Holdings Company Limited (龍之族控股有限公司) ("Dragon Holdings") is not fully released; and

(iv) the remaining balance, if any, of the Consideration after deducting the amounts as stated in (i), (ii) and (iii) above from the total Consideration, to be settled in cash within two years from the completion date of the Acquisition A.

DIRECTORS' REPORT

Differ Cultural and its subsidiaries are principally engaged in property development and management. The completion of the Acquisition A took place on 23 January 2018 and the fair value of the Consideration was RMB376,929,000. Upon the completion the Acquisition A, Differ Cultural became a wholly-owned subsidiary of the Company.

The Directors consider that the Acquisition A represents a good investment opportunity for the Group as it represents a strategic expansion of the Group in line with the Group's general business strategy. For further details, please refer to the circular dated 23 December 2017.

ACQUISITION OF TARGET LOAN OF RMB190,000,000 AND TAKING UP OF 30% EQUITY INTEREST EACH IN JINGNING DIFFER AND LISHUI FU FENG CULTURAL TOURS LIMITED ("LISHUI FU FENG")

On 18 September 2018, Cultural Tours Limited, an indirect wholly-owned subsidiary of the Company (the "Purchaser B") entered into the agreement with Hong Qiaosi (the "Creditor"), Wu Yukai (the "Vendor A") and Wu Jianfei (the "Vendor B"), pursuant to which the Purchaser B 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 the Purchaser B at the consideration of RMB190,000,000. Pursuant to the agreement, the Purchaser B 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 and Lishui Fu Feng respectively (the "Acquisition B").

Jingning Differ and Lishui Fu Feng are principally engaged in property development and management. The completion of the Acquisition B took place on 22 November 2018. Previously, each of Jingning Differ and Lishui Fu Feng was indirect 70% owned subsidiary of the Company, the Directors believe the Acquisition B would allow the Company to gain full control in Jingning Differ and Lishui Fu Feng, ensure effective implementation of the Company's growth strategies in the PRC. For further details, please refer to the announcement dated 18 September 2018.

ACQUISITION OF ALL EQUITY INTEREST IN PRIME THRIVE INVESTMENTS LIMITED

On 7 November 2018, Differ Cultural Tours Limited, a wholly-owned subsidiary of the Company (the "Purchaser C") entered into a conditional sale and purchase agreement with the Vendor to acquire the entire issue share capital of Prime Thrive Investment Limited ("Prime Thrive") at a consideration of RMB499,972,000 (the "Acquisition C"). The consideration is settled by 1,033,000,000 shares of the Company at issue price of HK$0.55 per share.

Prime Thrive and its subsidiaries ("Prime Thrive Group") are principally engaged in property development and management. The completion of the Acquisition C took place on 23 January 2019 and Prime Thrive become the wholly-owned subsidiary of the Company. The Directors consider that the Acquisition C represents a good investment opportunity for the Group as it represents a strategic expansion of the Group in line with the Group's general business strategy. For further details, please refer to the circular dated 31 December 2018.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group had the following continuing connected transactions which are subject to reporting and annual review requirements under Chapter 14A of the Listing Rules:

Company Name	Relationship	Type of transaction	Transaction amount Year ended 31 December 2018 RMB'000	Annual Cap Year ended 31 December 2018 RMB'000
Dragon Holdings^	Related company*	Provision of guarantee service and receive guarantee fee and consultancy fee *(note a)*	**73,943,000**	**91,163,000**
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*	Provision of guarantee service and receive guarantee fee and consultancy fee *(note b)*	**257,750,000**	**257,750,000**

Note a:

In order to satisfy the conditions precedent of the Acquisition A, the guarantee service agreement was entered into between 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	:	Jingning 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 A, 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	:	Jingning 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.

The Directors (including the independent non-executive Directors) are of the view that the Guarantee Service Agreement 1 and the Guarantee Service Agreement 2 (collectively the "Guarantee Service Agreements") were entered into in the ordinary and usual course of business of the Company, on normal commercial terms which are fair and reasonable, and in accordance with the relevant agreements governing the transactions and in the interests of the Company and the shareholders as a whole. The Directors also confirm that the auditor has confirmed the matters set out in rule 14A.56 of the Listing Rules regarding the Guarantee Service Agreements for the year ended 31 December 2018.

The Guarantee Service Agreement 1 was completed on 31 May 2018. The acquisition of Prime Thrive Group was completed on 23 January 2019, Jingning Differ and Jingning Outdoor became fellow subsidiaries of the Company, then Jingning Differ and Jingning Outdoor were no longer connected parties pursuant to Chapter 14A of the Listing Rules. As such, the Guarantee Service Agreement 2 was terminated upon completion of the above acquisition.

DIRECTORS' REPORT

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 31 December 2018, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Companies" contained in the Listing Rules, were as follows:

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

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the total issued share capital of the Company
Mr. Hong	Interest in controlled corporation *(Note 1)*	1,968,200,000	–	1,968,200,000	36.92%
	Beneficial owner	–	6,400,000	6,400,000	0.12%
	Interest of spouse *(Note 2)*	1,033,000,000	–	1,033,000,000	19.38%
Mr. Ng	Interest in controlled corporation *(Note 3)*	1,115,800,000	–	1,115,800,000	20.93%
	Beneficial owner	12,098,000	6,400,000	18,498,000	0.34%

Notes:

1. These Shares were held by Expert Corporate Limited ("Expert Corporate"), which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 1,968,200,000 Shares under the SFO.

2. Mr. Hong is the spouse of Ms. Shi. Mr. Hong is therefore deemed to be interested in all the Shares owned by Ms. Shi (the Vendor of the Acquisition A).

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

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2018, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2018, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

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

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Expert Corporate	Beneficial owner *(Note 1)*	1,968,200,000	36.92%
Ms. Shi	Interest of spouse *(Note 2)*	1,974,600,000	37.04%
	Beneficial owner	1,033,000,000	19.38%
Ever Ultimate	Beneficial owner *(Note 3)*	1,115,800,000	20.93%
Ms. Ting Pui Shan ("Ms. Ting")	Interest of spouse *(Note 4)*	1,134,298,000	21.27%
Jianda Value Investment Fund L.P.	Person having a security interest in shares *(Note 5)*	750,000,000	14.07%
Li Yining	Person having a security interest in shares *(Note 5)*	750,000,000	14.07%
Cinda International Holdings Limited	Person having a security interest in shares *(Note 5)*	750,000,000	14.07%

DIRECTORS' REPORT

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Wu Haitao	Person having a security interest in shares *(Note 5)*	750,000,000	14.07%
Tian Sheng Universal Limited	Person having a security interest in shares *(Note 5)*	750,000,000	14.07%
Caitong Securities Co., Limited	Person having a security intend in shares *(Note 5)*	750,000,000	14.07%
China Cinda Asset Management Co., Limited	Person having a security intend in shares *(Note 5)*	750,000,000	14.07%
Ministry of Finance of Zhejiang Province, the People's Republic of China (中華人民共和國浙江省財政廳)	Person having a security intend in shares *(Note 5)*	750,000,000	14.07%
Sinoday Limited	Person having a security intend in shares *(Note 5)*	750,000,000	14.07%
Asia United Fund	Investment manager	929,798,000	17.44%

Notes:

1. These Shares were held by Expert Corporate, which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 1,968,200,000 Shares under the SFO.

2. Ms. Shi is the spouse of Mr. Hong.

3. These Shares were held by Ever Ultimate, which was wholly and beneficial owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 1,115,800,000 Shares under the SFO.

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

5. On 7 June 2018, Expert Corporate had executed a share and account charge in favour of the subscribers of the senior guaranteed notes, pursuant to which Expert Corporate charged the securities of at least 750,000,000 Shares and assets in a designated securities account of Expert Corporate as a security for the repayment obligation of the Company under the subscription agreement.

Save as disclosed above and as at 31 December 2018, there are no interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or any of their respective associates (as defined in the Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 December 2018.

All the independent non-executive Director were delegated with the authority to review on an annual basis the compliance of the terms of the non-competition undertaking and the enforcement of the non-competition undertaking given by Mr. Hong, Mr. Ng, Expert Corporate and Ever Ultimate. Each of them confirmed that (a) they have provided all information necessary for the enforcement of the non-competition undertaking, as requested by all independent non-executive Directors from time to time; and (b) each of them had fully complied with the non-competition undertaking for the year ended 31 December 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.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 30 to 40 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by BDO Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

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

Hong Kong, 28 March 2019

CORPORATE GOVERNANCE REPORT

The board of Directors of the Company (the "Board") is pleased to present the corporate governance report for the year ended 31 December 2018.

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

Throughout the year ended 31 December 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 report since the Directors take the view that the Company shall support directors arising from corporate activities.

THE BOARD AND BOARD COMMITTEES

The Directors who held office during the year ended 31 December 2018 and as at the date of this report are as follows:

Mr. Hong Mingxian	Executive Director and Chairman
Mr. Ng Chi Chung	Executive Director and Chief Executive Officer
Mr. Cai Huatan	Non-executive Director (former executive director; re-designated as non-executive director with effect from 28 February 2019) and Honorary Chairman
Mr. Cai Jianfeng	Non-executive Director (resigned on 28 February 2019)
Mr. Wu Qinghan	Non-executive Director
Mr. Chan Sing Nun	Independent non-executive Director
Mr. Lam Kit Lam	Independent non-executive Director
Mr. Zeng Haisheng	Independent non-executive Director

The biographical details of all directors are set out under the section headed "Directors' and Senior Management Biographical Details" on pages 6 to 8.

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

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2018, the Company has complied with Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence. Each of the independent non-executive Directors has made an annual confirmation of independence and the Board is satisfied that all the independent non-executive Directors were independent and met the independent guidelines set out in Rule 3.13 of the Listing Rules, up to the date of the annual report.

BOARD DIVERSITY POLICY

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

Policy Statement

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Implementation

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

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

Measurable Objectives

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEE

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

DIRECTORS' ATTENDANCE RECORD

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

During the year ended 31 December 2018, the Board held four regular board meetings which were held at approximately quarterly intervals and two general meetings, being 2018 AGM and one extraordinary general meeting ("EGM"). The attendance of each Directors is as follows:

	Number of regular board meetings attended/held	Number of general meeting attended/held
Executive Directors:		
Mr. Hong Mingxian	4/4	2/2
Mr. Ng Chi Chung	4/4	2/2
Non-executive Directors:		
Mr. Cai Huatan (former executive director; re-designated as non-executive director with effect from 28 February 2019)	4/4	0/2
Mr. Cai Jianfeng (resigned on 28 February 2019)	4/4	0/2
Mr. Wu Qinghan	4/4	1/2
Independent non-executive Directors:		
Mr. Chan Sing Nun	4/4	1/2
Mr. Lam Kit Lam	4/4	0/2
Mr. Zeng Haisheng	4/4	0/2

CORPORATE GOVERNANCE REPORT

There were 5 additional board meetings held for normal course of business during the year with the presence of all executive Directors. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of Board members. The Board is provided with relevant materials in relation to the matters brought before the meetings. Reasonable notices of meetings are given to the Directors and the Directors are encouraged to propose new items as any other business for discussion at the meetings. Minutes are kept by the company secretary and are open for inspections by all Directors at any reasonable time. Procedures for convening meetings of the Board and Board committees and preparing minutes of the meetings have complied with the requirements of the Articles of Association of the Company and applicable rules and regulations.

AUDIT COMMITTEE

The Board has established the Audit Committee on 26 November 2013 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. As at 31 December 2018, the Audit Committee consists of three independent non-executive Directors, namely, Mr. Chan Sing Nun, Mr. Lam Kit Lam and Mr. Zeng Haisheng. Mr. Chan Sing Nun is the chairman of the Audit Committee.

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

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

– reviewing and examining the effectiveness of risk management and internal control measure;

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

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

During the year ended 31 December 2018, the Audit Committee (1) reviewed the Group's annual and interim reports and result announcements, the related accounting principles and practices adopted by the Group and provided advice and comments thereon; (2) made recommendations to the Board and the management in respect of the Group's financial reporting, risk management and internal control procedures; and (3) reviewed the Group's connected transactions and continuing connected transactions pursuant to the Listing Rules. The Audit Committee held four meetings during the year and the attendance of each member is as follows:

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

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee on 26 November 2013 with written terms of reference in compliance with the Listing Rules. As at 31 December 2018, the Remuneration Committee consists of three independent non-executive Directors, namely, Mr. Lam Kit Lam, Mr. Zeng Haisheng and Mr. Chan Sing Nun. Mr. Lam Kit Lam is the chairman of the Remuneration Committee.

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

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

– ensuring none of the Directors determine their own remuneration.

During the year ended 31 December 2018, the Remuneration Committee reviewed and made recommendation on the remuneration package of Directors and senior management of the Group and assessed the performance of executive Directors. The Remuneration Committee held 1 meeting during the year and attendance of each member is as follows:

	Number of Remuneration Committee Meeting attended/held
Mr. Lam Kit Lam	1/1
Mr. Zeng Haisheng	1/1
Mr. Chan Sing Nun	1/1

NOMINATION COMMITTEE

The Board has established the Nomination Committee on 26 November 2013 with written terms of reference in compliance with the Listing Rules. As at 31 December 2018, the Nomination Committee consists of three independent non-executive Directors, namely, Mr. Zeng Haisheng, Mr. Lam Kit Lam and Mr. Chan Sing Nun. Mr. Zeng Haisheng is the chairman of the Nomination Committee.

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

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

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

– identify suitable and qualified individuals to become Board members.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2018, the Nomination Committee reviewed and discussed the structure, size and composition of the Board; made recommendation on the re-election of the retiring Directors; and confirmed the independence of the independent non-executive Directors. The Nomination Committee held 1 meeting during the year and the attendance of each member is as follows:

	Number of Nomination Committee Meeting attended/held
Mr. Zeng Haisheng	1/1
Mr. Chan Sing Nun	1/1
Mr. Lam Kit Lam	1/1

NOMINATION POLICY

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

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

Nomination and Appointment of Directors

Criteria:

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

- Character and integrity.

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

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

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

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

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

- Sufficiency of time to be devoted to the Company.

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

Nomination Process

(a) Appointment of New Director

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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.

AUDITOR'S STATEMENT AND THEIR REMUNERATION

The statement of the auditor of the Company about their reporting responsibilities on the Group's financial statements for the year ended 31 December 2018 is set out in the section headed "Independent Auditor's Report" of this report.

The remuneration of the Company's external auditor, BDO Limited, in respect of audit services and non-audit services for the year ended 31 December 2018 amounted to RMB1,305,000 (2017: RMB781,000) and RMB957,000 (2017: RMB1,096,000) accordingly.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Company has set up a compliance committee in April 2013 that is charged with duties to oversee and report to the Directors and the Company's Audit Committee on a regular basis the continuous compliance status of the Company. Besides, a corporate governance committee has been set up in December 2013. The corporate governance committee is closely monitoring the effectiveness of our internal controls and prepares monthly reports containing (1) monthly consolidated financial statements, (2) business performance analysis, (3) material events and transaction (such as takeovers and mergers, change of key personnel and shareholders), (4) summary of significant contracts, (5) information of related party transactions, connected transactions and notifiable transactions, and (6) compliance status in our businesses.

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

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

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

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

During the year ended 31 December 2018, all Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending training course to develop professional skills.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the consolidated financial statements for the financial year ended 31 December 2018, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year then ended and properly prepared on going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

SHAREHOLDERS' RIGHTS

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

INVESTOR RELATIONS

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

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

During the year ended 31 December 2018, there had been no change in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Differ Group Holding Company Limited (the "Company") is delighted to publish its third environmental, social and governance ("ESG") report which covers the financial year from 1 January 2018 to 31 December 2018 (the "Year"). The report was prepared in accordance with the "comply or explain" provisions of Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx"), and has been reviewed and approved by the board of directors. This report highlights our strategies in pursuit of sustainability, our efforts and ESG performance of the Company and its major subsidiaries (collectively, the "Group") in Xiamen and Lishui.

Your feedback on this report and other sustainability matters is highly valuable for our continuous improvement. Please write to us at 16/F, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong or email us at pr@dfh.cn.

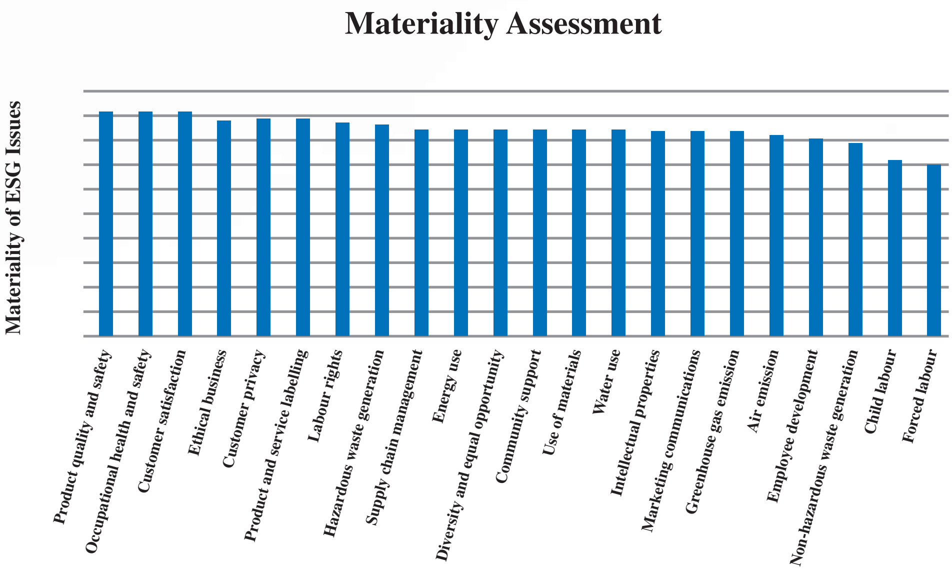
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group strongly believes that stakeholders play a crucial role for sustaining the success of our business; thus, we place great emphasis on engaging our key stakeholders such as the board of directors, top management, customers, employees, suppliers and contractors. We maintain an open and ongoing dialogue with our stakeholders through multiple communicate channels. By means of stakeholder engagement, we are able to understand their concerns and expectations, which help us refine our sustainability strategies and create long-term values.

Stakeholders	Communication Channels
Board of directors or top management	• Company website • Annual and Interim Reports • Regular meetings
Customer	• Company website • Annual and Interim Reports • Customer service channels
Employee	• Training and orientation • Intranet • Performance assessment • Relationship building activities • Whistling-blowing mechanism
Supplier or contractor	• Selection Assessment • Tendering and procurement processes

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have conducted a materiality assessment by means of an online questionnaire so as to identify and prioritize material issues to the Group. The questionnaire consists of 22 ESG-related issues, covering areas in human resources, environmental protection, community involvement and operational practices. Stakeholders were invited to rate the importance of each issue and the result is presented below:



The top 5 material issues identified are (i) product quality and safety, (ii) occupational health and safety, (iii) customer satisfaction, (iv) ethical business and (v) customer privacy. We will continuously improve our ESG performance by making reference to the concerns of our stakeholders expressed above and incorporating them into our day-to-day operation.

SUSTAINABLE BUSINESS

The Group performs all activities based on the spirit of “Integrity, Gratitude, Prudence and Trailblazing” by adopting the principle of customer-centric. As a comprehensive enterprise involving in diverse fields including financial services and cultural tourism business, we are committed to providing high-quality services to our customers, as well as operating in an ethical manner.

Excellent Services

Our customers are our most important and valuable resources. Supported by a team of experts in finance, legal, management, research and government policies, we provide our services with high degree of professionalism and create value-added services with flexible and custom-made solutions. We strive to deliver the best-tailored services by managing and controlling the quality of our customer services. The Customer Services System clearly outlines the appropriate procedures that should be taken when handling customers’ enquiries and complaints. We are committed to handling the issues in a timely manner. By collecting feedback, we continuously improve our service quality to achieve the greatest extent of customer satisfaction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising and labelling matters of products and services in Hong Kong and Mainland China.

Ethical Business

The Group upholds the highest ethical and governance standards in our business operations; thus, we have zero tolerance on bribery and corruption. Internally, all employees are required to adhere to the Employee Code of Conduct. It clearly states that no staff shall accept advantages, gifts, entertainment or any forms of bribery from our business partners. In case of violation, we will conduct investigation timely and take disciplinary actions if necessary. Externally, we also extend our anti-corruption commitment to our suppliers and customers, expecting them to conduct business with integrity.

With our Internal Whistleblowing Management System, employees are encouraged to report any suspected misconduct to the management in either written or verbal form. The identity of the whistleblower is kept confidential. We are committed to handling all reported cases promptly and fairly.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong and Mainland China.

Customer Privacy & Intellectual Property Rights

Recognizing how important privacy means to our customers, the Group takes customer privacy issue seriously. To build mutual trust with our customers, the Rules of Protecting Customer Privacy are established to provide guidance to our staff when collecting, using, transferring, storing and disclosing customers' valuable information. Only relevant and necessary information is collected in order to provide value-added services and to enhance our customers' experience. Their information is treated in a secure and confidential manner, as well as in line with all applicable data privacy laws and regulations. Only authorized personnel are allowed to access, process and erase customers' data. We are committed to not disclosing any information unless prior consent has been obtained from the owner.

Intellectual property ("IP") is the intangible asset of the Group and our customers; thus, we strive to observe and respect IP rights. The Intellectual Property Management Measures are in place to regulate the protection and to avoid any infringement of IP rights, in line with relevant IP laws and regulations. Training and promotional campaigns are also carried out to ensure all levels of our staff are adhering to the measures.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to privacy matters of products and services and IP rights in Hong Kong and Mainland China.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supply Chain Management

As a responsible enterprise, we strive to step forward to exert influences on other parties associated with the Group so as to build a better future together with our supply chain. We have formulated the Supplier and Customer Code of Conduct to help our suppliers perform beyond legal compliance, as detailed below. Suppliers, customers and other related parties are required to follow the code when doing business with the Group. To ensure the effectiveness of the code, regular inspections are carried out from time to time. Appropriate support or training is also provided where necessary. In case of violation, we will respond immediately and take disciplinary actions if necessary.

Environmental protection

- Adopt environmentally-friendly practices
- Give priority to suppliers with certified environmental management system

Ethics and integrity

- Avoid conflicts of interests
- Discourage the acceptance of gifts, hospitality, entertainment or insider dealing

Fair and equal working environment

- Treat their staff with respect and dignity
- Maintain an equal and discrimination-free workplace

Freedom of association and complaint

- Grant rights to staff to form and join unions freely
- Handle employee’s complaints with confidential measures

Legal compliance

- Comply with all applicable laws and regulations fully

Apart from managing our supply chain, we practise green procurement internally. In addition to pricing, factors such as energy-saving performance, health and safety, low-carbon and recycling readiness are also considered in our procurement process. For example, electrical appliances certified with “China Environmental Labelling” and “Energy Savings”, office supplies with national “Government Procurement List on Environmental Labelling” and renovation materials manufactured by cleaner production technologies will be given priority.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

FAVOURABLE WORKPLACE

Our people are the greatest asset of the Group and the foundation for our long-term success. In this connection, we strive to build long-term relationships with our people by providing a pleasant workplace.

Occupational Health & Safety

We treat our people's health and safety with utmost care. Given our office-based business operation mainly, there is no material occupational hazard identified. Nevertheless, our core approach on occupational health and safety management is to raise employees' awareness on workplace safety issues. By providing training and education, our employees are well-informed about the ways to reduce and prevent all types of potential health and safety risks. For instance, to reduce fire hazards, we train and ensure that all employees are familiar with the escape routes and locations of fire extinguishers.

In addition, we strive to foster a culture of work-life balance and maintain a harmonious working environment. We organize sport activities regularly, which not only help maintain their health and physical fitness, but are useful to de-stress their mind from work. During the Year, a wide range of recreational and relationship building activities were organized to strengthen the bonding among our employees and build a sense of belonging to the Group.

Chinese New Year Party

New Staff Party

Birthday Party

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards in Hong Kong and Mainland China.

Employment

Retaining talents is the key to the success of our business. To continuously motivate our staff, we have a performance-based remuneration system in place, which is in line with relevant national and local labour laws and regulations. The salaries of our people are maintained at a competitive level and are strictly in compliance with local government requirements. We also fulfil our employer responsibility to purchase mandatory provident fund and mandatory social welfare scheme, the "5 insurances with Housing Fund", for employees in Hong Kong and China respectively.

Under our written policy, all employees are entitled to annual leave, sick leave, marriage leave, maternity leave, paternity leave and bereavement leave in addition to statutory holidays. Besides, we exercise fixed working hours and do not encourage over-time working. In case of genuine work-related demands, prior approval from the management is required and compensation leave will be duly observed and repaid.

We strive to create a working environment that is fair and discrimination-free. We grant equal employment opportunities solely based on qualifications, experiences and other job-related abilities. We are committed to not taking any differentiated treatment due to differences on nationality, age, gender, socioeconomic status, political inclination, religion, marital status, sexual orientation, disability, pregnancy, and/or other forms of differences during recruiting, employing and promoting.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in Hong Kong and Mainland China.

Development & Training

A clear career development framework is essential for employees to fully develop their potentials and expertise. Through the four-step performance management system, we set performance targets on corporate, departmental and individual level every year. According to the "SMART" principle, our targets are specific, measurable, attainable, relevant and time-based. Throughout the year, relevant coaching is given to employees in order to achieve the targets, supported by various training opportunities. Their performances are then evaluated in a fair and open manner. This is also a two-way process for both employees and the management to communicate and obtain feedback. The evaluation result is then used as the basis for the Annual Performance Reward and for next year's performance management planning.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strives to be a learning organization which can facilitate the learning of our people so as to continuously enhance their knowledge and professionalism. Aiming to nurture their personal advancement, we have established the Training Management Policy. An annual training plan is formulated at the beginning of each year according to the needs of different departments and individuals. Training activities on various areas are then designed and held according to the annual plan. For example, experts in the industry are invited to give lectures or share their experience in order to keep our employees up with the pace of the commercial world. For every training activity, participants' feedback on course effectiveness and quality is collected through subsequent evaluations for continuous improvements. Also, training records are well-kept for performance tracking, which will be used as one of the considerations in promotion decision and salary adjustment. During the Year, a broad spectrum of training programmes was organized, covering areas in technical skills, personal development, computer competencies, team management and legal updates.

Apart from organizing training programmes, additional learning materials are also provided to facilitate self- and e-learning. Reference resources and books are available for lending to our staff members. A training funding scheme is further offered to subsidize our excellent staff to join external training programmes.

Child & Forced Labour

In line with relevant labour laws and national regulations, the employment of child and forced labour is strictly prohibited within the Group. In addition, such practices are extended to our supply chain.

To protect children's physical and psychological health, measures are implemented to ensure no employment of any persons under the age of 16. Guided by our Prohibition of Child Labour Policy, applicants' identification documents are verified in the recruitment process and regular investigations are conducted to ensure no underaged person is hired. For juvenile workers who are under the age of 18, we will register with the local labour authority and provide physical health examinations before on board.

Safeguarding employees' rights and interests, we have zero tolerance on illegal or inhuman exemplary measures as well as forced labour. The Prohibition of Forced Labour Policy is in place to ensure all staff are working consensually. If there are any suspicious cases, employees are encouraged to report to the management or via the complaint box. We are committed to conducting prompt investigation and taking necessary actions within one week.

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

GREEN OPERATION

Due to the Group's business nature[1], our impact to the environment is minimal compared with other industries. Nevertheless, we regard protecting the environment as our duty and strive to minimize our environmental footprints by introducing various policies and initiatives. Guided by our Group Environmental Management Policy, we exercise the idea of "green operation" and ensure full compliance with all applicable laws and regulations in relation to environmental protection. We will continuously improve our environmental performance, working towards the vision of sustainability.

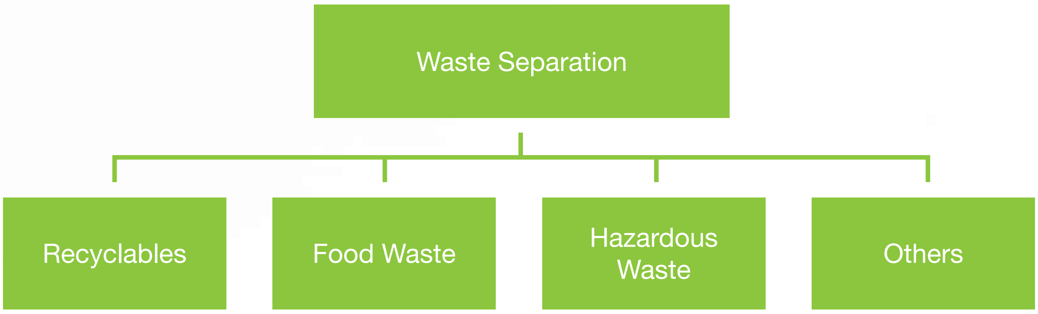
---

[1] Construction works of our property development business have been outsourced to qualified contractors and would not be covered in the reporting boundary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Waste Management



As a service and office based enterprise, the major type of waste generated is limited to domestic waste. Nevertheless, we have established the Waste Separation Management Policy for effective waste management. All waste is separated into four categories which are recyclables, food waste, hazardous waste and others. Designated areas and bins with respective colour labels are placed in our operating units and waste is then handled by recyclers or qualified waste collectors. By practising source separation, we are able to diverse waste from landfills and to maximize the recovery of recyclables. Educational and promotional supports are also provided to ensure all employees are familiar with the separation process.

For hazardous waste such as used batteries and printer toners, we take special cares of its storage and disposal. For instance, prior inspection and approval are required before battery replacement and disposal to minimize potential hazards to the environment. Certified waste collectors are appointed to treat and handle the waste in an appropriate manner.

During the Year, there was no significant hazardous and non-hazardous waste generated in view of the Group's business nature.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emissions

The Group is principally office-based and our operations do not involve material air emission. In view of greenhouse gas ("GHG") emissions[2], the major sources are the consumption of fuels, purchased electricity and business air travel. During the Year, the Group has emitted a total of 1,376.9 tCO_2e of GHG[3], with an intensity of 4.13 tCO_2e per employee. The increase is mainly attributed to higher fuel consumption in our expanding businesses and the newly added entity, Lishui office, in the reporting scope.

Greenhouse Gas Emission	2018	2017
Scope 1 – Direct GHG emissions[4] (tCO_2e)	104.49	43.75
Scope 2 – Energy indirect GHG emissions[5](tCO_2e)	1,231.56	98.91
Scope 3 – Other indirect GHG emissions[6] (tCO_2e)	40.85	56.95
Total GHG emissions (tCO_2e)	1,376.90	199.61
GHG Intensity (tCO_2e/employee)	4.13	1.52

With the aim to reduce our carbon footprints, we strive to lower our energy consumption and encourage employee to utilize electronic communication tools to avoid unnecessary business travel, which will be detailed in later sections of this report.

Resource Management

Utilizing our resources responsibly and sustainably helps us to cut corresponding GHG emissions and lower the operating cost. Policies are in place to govern our consumption practices and instil the concept of conservation within the Group. Employees are also encouraged to fully utilize our valuable resources to avoid wastage. Through regular supervisions, our Administrative Department closely monitors the Group's consumption pattern, as well as the behaviour of the staff. We will continue to explore and identify areas of improvement to work towards operational excellence.

---

2 Emissions from vehicles are not material within the Group.

3 The GHG emission is calculated based on the "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx and international standards such as ISO 14064 and GHG Protocol.

4 Scope 1 represents direct GHG emissions generated by the use of natural gas and gasoline.

5 Scope 2 represents energy indirect GHG emissions generated by the use of electricity purchased from power suppliers.

6 Scope 3 represents other indirect GHG emissions caused by business air travel by employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In view of our operation, we focus on the energy efficiency of lightings, air-conditioning and electrical appliances. The Energy Saving Policy is formulated with reference to relevant national laws and regulations. Guided by the policy, various practical initiatives are introduced:

Air-conditioning	Temperature is adjusted according to the weather conditions. For example, the indoor temperature is maintained at around 26°C during summer time.
Electrical appliances	Energy saving signs are place next to the switches to remind our employees to conserve energy. All electrical appliances, such as computers and printers, should be switched to low-energy-consumption sleep mode when idling and turned off before leaving the office.
Lightings	Natural sunlight is used as far as possible in our workplace to avoid excessive lightings. In addition, energy-saving bulbs and sound-senor controls are used. For different seasons and weather conditions, different lighting schedules are set up. During non-operation hours, unnecessary lighting is also turned off.

Water usage is insignificant at our operating units as it is mainly consumed for domestic purposes. Yet, we are committed to reducing our consumption through strengthening the management framework, conducting regular maintenance and preventing water leakage. Initiatives taken include equipping taps with automatic sensors, lowering taps' water pressure and placing signs at washrooms to remind employees to treasure water resources. During the Year, there was no material water discharge and no issue in sourcing water.

In our office-based working environment, we actively advocate the idea of "green office" to raise employees' awareness on environmental protection. To reduce the unnecessary use of paper, reminders of "double-sided printing" and "think before you print" are placed near our printers. Employees are also encouraged to make good use of electronic platforms such that our internal circulars and documents are distributed via the online system.

Our operation does not involve the use of raw and packaging materials. The main types of resources utilized by the Group are electricity, water and vehicle fuels. The consumption data during the Year are as follows:

Resource Consumption	2018	2017
Electricity (kWh)	1,523,360.52	122,140.81
Intensity (kWh/employee)	4,574.66	932.37
Vehicle fuel (L)	39,283.32	14,183.50
Intensity (L/employee)	117.97	108.27
Water[7] (m^3)	41,336.07	4,449.82
Intensity (m^3/employee)	124.13	33.97
Paper (tonnes)	2.62	1.66
Intensity (tonnes/employee)	0.01	0.01

7 The water consumption data only cover Xiamen and Lishui offices while wastewater discharge information is not available. We will improve the data collection methodology in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY INVOLVEMENT

As a caring corporate citizen, we are committed to contributing the community since we consider it as an integral part of our corporate culture. Guided by our Community Involvement Policy, we actively encourage our business partners and employees to participate in community activities, provide assistance to the needy and respond to government's call for disaster reliefs. We also participate in charitable events, supporting various social aspects such as education, science, art and culture, community health and wellness, environmental protection and public facilities construction.

Differ Hope Primary School was officially established last year with a greatly improved learning environment for under-privileged children in rural areas in China. In addition to financial support, we expressed our care to the children by practical actions. On the Children's Day, the most anticipated day of every child, we prepared books and gifts and visited them to celebrate the day together. Children were dressed up in costumes and enjoyed the activities such that the whole campus was filled with laughter. We especially organized the "Differ Legal Lecture Session", aiming to deliver legal knowledge to our children in a funny and appealing way. The session was carefully prepared by our strong legal team, regarding hot topics such as school bullying and child protection, as we strongly believe that children's livings can be improved through the power of knowledge.

We donated RMB500,000 to support poverty alleviation works in the Gansu Province.

We visited Differ Hope Primary School on the Children's Day.

We will continuously invest more resources in public welfare and raise public awareness so as to put our idea of corporate social responsibility into action.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPIs		Policies & Procedures	Explanation/ Reference Section
Aspect A Environmental			
A1 Emission	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	– Group Environmental Management Policy – Waste Separation Management Policy	GREEN OPERATION – Waste Management, Emissions
KPI A1.1	The types of emissions and respective emissions data.	N/A	Our operation does not involve material air emission.
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A	GREEN OPERATION – Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A	Our operation does not involve material hazardous waste generation.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A	Our operation does not involve material non- hazardous waste generation. Waste is handled by qualified waste collectors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEx ESG Reporting Guide General Disclosures & KPIs		Policies & Procedures	Explanation/ Reference Section
Aspect A Environmental			
KPI A1.5	Description of measures to mitigate emissions and results achieved.	N/A	Our operation does not involve material air emission.
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	– Group Environmental Management Policy – Waste Separation Management Policy	GREEN OPERATION – Waste Management
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	– Group Environmental Management Policy – Energy Saving Policy	GREEN OPERATION – Resource Management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	N/A	GREEN OPERATION – Resource Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	N/A	Our operation does not involve material water consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEx ESG Reporting Guide General Disclosures & KPIs		Policies & Procedures	Explanation/ Reference Section
Aspect A Environmental			
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	– Group Environmental Management Policy – Energy Saving Policy	GREEN OPERATION – Resource Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	N/A	GREEN OPERATION – Resource Management
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	N/A	Our operation does not involve the use of raw and packaging materials.
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	– Group Environmental Management Policy – Green Procurement Policy	GREEN OPERATION
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	– Group Environmental Management Policy	GREEN OPERATION

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEx ESG Reporting Guide General Disclosures & KPIs		Policies & Procedures	Explanation/ Reference Section
Aspect B Social			
B1 Employment	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	– Recruitment System – Compensation Regulations	FAVOURABLE WORKPLACE – Employment
B2 Health and Safety	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impacts on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	– Occupational Health, Safety, Environment & Working Condition Management Policy	FAVOURABLE WORKPLACE – Occupational Health & Safety
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	– Training Management Policy – Performance Management System	FAVOURABLE WORKPLACE – Development & Training
B4 Labour Standard	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	– Prohibition of Child Labour Policy – Prohibition of Forced Labour Policy	FAVOURABLE WORKPLACE – Child & Forced Labour

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEx ESG Reporting Guide General Disclosures & KPIs		Policies & Procedures	Explanation/ Reference Section
Aspect B Social			
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	– Supplier and Customer Code of Conduct – Green Procurement Policy	SUSTAINABLE BUSINESS – Supply Chain Management
B6 Product Responsibility	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	– Rules of Protecting Customer Privacy – Customer Services Systems – Intellectual Property Management Measures	SUSTAINABLE BUSINESS – Excellent Services, Customer Privacy & Intellectual Property Rights
B7 Anti-corruption	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	– Employee Code of Conduct – Supplier and Customer Code of Conduct – Internal Whistleblowing Management System	SUSTAINABLE BUSINESS – Ethical Business
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	– Community Involvement Policy	COMMUNITY INVOLVEMENT

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

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

TO THE SHAREHOLDERS OF DIFFER GROUP HOLDING COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Differ Group Holding Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 63 to 202, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Impairment assessment on finance lease, loan and account receivables

Refer to notes 5, 19 and 47 to the consolidated financial statements.

As at 31 December 2018, the Group had finance lease, loan and account receivables amounting to RMB1,100,501,000 and the Group was exposed to credit risk thereof. The Group has applied HKFRS 9 Financial Instruments on 1 January 2018 and assessed impairment for these receivables based on expected credit losses ("ECL") model. In determining the impairment losses on finance lease, loan and account receivables, the management assessed historical default rates, the value of the collaterals as well as those relevant forward-looking information such as the expected future cash flows and forward-looking macroeconomic factors which involve estimation and significant judgement.

Due to the significance of finance lease, loan and account receivables (representing 27% of total assets) to the consolidated financial statements as a whole and the use of judgement and estimates by management in assessing the recoverability of finance lease, loan and account receivables, we considered this is a key audit matter.

Our responses:

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

– Checking, on a sample basis, the ageing profile of the finance lease, loan and account receivables as at 31 December 2018 to the underlying financial records and post year-end settlements to bank receipts;

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties

Refer to notes 5 and 16 to the consolidated financial statements.

The Group has investment properties of RMB600,200,000 as at 31 December 2018 and a fair value gain of RMB56,495,000 was accounted for under "change in fair value of investment properties" in the consolidated statement of comprehensive income during the year.

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

Management of the Company engaged independent external valuers to determine the valuation of the Group's investment properties. The significant judgements and estimates involved in the valuation mainly include:

– Completed investment properties: the valuation was arrived at using income approach by considering the capitalised income derived from the existing tenancies of the properties or, where appropriate, using market approach by reference to market evidence of transaction prices for similar properties, taking into account differences such as age, location and individual factors.

– Investment properties under construction: the valuation was arrived at using direct comparison approach by making reference to estimated selling prices as available in the relevant market and the estimated cost to complete the development as at the date of valuation.

Our responses:

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

– Assessing the independence, competence and relevant experience of the independent external valuers engaged by the Group;

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

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

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

BDO Limited
Certified Public Accountants
Wong Kwok Wai
Practising Certificate no. P06047

Hong Kong, 28 March 2019

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	7	**136,771**	181,215
Income from assets management business	7	**715,038**	118,053
Other income	7	**35,805**	53,230
Cost of property development		**(466,131)**	–
Gain on disposal of subsidiaries	39	**31,947**	–
Gain on redemption of convertible bonds	32	**–**	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	32	**–**	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	10	**(35,505)**	(56,337)
Profit before income tax	8	**407,367**	228,395
Income tax expense	11	**(108,091)**	(47,975)
Profit for the year		**299,276**	180,420

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	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
– Net change in debt investments measured at fair value through other comprehensive income		**(4,518)**	–
– Fair value gain on available-for-sale financial assets		**–**	3,300
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	13		
– 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	14	**19,178**	19,847	12,270
Prepaid land lease	15	**–**	6,105	6,512
Investment properties	16	**600,200**	321,000	–
Interest in an associate	17	**15,529**	20,499	20,007
Interest in a joint venture		**–**	–	91,916
Restricted bank deposits	18	**–**	10,000	–
Finance lease, loan and account receivables	19	**180,899**	275,120	392,695
Goodwill	20	**33,400**	33,400	33,400
Other financial assets	21	**97,900**	–	–
Available-for-sale financial assets	21	**–**	131,370	56,430
Prepayments, deposits and other receivables	22	**83,680**	83,038	30,000
		1,030,786	900,379	643,230
Current assets				
Inventories of properties	23	**800,367**	669,263	277,874
Other inventories		**385**	–	–
Finance lease, loan and account receivables	19	**919,602**	1,101,485	912,861
Prepayments, deposits and other receivables	22	**775,651**	540,890	329,470
Other financial assets	21	**3,619**	–	–
Tax receivables		**15,240**	16,396	4,231
Restricted bank deposits	18	**39,847**	17,729	122,831
Cash and bank balances – general accounts	24	**85,656**	60,537	48,293
Cash and bank balances – held on behalf of customers	25	**23,775**	–	–
		2,664,142	2,406,300	1,695,560
Assets classified as held-for-sale	43	**452,989**	–	–
		3,117,131	2,406,300	1,695,560
Current liabilities				
Accounts and bills payable	26	**417,764**	141,710	47,308
Accruals, other payables, deposits received and deferred income	27	**178,005**	1,004,269	457,813
Contract liabilities	28	**884,527**	–	–
Provision for taxation		**79,519**	37,932	32,146
Bank and other borrowings	29	**193,090**	180,801	95,074
Corporate bonds	30	**18,270**	41,725	–
Convertible bonds	32	**–**	–	197,895
Derivative financial liabilities	32	**–**	–	8,909
		1,771,175	1,406,437	839,145

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)
Liabilities related to assets classified as held-for-sale	43	**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	27	**83,497**	31,025	61,714
Bank and other borrowings	29	**142,630**	61,950	121,335
Corporate bonds	30	**257,955**	225,199	95,216
Promissory note	31	**–**	120,000	–
Deferred tax liabilities	33	**110,226**	90,473	–
		594,308	528,647	278,265
Net assets		**1,641,832**	1,371,595	1,221,380
EQUITY				
Share capital	34	**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

On behalf of the directors

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

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 *(Note 35)*	Merger and other reserves RMB'000 *(Note 35)*	Statutory reserve RMB'000 *(Note 35)*	Financial assets revaluation reserve RMB'000 *(Note 35)*	Translation reserve RMB'000	Share options reserve RMB'000 *(Note 35)*	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

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 *(Note 35)*	Merger and other reserves RMB'000 *(Note 35)*	Statutory reserve RMB'000 *(Note 35)*	Financial assets revaluation reserve RMB'000 *(Note 35)*	Assets revaluation reserve RMB'000	Convertible bonds equity reserve RMB'000 *(Note 32)*	Translation reserve RMB'000	Share options reserve RMB'000 *(Note 35)*	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total 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
Acquisition of subsidiaries under common control	172	41,845	(376,929)	–	–	–	–	–	–	–	(334,912)	–	(334,912)
Transfer to statutory reserve	–	–	–	53,217	–	–	–	–	–	(53,217)	–	–	–
Recognition of equity component of convertible bonds	–	–	–	–	–	–	19,783	–	–	–	19,783	–	19,783
Recognition of equity-settled share-based compensation	–	–	–	–	–	–	–	–	3,729	–	3,729	–	3,729
Capital injection of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	32,254	32,254
Arising from acquisition of 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

* Retained profits included amount of approximately RMB25,064,000 as at 31 December 2018 (2017: RMB26,517,000) which was set aside in accordance with the relevant rules governing the financial guarantee business in the People's Republic of China (the "PRC") as reserve for non-matured obligation and guarantee indemnity reserve and was not distributable.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000 (Restated)
Cash flows from operating activities			
Profit before income tax		**407,367**	228,395
Adjustments for:			
Bank interest income	7	**(350)**	(1,089)
Interest expenses	10	**35,505**	56,337
Depreciation of property, plant and equipment	8	**4,316**	1,968
Amortisation of prepaid land lease	8	**33**	407
Share of results of associates		**7,076**	(492)
Share of result of a joint venture		**–**	(10,910)
Change in fair value of derivative financial instruments	32	**–**	(1,960)
Change in fair value of investment properties		**(56,495)**	(7,094)
Equity-settled share-based payment	8	**3,729**	8,335
(Gain)/loss on disposal of property, plant and equipment	8	**(422)**	146
Written off of property, plant and equipment	8	**27**	–
Gain on redemption of convertible bonds		**–**	(8,770)
Change in fair value of other financial assets		**(6,750)**	–
Provision for impairment loss on finance lease, loan and account receivables and other receivables	8	**5,758**	21,619
Reversal of impairment loss on finance lease, loan and account receivables	7	**(19,719)**	(30,073)
Gain on disposal of subsidiaries		**(31,947)**	–
Gain on bargain purchase arising from acquisition of a subsidiary		**(40,072)**	(1,861)
Gain on step acquisition		**–**	(15,590)
Adjustment to the carrying amount of liability component of convertible bonds arising from modification of terms and conditions		**–**	(2,273)
Operating profit before working capital changes		**308,056**	237,095
Decrease in other inventories		**204**	–
Increase in inventories of properties		**(184,985)**	(277,389)
Decrease/(increase) in finance lease, loan and account receivables, net of deferred income		**196,128**	(113,431)
Increase in prepayments, deposits and other receivables		**(198,545)**	(120,344)
(Increase)/decrease in restricted bank deposits		**(12,118)**	95,102
Increase in cash and bank balances–held on behalf of customers		**(23,775)**	–
Increase in accounts and bills payable		**288,068**	92,843
(Decrease)/increase in accruals, other payables and deposits received		**(35,977)**	411,398
Decrease in available-for-sale financial assets		**–**	5,280
Decrease in contract liabilities		**(23,715)**	–
Cash generated from operations		**313,341**	330,554
Interest received		**350**	1,089
Income tax paid		**(45,986)**	(51,823)
Net cash from operating activities		**267,705**	279,820

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000 (Restated)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(13,348)**	(10,476)
Proceeds from disposal of property, plant and equipment		**1,218**	791
Purchase of investment properties		**(102,653)**	(21,906)
Acquisition of an associate		**(3,500)**	
Purchase of other financial assets		**(20,379)**	–
Proceeds from disposal of other financial assets		**97,773**	–
Investment in unlisted available-for-sale equity securities		**–**	(76,920)
Repayment from a joint venture		**–**	23,691
Advance to related companies		**–**	(95,187)
Consideration paid for acquiring subsidiaries under common control		**(188,074)**	(25,500)
Acquisition of additional interest of subsidiaries	40	**(190,000)**	(21,754)
Acquisition of subsidiaries, net of cash acquired	41	**2,783**	–
Acquisition of assets through acquisition of a subsidiary	42	**(1,916)**	–
Net cash inflows arising from step acquisition		**–**	1,278
Disposal of subsidiaries, net of cash disposal of	39	**38,982**	–
Net cash used in investing activities		**(379,114)**	(225,983)
Cash flows from financing activities			
Proceeds from issue of corporate bonds		**40,977**	181,891
Redemption of convertible bonds		**–**	(205,621)
Proceeds from bank and other borrowings		**268,444**	196,219
Repayment of bank and other borrowings		**(277,278)**	(164,746)
Repayment of corporate bonds		**(43,587)**	(5,080)
Repayment of promissory note		**(120,000)**	–
Proceed from issue of new shares under placing		**265,271**	–
Capital injection from non-controlling shareholder		**30,000**	–
Interest paid		**(28,644)**	(43,105)
Net cash generated from/(used in) financing activities		**135,183**	(40,442)
Net increase in cash and cash equivalents		**23,774**	13,395
Cash and cash equivalents at beginning of the year		**60,537**	48,293
Effect of foreign exchange rates, net		**3,969**	(1,151)
Cash and cash equivalents at end of the year		**88,280**	60,537
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**88,280**	60,537
Less: included in the assets classified as held for sale	43	**(2,624)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows and consolidated statement of financial position		**85,656**	60,537

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 37 to the financial statements.

The financial statements for the year ended 31 December 2018 were approved and authorised by the board of directors on 28 March 2019.

2. BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. BASIS OF PREPARATION – continued

2.1 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 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 for the Acquisition includes 84,000,000 shares of the Company at a price of HK$0.61 per share and cash after considering the outstanding debts owed 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 investment 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. BASIS OF PREPARATION – continued

2.1 Common control combination – continued

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	Effect of Acquisition	As restated
	RMB'000	RMB'000	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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. BASIS OF PREPARATION – continued

2.1 Common control combination – continued

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. BASIS OF PREPARATION – continued

2.1 Common control combination – continued

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
Goodwill	33,400	–	–	33,400
Available-for-sale financial assets	131,370	–	–	131,370
Prepayments, deposits and other receivables	83,038	–	–	83,038
	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 – general accounts	32,475	28,062	–	60,537
	1,410,317	996,103	(120)	2,406,300

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. BASIS OF PREPARATION – continued

2.1 Common control combination – continued

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)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. BASIS OF PREPARATION – continued

2.1 Common control combination – continued

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
Goodwill	33,400	–	33,400
Available-for-sale financial assets	56,430	–	56,430
Prepayments, deposits and other receivables	30,000	–	30,000
	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 – general accounts	20,977	27,316	48,293
	1,291,287	404,273	1,695,560

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. BASIS OF PREPARATION – continued

2.1 Common control combination – continued

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 and deferred income	(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)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. BASIS OF PREPARATION – continued

2.1 Common control combination – continued

Effect on consolidated statement of cash flows for the year ended 31 December 2017

	As previously reported RMB'000	Effect of Acquisition RMB'000	As restated RMB'000
Cash flows from operating activities			
Profit before income tax	216,029	12,366	228,395
Adjustments for:			
Bank interest income	(995)	(94)	(1,089)
Interest expenses	56,337	–	56,337
Depreciation of property, plant and equipment	1,323	645	1,968
Amortisation of prepaid land lease	407	–	407
Share of results of an associate	(492)	–	(492)
Share of result of a joint venture	–	(10,910)	(10,910)
Change in fair value of derivative financial instruments	(1,960)	–	(1,960)
Change in fair value of investment properties	–	(7,094)	(7,094)
Equity-settled share-based payment	8,335	–	8,335
Loss/(gain) on disposal of property, plant and equipment	176	(30)	146
Gain on redemption of convertible bonds	(8,770)	–	(8,770)
Impairment loss on finance lease, loan and receivables	21,619	–	21,619
Reversal of impairment loss on financial lease, loan and receivables	(30,073)	–	(30,073)
Gain on step acquisition	–	(15,590)	(15,590)
Gain on bargain purchase	–	(1,861)	(1,861)
Adjustment to the carrying amount of liability component of convertible bonds arising from modification of terms and conditions	(2,273)	–	(2,273)
Operating profit before working capital changes	259,663	(22,568)	237,095
Increase in inventories of properties	–	(277,389)	(277,389)
Increase in finance lease, loan and account receivables, net of deferred income	(113,431)	–	(113,431)
Increase in prepayments, deposits and other receivables	(23,321)	(97,023)	(120,344)
Decrease in restricted bank deposits	95,102	–	95,102
Increase in account payables	–	92,843	92,843
(Decrease)/increase in accruals, other payables and deposits received	(42,465)	453,863	411,398
Decrease in available-for-sale financial assets	5,280	–	5,280
Cash generated from operations	180,828	149,726	330,554
Interest received	995	94	1,089
Income tax paid	(39,869)	(11,954)	(51,823)
Net cash generated from operating activities	141,954	137,866	279,820

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. BASIS OF PREPARATION – continued

2.1 Common control combination – continued

Effect on consolidated statement of cash flows for the year ended 31 December 2017 – continued

	As previously reported RMB'000	Effect of Acquisition RMB'000	As restated RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment	(4,685)	(5,791)	(10,476)
Proceeds from disposal of property, plant and equipment	751	40	791
Purchase of investment properties	–	(21,906)	(21,906)
Repayment from a joint venture	–	23,691	23,691
Advance to related companies	–	(95,187)	(95,187)
Consideration paid for acquiring subsidiaries under common control	–	(25,500)	(25,500)
Acquisition of interests in subsidiaries	(8,000)	(13,754)	(21,754)
Net cash inflows arising from step acquisition	–	1,278	1,278
Investment in unlisted available-for-sale equity securities	(76,920)	–	(76,920)
Net cash used in investing activities	(88,854)	(137,129)	(225,983)
Cash flows from financing activities			
Proceeds from issue of corporate bonds	181,891	–	181,891
Redemption of convertible bonds	(205,621)	–	(205,621)
Proceeds from bank and other borrowings	196,219	–	196,219
Repayment of bank and other borrowings	(164,746)	–	(164,746)
Repayment of corporate bonds	(5,080)	–	(5,080)
Interest paid	(43,105)	–	(43,105)
Net cash used in financing activities	(40,442)	–	(40,442)
Net increase in cash and cash equivalents	12,658	737	13,395
Cash and cash equivalents at beginning of the year	20,977	27,316	48,293
Effect of foreign exchange rates, net	(1,160)	9	(1,151)
Cash and cash equivalents at end of the year	32,475	28,062	60,537
Analysis of balances of cash and cash equivalents			
Cash and bank balances	32,475	28,062	60,537

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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 ("HKAS 39") 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 9 – continued

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 9 – continued

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 9 – continued

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

The following tables summarised the impact of transition to HKFRS 9 on the opening balances of retained 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	3.1(i)(b)	4,730
Recognition of additional expected credit losses on:		
– 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 profits 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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 9 – continued

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 9 – continued

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

(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 calssified 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 gain of RMB6,818,000 was 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 contracts. HKFRS 9 requires the Group to recognise ECL for financial assets earlier than HKAS 39. Except finance lease, loan and account receivables, 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.

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 9 – continued

(ii) Impairment of financial assets – continued

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 9 – continued

(ii) Impairment of financial assets – continued

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 account 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 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 allowances on:			
– finance lease, loan and account receivables	22,898	15,934	38,832

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 9 – continued

(ii) Impairment of financial assets – continued

The impairment allowances as at 1 January 2018 was determined for finance lease, loan and account receivables as follows:

	Average expected loss rate	Gross carrying amounts	Impairment allowances
	%	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 financial assets 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 impairment allowances, the Group has considered the loss given default of the finance lease, loan and account receivables together with the fair value of the corresponding collaterals 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 9 – continued

(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 retained profits 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 ("HKAS 18"). 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.

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 15 – continued

Timing of revenue recognition – continued

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 financial consultancy services are 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

HKFRS 15 – continued

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 (note 28).

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	(59,692)	–	23,715	(35,977)
Contract liabilities	–	–	(23,715)	(23,715)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. ADOPTION OF HKFRSs – continued

3.1 Adoption of new/revised HKFRSs – continued

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. ADOPTION OF HKFRSs – continued

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

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 RMB35,555,000 (note 44(i)). 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

Business combination

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.1 Basis of consolidation – continued

Business combination – continued

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

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

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Merger accounting to business combination involving entities under common control

The Group use merger accounting to account for the business combination of entities and businesses under common control in accordance with AG 5. The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The assets and liabilities of the combining entities or businesses are combined using the carrying book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the consideration at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.2 Subsidiaries

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

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

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.4 Goodwill

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

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

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

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

4.5 Impairment of assets (other than financial assets)

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

- property, plant and equipment;
- prepaid land lease; and
- investments in subsidiaries and an associate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.5 Impairment of assets (other than financial assets) – continued

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

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

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

4.6 Property, plant and equipment

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

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

Buildings	20 years
Leasehold improvement	The shorter of the lease terms and 5 years
Motor vehicles	4 to 5 years
Furniture, fixtures and office equipment	3 to 5 years

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.7 Prepaid land lease

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight line method over the term of the lease except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

4.8 Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property as a revalued asset at the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation and is debt with as movements in the assets revaluation reserve, if the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of comprehensive income.

4.9 Leasing

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

Finance lease as lessor

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.9 Leasing – continued

Operating lease as lessor

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

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

4.10 Inventories of properties

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

4.11 Share capital

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

Any transaction costs associated with the issuing of capital are deducted from equity to the extent they are incremental costs directly attributable to the equity transaction.

4.12 Employee benefits

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

The employees of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments

(A) Accounting policies applied from 1 January 2018

(i) Financial assets

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

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

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

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest 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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(A) Accounting policies applied from 1 January 2018 – continued

(i) Financial assets – continued

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

Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(A) Accounting policies applied from 1 January 2018 – continued

(ii) Impairment loss on financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(A) Accounting policies applied from 1 January 2018 – continued

(ii) Impairment loss on financial assets – continued

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(A) Accounting policies applied from 1 January 2018 – continued

(iii) Financial liabilities – continued

Financial liabilities at fair value through profit or loss – continued

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

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

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

(iv) Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(A) Accounting policies applied from 1 January 2018 – continued

(iv) Convertible bonds – continued

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share capital and share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

(v) Effective interest method

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

(vi) Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(A) Accounting policies applied from 1 January 2018 – continued

(vii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4.13(A)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(viii) Derecognition

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(B) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date.

Derecognition of financial assets occurs when the rights to receive cash flows from the instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

Available-for-sale financial assets

Available-for-sale debt investments are non-derivatives that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are initially measured at fair value plus directly attributable transaction costs and subsequently at fair value with changes in fair value recognised in other comprehensive income and accumulated in financial assets revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the financial assets revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(B) Accounting policies applied until 31 December 2017 – continued

(i) Financial assets – continued

Available-for-sale financial assets – continued

Available-for-sale equity securities are equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less any identified impairment loss.

Impairment loss on financial assets

At the end of each reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(B) Accounting policies applied until 31 December 2017 – continued

(i) Financial assets – continued

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Financial liabilities

The Group's financial liabilities include accounts and bills payable, bank and other borrowings, accruals, other payables and deposits received, promissory note and corporate bonds issued by the Group.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(B) Accounting policies applied until 31 December 2017 – continued

(ii) Financial liabilities – continued

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the loans using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of each reporting period.

The derivative component of the convertible bonds is initially recognised at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently re-measured in accordance with the Group's accounting policy on derivative financial instruments. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amount of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amount of both components is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Financial Instruments – continued

(B) Accounting policies applied until 31 December 2017 – continued

(iii) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with the Group's accounting policy on "Provisions and contingent liabilities"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the Group's policy on "Revenue Recognition".

Where the Group issues a financial guarantee, the contracted fee of the guarantee is initially recognised as deferred income. Where the contracted fee is received or receivable for the issuance of the guarantee, it is recognised in accordance with the Group's policies applicable to that category of asset. Where no such contracted fee is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of the corresponding liability.

The contracted fee of the financial guarantee initially recognised as deferred income is amortised and recognised as revenue in profit or loss over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation in accordance with the Group's accounting policy on "Revenue Recognition", where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.14 Cash and cash equivalents

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

4.15 Provisions and contingent liabilities

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

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

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

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

4.16 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.16 Accounting for income tax – continued

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

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

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.16 Accounting for income tax – continued

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.17 Revenue recognition

(A) Accounting policies applied from 1 January 2018

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.17 Revenue recognition – continued

(A) Accounting policies applied from 1 January 2018 – continued

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Services income

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

Financial consultancy service income is recognised over time as those services are rendered. Invoices for financial consultancy service income are issued on a monthly basis.

Supply chain agency service income is recognised point in time as those services are rendered. Invoices for supply chain agency service income are issued once performance recognition fulfilled.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.17 Revenue recognition – continued

(A) Accounting policies applied from 1 January 2018 – continued

(b) Sale of properties

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

The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

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

(c) Financial securities service income

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

(d) Interest income

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

(e) Rental income

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

(f) Dividend income

Dividend income is recognised when the Group's right to receive to the payment is established.

(g) Income from provision of asset management solutions

Income from provision of asset management solutions is recognised point in time as those services are rendered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.17 Revenue recognition – continued

(A) Accounting policies applied from 1 January 2018 – continued

(h) Income from disposal of distressed financial asset

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

(i) Security trading income

Securities trading income includes net gain/loss on financial assets and liabilities at fair value through profit or loss including realised gains/losses which are recognised on trade dates; and unrealised fair value gains/losses which are recognised in the period in which they arise.

Contract assets and liabilities

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

(B) Accounting policies applied until 31 December 2017

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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

(b) Interest income (as the case may be, including the administration fees that are an integral part of the effective interest rate) from entrusted loan, pawn loan, money lending and finance lease services and other financial assets which yield interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.17 Revenue recognition – continued

(B) Accounting policies applied until 31 December 2017 – continued

(c) Consultancy service income is recognised using the percentage of completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed. However, when a specific act is much more significant than any other acts, the recognition of consultancy service income is postponed until the significant act is executed.

(d) Income from assets management business is mainly generated from distressed debt assets classified as available-for-sale financial assets and loans receivable and consultancy income from provision of asset management solution. Income from distressed asset includes interest income, gains or losses from disposal of these instruments.

4.18 Capitalisation of borrowing costs

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

4.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are deducted from the cost in arriving at the carrying amount of the assets.

4.20 Foreign currencies

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.20 Foreign currencies – continued

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

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

4.21 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.21 Related parties – continued

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

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

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

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

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

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

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

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

4.22 Segment reporting

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

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.23 Share-based payments

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

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

4.24 Non-current assets held for sale and disposal groups

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.24 Non-current assets held for sale and disposal groups – continued

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Impairment of financial assets

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

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

Impairment of non-financial assets

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – continued

Income taxes

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

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

Fair value of investment properties

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – continued

Net realisable value of inventories of properties

Included in the consolidated statement of financial position at 31 December 2018 is inventories of properties with an aggregate carrying amount of RMB800,367,000 (2017: RMB669,263,000). Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying inventories of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material reversal of or provision for impairment losses may result.

6. 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 7.

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 7. The Group's non-current assets other than financial instruments are principally located in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

6. SEGMENT INFORMATION – continued

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)*	**N/A**	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.

7. 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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

7. REVENUE AND OTHER INCOME – continued

	2018 RMB'000	2017 RMB'000 (restated)
Income from assets management business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from provision of asset management solutions	**3,302**	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

	2018 RMB'000	2017 RMB'000 (restated)
Timing of revenue recognition within the scope HKFRS 15		
At a point in time	**700,921**	44,541
Transferred over time	**3,414**	28,374
	704,335	72,915

7. REVENUE AND OTHER INCOME – continued

	2018 RMB'000	2017 RMB'000 (restated)
Other income		
Bank interest income	**350**	1,089
Gain on disposal of property, plant and equipment	**422**	146
Gain on step acquisition	**–**	15,590
Government grants*	**10,656**	5,825
Reversal of impairment loss on finance lease, loan and account receivables	**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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

8. PROFIT BEFORE INCOME TAX

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

	2018 RMB'000	2017 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 and other 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 *(note 9)*)		
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Year ended 31 December 2018					
Executive directors:					
Mr. Cai Huatan ("Mr. Cai")	–	265	19	–	284
Mr. Hong	–	662	21	513	1,196
Mr. Ng Chi Chung ("Mr. Ng")	–	526	21	513	1,060
	–	1,453	61	1,026	2,540
Non-executive directors:					
Mr. Cai Jianfeng	84	313	16	–	413
Mr. Wu Qinghan	84	–	–	–	84
	168	313	16	–	497
Independent non-executive directors:					
Mr. Chan Sing Nun	84	–	–	–	84
Mr. Lam Kit Lam	84	–	–	–	84
Mr. Zeng Haisheng	84	–	–	–	84
	252	–	–	–	252
Total	420	1,766	77	1,026	3,289

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

(a) Directors' remuneration – continued

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Year ended 31 December 2017					
Executive directors:					
Mr. Cai	–	264	19	–	283
Mr. Hong	–	660	21	927	1,608
Mr. Ng	–	524	21	927	1,472
	–	1,448	61	1,854	3,363
Non-executive directors:					
Mr. Cai Jianfeng	83	313	16	–	412
Mr. Wu Qinghan	83	–	–	–	83
	166	313	16	–	495
Independent non-executive directors:					
Mr. Chan Sing Nun	83	–	–	–	83
Mr. Tsang Hin Man Terence*	36	–	–	–	36
Mr. Lam Kit Lam#	47	–	–	–	47
Mr. Zeng Haisheng	83	–	–	–	83
	249	–	–	–	249
Total	415	1,761	77	1,854	4,107

* Resigned with effect from 7 June 2017

\# Appointed with effect from 7 June 2017

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included two directors (2017: two) for the year ended 31 December 2018 whose emoluments are reflected in note 9(a).

The analysis of the emolument of the five highest paid individuals for the years ended 31 December 2018 and 2017 are set out below:

	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,687**	3,460
Pension scheme contributions	**100**	79
Equity-settled share options compensation	**1,816**	3,862
	5,603	7,401

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

	Number of individuals	
	2018	2017
HK$500,001 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**1**	2
	5	5

(c) During the years ended 31 December 2018 and 2017, no director or any of the highest paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

10. FINANCE COSTS

	2018 RMB'000	2017 RMB'000 (Restated)
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

11. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000 (Restated)
Current tax		
Hong Kong Profits Tax	**77**	–
PRC		
– Enterprise income tax ("EIT")	**76,220**	45,713
– LAT	**11,446**	–
– Withholding tax	**595**	488
	88,338	46,201
Deferred tax *(note 33)*	**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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

11. INCOME TAX EXPENSE – continued

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

Withholding tax was calculated at 7% (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).

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

	2018 **RMB'000**	2017 RMB'000 (Restated)
Profit before income tax	**407,367**	228,395
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**99,774**	43,411
Tax effect of incomes not taxable for tax purpose	**(23,345)**	(9,379)
Tax effect of expenses not deductible for tax purpose	**15,601**	8,830
Tax effect of tax losses not recognised	**7,201**	7,621
Utilisation of tax losses previously not recognised	**(320)**	(268)
Tax effect of share of profit of a joint venture	**–**	(2,728)
Provision for LAT	**11,446**	–
Tax effect on EIT of LAT payable	**(2,861)**	–
Withholding tax for interest paid by PRC subsidiaries	**595**	488
Income tax expense	**108,091**	47,975

12. DIVIDENDS

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. EARNINGS PER SHARE

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

	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	**31,233**	–
Weighted average number of ordinary shares for the purpose of dilutive earning per share	**4,780,647**	4,236,008
Basic earnings per share (RMB cents)	**5.56**	4.12
Dilutive earnings per share (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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2017 (restated)	9,484	3,473	3,441	4,604	21,002
Additions	–	7,086	2,461	929	10,476
Additional upon step acquisition from joint venture to subsidiary	–	–	–	163	163
Disposals	–	(1,261)	(1,418)	(85)	(2,764)
Exchange realignment	–	(6)	(28)	(2)	(36)
As at 31 Dec 2017 and at 1 January 2018 (restated)	9,484	9,292	4,456	5,609	28,841
Additions	–	6,673	2,508	4,167	13,348
Acquisition of subsidiaries	–	141	158	157	456
Disposal of subsidiaries	–	(1,493)	(52)	(8)	(1,553)
Disposals	–	–	(1,172)	–	(1,172)
Transfer to investment properties *(note 16)*	(9,484)	(1,669)	–	–	(11,153)
Written off	–	–	–	(27)	(27)
Classified as assets held-for-sale	–	–	(1,540)	(190)	(1,730)
Exchange realignment	–	25	23	2	50
At 31 December 2018	**–**	**12,969**	**4,381**	**9,710**	**27,060**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT – continued

	Buildings	Leasehold improvement	Motor vehicles	Furniture, fixtures and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:					
At 1 January 2017 (restated)	2,247	2,405	1,002	3,078	8,732
Charge for the year	452	222	782	643	2,099
Write back on disposals	–	(1,261)	(503)	(63)	(1,827)
Exchange realignment	–	(4)	(4)	(2)	(10)
As at 31 Dec 2017 and at 1 January 2018 (restated)	2,699	1,362	1,277	3,656	8,994
Charge for the year	36	2,334	1,079	979	4,428
Write back on disposals	–	–	(376)	–	(376)
Disposal of subsidiaries	–	(116)	(2)	(1)	(119)
Classified as asset held-for-sale	–	–	(1,382)	(138)	(1,520)
Transfer to investment properties *(note 16)*	(2,735)	(819)	–	–	(3,554)
Exchange realignment	–	24	4	1	29
At 31 December 2018	–	2,785	600	4,497	7,882
Net carrying amount:					
At 31 December 2018	**–**	**10,184**	**3,781**	**5,213**	**19,178**
At 31 December 2017 (restated)	6,785	7,930	3,179	1,953	19,847

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

15. PREPAID LAND LEASE

	2018 RMB'000	2017 RMB'000
At 1 January	**6,105**	6,512
Amortisation	**(33)**	(407)
Transferred to investment properties *(note 16)*	**(6,072)**	–
At 31 December	**–**	6,105

16. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000 (Restated)
At 1 January	**321,000**	–
Additions	**192,205**	21,906
Addition upon step acquisition from joint venture to subsidiary	**–**	292,000
Transferred from property, plant and equipment *(Note 14)*	**16,953**	–
Transferred from prepaid land lease *(Note 15)*	**13,547**	–
Changes in fair value	**56,495**	7,094
At 31 December	**600,200**	321,000

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

During the year ended 31 December 2018, property, plant and equipment with the carrying value of approximately RMB7,599,000 (note 14) and prepaid land lease with the carrying value of approximately RMB6,072,000 (note 15) were transferred to investment properties with aggregate revaluation gain of property, plant and equipment and prepaid land lease of approximately RMB16,829,000 was credited to assets revaluation reserve as these properties were under operating lease agreements with third parties during the year to generate rental income.

Among the balances of additions during the year ended 31 December 2018, investment properties of RMB89,552,000 was acquired through acquisition of assets through acquisition of a subsidiary (note 42).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

16. INVESTMENT PROPERTIES – continued

As at 31 December 2018 and 2017, the fair values of the investment properties of the Group in the PRC were assessed by APAC Asset Valuation and Consulting Limited (“APAC”) and Savills Valuation and Professional Service Limited respectively. Both of them are independent qualified professional valuers, members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

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

For investment properties under construction, the fair value is estimated using a direct comparison approach by making reference to comparable sales transactions as available in the market and have also taken into account the cost that will be expended to complete the development to reflect the quality of the completed development while appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties.

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

	2018 **RMB’000**	2017 RMB’000 (Restated)
Opening balance (level 3 recurring fair value)	**321,000**	–
Additions	**192,205**	21,906
Addition upon step acquisition from joint venture to subsidiary	**–**	292,000
Reclassifications	**30,500**	–
Fair value gain on investment properties	**56,495**	7,094
Closing balance (level 3 recurring fair value)	**600,200**	321,000

16. INVESTMENT PROPERTIES – continued

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

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Range of unobservable inputs 2018	2017
Commercial offices, the PRC	3	Direct comparison and income approach	Term yield	The higher the term yield, the higher the fair value	**5.0%**	N/A
			Expected vacancy rate	The higher the expected vacancy rate, the lower the fair value	**0%**	N/A
			Reversionary rate	The higher the reversionary rate, the lower the fair value	**5.5%**	N/A
Commercial buildings, the PRC	3	Direct comparison and income approach	Term yield	The higher the term yield, the higher the fair value	**3.0%**	N/A
			Expected vacancy rate	The higher the expected vacancy rate, the lower the fair value	**0%**	N/A
			Reversionary rate	The higher the reversionary rate, the lower the fair value	**3.5%**	N/A
Property units, the PRC	3	Direct comparison approach	(Discount)/premium on quality of the properties	The higher the discount, the lower the fair value; the higher the premium, the higher the fair value	**(8)%-29%**	(15)%-39%

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

As at 31 December 2018, the carrying amount of investment properties approximately RMB128,200,000 is pledged to secure the bills payable (note 26).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

17. INTEREST IN AN ASSOCIATE

	2018 **RMB'000**	2017 RMB'000
Shares of net assets	**15,529**	20,499

Details of the Group's associate are as follows.

Name	**Place of incorporation, operation and principal activity**	**Percentage of ownership interests/voting rights/profit share**
廈門創翼商業保理有限公司 (Xiamen Chuang Yi Commercial Factoring Company Limited ^)	PRC, provision of commercial factoring services in the PRC	20%

^ English name is for identification only.

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

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

	2018 **RMB'000**	2017 RMB'000
As at 31 December		
Current assets	**114,550**	130,451
Non-current assets	**47**	81
Current liabilities	**(36,952)**	(28,037)
Net assets	**77,645**	102,495

The total registered capital of the associate is RMB100,000,000. As at 31 December 2018, the unpaid registered capital receivable from other shareholders of the associate was RMB5,460,000 (2017: RMB5,460,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

17. INTEREST IN AN ASSOCIATE – continued

	2018 **RMB'000**	2017 RMB'000
Year ended 31 December		
Revenue	**11,850**	7,340
(Loss)/profit from operation and total comprehensive income	**(35,380)**	2,460

18. RESTRICTED BANK DEPOSITS

Restricted bank deposits have maturity within one year as at 31 December 2018 (2017: within one to two years). Such deposits have been pledged to certain banks as securities for the Group's facilities of providing financial guarantee services as detailed in note 50(b) and sourcing services to customers. The effective interest rates of the Group's restricted bank deposits as at 31 December 2018 ranged from 0.3% to 2.28% (2017: 0.3% to 1.75%) per annum. As at 31 December 2018, approximately RMB3,080,000 (2017: RMB17,023,000) of the balances were utilised for guarantee contracts entered.

As at 31 December 2018 and 2017, the Group's restricted bank deposits were denominated in RMB and kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

19. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	2018 RMB'000	2017 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

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

	2018		2017	
	Minimum lease payments RMB'000	**Present value RMB'000**	Minimum lease payments RMB'000	Present value RMB'000
Not later than one year	**132,456**	**111,472**	205,459	185,098
Later than one year and not later than five years	**173,437**	**144,592**	230,127	184,205
More than five years	**36,567**	**34,053**	72,185	64,888
	342,460	**290,117**	507,771	434,191
Unearned finance income	**(52,343)**	**–**	(73,580)	–
Present value of minimum lease payments	**290,117**	**290,117**	434,191	434,191

19. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

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.

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

	2018 **% per month**	2017 % per month
Entrusted loan receivables	**1.0 to 1.4**	0.7 to 1.5
Finance lease receivables	**0.5 to 1.3**	0.5 to 1.4
Loan receivables	**0.5 to 3.6**	1.0 to 2.0

The Group has certain concentration risk on finance lease, loan and account receivables as it has six (2017: four) customers with outstanding balances of approximately RMB873,120,000 (2017: RMB795,056,000) as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

19. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

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

Based on the loan commencement date set out in the relevant contracts, ageing analysis of the Group's finance lease, loan and account receivables, excluding receivables from guarantee customers 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

Ageing analysis of the Group's finance lease, loan and account receivables, excluding receivables from guarantee customers and distressed assets classified as receivables, prepared based on due date, that were not impaired is as follows:

	2018	2017
	RMB'000	RMB'000
Neither past due nor impaired	**985,623**	1,228,634
Past due 0 to 30 days	**23,747**	13,687
Past due 31 to 90 days	**30,200**	7,561
Past due 91 to 180 days	**2,499**	986
Over 180 days	**22,531**	12,559
	1,064,600	1,263,427

At 31 December 2018, finance lease, loan and account receivables of RMB985,623,000 (2017: RMB1,228,634,000) which were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

19. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

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.

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

	2018	2017
	RMB'000	RMB'000
Balance at 31 December under HKAS 39	**22,898**	31,352
Impact on initial application of HKFRS 9	**15,934**	–
Adjusted balance at 1 January	**38,832**	31,352
Impairment loss recognised	**5,119**	21,619
Reversal of impairment loss	**(19,719)**	(30,073)
Balance at 31 December	**24,232**	22,898

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

	2018	2017
	RMB'000	RMB'000
Real estate	**481,238**	219,884
Movable property	**117,839**	127,891
Property rights	**535,223**	1,007,358
Others	**49,000**	30,725
	1,183,300	1,385,858

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

19. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES – continued

As at 31 December 2018 and 2017, the finance lease receivables in respect of certain machineries, fishing vessels, properties, motor vehicles and other assets are effectively secured by the underlying assets, as the rights to the machineries, fishing vessels, properties, motor vehicles and other assets would be reverted to the Group in the event of default payment, and the deposits received from finance lease customers amounted to approximately RMB120,655,000 (2017: RMB59,200,000) (note 27).

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

20. GOODWILL

During the year ended 31 December 2015, the Group recognised a goodwill arising from business combination of approximately RMB33,400,000, and was allocated to the cash-generating unit of finance leasing for impairment testing.

For the purposes of the goodwill impairment test, its recoverable amount was determined based on a value-in-use calculation, covering a detailed 5-year budget plan plus an extrapolated cash flow projection by applying a long term estimated growth rate of zero subsequent to this 5-year plan, with a pre-tax discount rate of 10.3% (2017: 10.3%).

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

The directors concluded that the cash-generating unit demonstrates sufficient cash flows that justify the carrying value of the goodwill and hence no impairment of goodwill is necessary as at 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

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

Notes:

(a) The balance represented shares in an unlisted PRC company. The Group has classified the shares as FVTPL as the Group considers these investment were not held for long term strategic purpose.

(b) The distressed assets represented equity and debt instruments which there is no public market for investments.

(c) Available-for-sale financial assets were reclassified to financial assets measured at FVTPL and FVOCI upon the initial application of HKFRS 9 at 1 January 2018 (see note 3.1(i)).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

21. OTHER FINANCIAL ASSETS/AVAILABLE-FOR-SALE FINANCIAL ASSETS – continued

Notes: – continued

(d) Fair value measurement of financial assets

The fair value of the other financial assets of approximately RMB379,000 and RMB101,140,000 as at 31 December 2018 are at level 1 and level 3 (2017: RMB53,600,000 in level 3) recurring fair value measurement respectively. There were no transfers into or out of level 1 and 3 during the years.

	2018 **RMB'000**	2017 RMB'000
Level 1 recurring fair value		
Equity securities listed in Hong Kong	**379**	–
	379	–
Level 3 recurring fair value		
Financial assets measured at FVTPL	**97,900**	–
Financial assets measured at FVOCI	**3,240**	
Available-for-sale financial assets	**–**	53,600
	101,140	53,600

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

	2018 **RMB'000**	2017 RMB'000
Opening balance (level 3 recurring fair value)	**53,600**	50,300
Impact on initial application of HKFRS 9:		
Reclassification of financial assets	**155,471**	–
Remeasurement of financial assets now measured at FVTPL	**4,730**	–
Remeasurement of financial assets now measured at FVOCI	**6,818**	
Adjusted opening balance	**220,619**	50,300
Additions	**20,000**	–
Disposals	**(97,773)**	–
Disposal of subsidiaries	**(38,938)**	–
Transferred to interests in associates	**(5,000)**	–
Fair value gain recognised in profit or loss	**6,750**	–
Fair value (loss)/gain recognised in other comprehensive income	**(4,518)**	3,300
	101,140	53,600

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

21. OTHER FINANCIAL ASSETS/AVAILABLE-FOR-SALE FINANCIAL ASSETS – continued

Notes: – continued

(d) Fair value measurement of financial assets – continued

The fair values of the Group's financial assets carried at fair value at 31 December 2018 and 2017 arrived at on the basis of valuations carried out on those dates by independent qualified professional valuers not connected to the Group. The valuation techniques used in determining the fair value measurement of level 3 financial instruments is arrived with discount cash flow approach and market approach with details as follows. There has been no change in the valuation technique used in the prior year.

	Fair value as at 31 December		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable inputs**	**Relationship of unobservable input(s) to fair value**
	2018 RMB'000	2017 RMB'000				
Financial assets	**68,140**	53,600	Level 3	Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts • Expected recovery date • Discount rates that correspond to the expected risk level	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.
Financial assets	**33,000**	–	Level 3	Market approach	• Marketability discount	• The higher the marketability, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

22. 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.

The below table reconciled the impairment loss allowance of Group's other receivables for the year:

	2018	2017
	RMB'000	RMB'000
Balance at 31 December under HKAS 39	**–**	–
Impact on initial application of HKFRS 9	**–**	–
Adjusted balance at 1 January	**–**	–
Impairment loss recognised	**639**	–
Balance at 31 December	**639**	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

23. INVENTORIES OF PROPERTIES

	2018	2017
	RMB'000	RMB'000
		(restated)
Properties held for development	**–**	41,403
Properties held under development	**711,856**	627,860
Properties held for sale	**88,511**	–
	800,367	669,263

Properties held under development comprises leasehold interests in land are located in the PRC and have lease terms expiring from 40 to 70 years (2017: 40 to 70 years).

As at 31 December 2018, properties held under development amounted to approximately RMB509,139,000 (2017: RMB367,141,000 (restated)) are expected to be recovered within 12 months.

Upon completion of construction works, completed properties under development will be transferred to properties held for sale. During the year ended 31 December 2018, carrying amount of RMB554,642,000 was transferred from properties under development to properties held for sale (2017: Nil).

24. CASH AND BANK BALANCES – GENERAL ACCOUNTS

	2018	2017
	RMB'000	RMB'000
		(restated)
Cash and bank balances	**88,280**	60,537
Less: included in assets classified as held for sale (note 43)	**(2,624)**	–
Cash and cash equivalents	**85,656**	60,537

Bank balances earn interest at floating rates based on daily bank deposit rates. All bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2018, the Group has cash and bank balances denominated in RMB amounting to approximately RMB44,706,000 (2017: RMB51,931,000 (restated)) kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

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

26. ACCOUNTS AND BILLS PAYABLE

	2018 **RMB'000**	2017 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 secured by investment properties with carrying amount of approximately RMB128,200,000 (note 16).

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

	2018 **RMB'000**	2017 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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

	2018 **RMB'000**	2017 RMB'000 (Restated)
Current liabilities		
Accruals, other payables and deposits received	**67,120**	39,800
Business and other tax payables	**12,859**	17,177
Deposits received from finance lease customers *(note 19)*	**37,158**	28,175
Amount due to related parties	**–**	4,909
Amount due to non-controlling interest	**60,000**	–
Deferred income *(note (i))*	**868**	5,966
Receipts in advance *(note (ii))*	**–**	908,242
	178,005	1,004,269
Non-current liabilities		
Deposits received from finance lease customers *(note 19)*	**83,497**	31,025

Notes:

(i) Deferred income represents the financial guarantee service income received in advance from the customers.

(ii) Receipts in advance represents considerations received for pre-sale of properties under development from customers.

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

28. CONTRACT LIABILITIES

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

	31 December 2018 **RMB'000**	**1 January 2018** RMB'000 *(Note)*	**31 December 2017** RMB'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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

28. CONTRACT LIABILITIES – continued

The Group receives payment from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are from sales of property.

The revenue recognised in the current period related to contract liability balance at the beginning of the year are as follows:

	2018 **RMB'000**
Revenue recognised related to property sales during the year that was included in the contract liabilities at the beginning of the year	**693,725**

29. BANK AND OTHER BORROWINGS

	2018 **RMB'000**	2017 RMB'000
Secured borrowings		
Bank borrowings	**65,221**	119,325
Other borrowings	**141,565**	123,426
Guarantee note	**128,934**	–
	335,720	242,751
Carrying amount repayable:		
Within one year	**193,090**	180,801
More than one year, but not exceeding two years	**142,630**	49,950
More than two years, but not exceeding five years	**–**	12,000
	335,720	242,751

The Group has interest bearing bank and other borrowings which carry interest ranging from 4.38% to 12.0% per annum (2017: 5.13% to 12.0%).

Note:

As at 31 December 2018, secured bank borrowings with carrying amount of approximately RMB24,000,000 (2017: RMB36,000,000) are secured by finance lease receivables with carrying amount of RMB34,200,000 (2017: RMB49,521,000), which were also secured by personal guarantee from Mr. Hong and Ms. Shi (2017: bank borrowings with a carrying amount of approximately RMB36,000,000 were also secured by financial lease receivables of RMB49,521,000 and personal guarantee from Mr. Hong and Ms. Shi). Secured bank borrowings amounted to RMB37,950,000 (2017: RMB83,325,000) were secured by charges over leased assets from the Group's finance lease business. For the remaining bank borrowings amount to RMB3,271,000 are secured by personal guarantee from a director of a subsidiary of the Compay.

As at 31 December 2018, secured other borrowings with carrying amount of approximately RMB139,510,000 (2017: nil) and RMB2,055,000 (2017: nil) are secured by charges of 510,000 shares of the one of the subsidiaries and personal guarantee from a director of a subsidiary of the Company respectively.

As at 31 December 2018, secured guarantee note with carrying amount of approximately RMB128,934,000 (2017: nil) are secured by charges of 750,000,000 shares of the Company by Expert Corporate Limited ("Expert Corporate") and also secured by personal guarantee from Mr. Hong and Mr. Ng.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

29. BANK AND OTHER BORROWINGS – continued

Note: – continued

As at 31 December 2017, secured other borrowings with carrying amount of approximately RMB123,426,000 are secured by charges of 750,000,000 shares of the Company by Ever Ultimate Limited ("Ever Ultimate") and also secured by personal guarantee from Mr. Hong and Mr. Ng.

Mr. Hong is the chairman of the Company and sole shareholder of Expert Corporate, the substantial shareholder of the Company. Ms. Shi is the spouse of Mr. Hong. Mr. Ng is the director of the Company and the sole shareholder of Ever Ultimate, the substantial shareholder of the Company.

30. CORPORATE BONDS

	2018	2017
	RMB'000	RMB'000
Corporate bonds	**276,225**	266,924
Carrying amount repayable:		
Within one year	**18,270**	41,725
More than one year, but not exceeding two years	**26,535**	17,490
More than two years, but not exceeding five years	**125,280**	89,655
More than five years	**106,140**	118,054
	276,225	266,924

During the year ended 31 December 2018, the Company issued Hong Kong Dollar ("HK$") denominated corporate bonds with principal amount of HK$47,100,000 (equivalent to RMB40,977,000) (2017: HK$218,400,000 (equivalent to RMB181,891,000)) and repaid corporate bonds of principal amount of HK$50,100,000 (equivalent to RMB43,587,000) (2017: HK$6,100,000 (equivalent to RMB5,080,000)).

The corporate bonds bear interests from 5.0% to 9% (2017: 5.5% to 9%) per annum. The interests of the corporate bonds are payable quarterly to annually (2017: quarterly to annually) in arrears every year. The corporate bonds will mature on the second to eighth anniversary (2017: second to eighth anniversary) from the issue dates.

Among the balances, corporate bonds of HK$217,700,000 (2017: HK$237,700,000) were secured and detailed as follows:

Corporate bonds with a carrying amount of HK$195,700,000 (equivalent to RMB170,259,000) (2017: HK$165,600,000 (equivalent to RMB137,918,000)) are secured by personal guarantee from Mr. Hong, and corporate bonds with a carrying amount of HK$22,000,000 (equivalent to RMB19,140,000) are secured by Ms. Shi (2017: HK$22,000,000 (equivalent to RMB18,323,000)).

As at 31 December 2017, corporate bonds with a carrying amount of HK$50,100,000 (equivalent to RMB41,725,000) are secured by personal guarantee from Mr. Hong, Ms. Shi, Mr. Cai and Mr. Ng.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

31. PROMISSORY NOTE

	2018 RMB'000	2017 RMB'000
Promissory note	–	120,000
Carrying amount repayable:		
More than one year, but not exceeding two years	–	120,000
	–	120,000

On 27 October 2017, the Company issued promissory note with a principal amount of RMB120,000,000 as consideration to acquire 37% equity interest in Jiashi Financial Limited ("Jiashi Financial").

The promissory note was unsecured and bears interests at 5.0% per annum. The interests of the promissory note are payable on maturity or redemption. The promissory note will be matured in 1.5 years from the date of issue, being 27 April 2019. During the year ended 31 December 2018, the Group had fully redeemed the promissory note.

32. CONVERTIBLE BONDS

(a) 6% coupon convertible bonds

On 18 May 2016, the Company issued the convertible bonds (the "6% Convertible Bonds") in an aggregate principal amount of United States Dollar ("US$") US$30,000,000 at 6% coupon rate per annum (plus 2% administrative fee per annum) with maturity on 17 November 2017 ("Maturity Date") (subject to an extension of a further eighteen months if agreed by the Company and the relevant convertible bondholders ("6% CB Bondholders")). The 6% Convertible Bonds are convertible (at any time on or after 18 November 2016 and up to the close of business on the business day immediately preceding the Maturity Date) by the 6% CB Bondholders into ordinary share of the Company of HK$0.0025 each at the option of the 6% CB Bondholders, at a conversion price of HK$0.86 (the "Conversion Price") per share. The Conversion Price is subject to adjustment, including but not limited to the occurrence of events such as the consolidation, sub-division or reclassification of shares, capitalization of profits or reserves, capital distribution, and the issue of new shares at the issue price lower than the Conversion Price or lower than 80% of the current market price.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

32. CONVERTIBLE BONDS – continued

(a) 6% coupon convertible bonds – continued

Each 6% CB Bondholder shall have the right to convert all or any part (which shall be a minimum of US$2,500,000 and integral multiples of US$500,000 in excess thereof save that if at any time, the outstanding principal amount of the 6% Convertible Bonds is less than US$2,500,000, the conversion right in respect of the whole (but not part only) of the outstanding principal amount of the 6% Convertible Bonds may be exercised) of the principal amount of 6% Convertible Bonds into shares at any time during the conversion period. The Company shall (i) redeem the outstanding 6% Convertible Bonds on the Maturity Date at such redemption price as would result in an internal rate of return of no less than 4% per annum on all outstanding amounts payable by the Company to the 6% CB Bondholders; and (ii) upon the occurrence of any event of default as stipulated in the terms and conditions of the 6% Convertible Bonds.

On 14 February 2017, with the written consent of 6% CB Bondholders, the Company executed the deed of modification, pursuant to which the terms and conditions of the 6% Convertible Bonds are amended and modified. The Company had the right to redeem or repurchase all or part of the outstanding 6% Convertible Bonds before the Maturity Date and the 6% Convertible Bonds secured by share charges by two related companies, personal guarantees by Mr. Hong and Mr. Cai and Mr. Ng and corporate guarantees by Expert Corporate and Ever Ultimate. The Group redeemed the 6% Convertible Bonds at a price equal to the sum of principal amount of US$20,000,000 and US$10,000,000 on 15 February 2017 and 29 June 2017 respectively.

Interest expenses are calculated using the effective interest method by apply the effective interest rate of 25% to the adjusted liability component arising from such modification.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

32. CONVERTIBLE BONDS – continued

(a) 6% coupon convertible bonds – continued

The carrying values and movements of the liability component and derivative component of the 6% Convertible Bonds are as follows:

	Liability component RMB'000	**Derivative component** RMB'000	**Total** RMB'000
At 1 January 2017	197,895	8,909	206,804
Interest expenses	23,057	–	23,057
Interest paid	(10,928)	–	(10,928)
Change in fair value of derivative financial instruments	–	(1,960)	(1,960)
Adjustment to the carrying amount of liability component of convertible bonds arising from modification of terms and conditions	(2,273)	–	(2,273)
Exchange realignment	(300)	(9)	(309)
Redemption of the 6% Convertible Bonds	(207,451)	(6,940)	(214,391)
At 31 December 2017	–	–	–

The fair value of the derivative component of the 6% Convertible Bonds was calculated using the binominal model with the major inputs used in the model as follows:

	At 15 February 2017 (first redemption)	At 29 June 2017 (second redemption)	As at 1 January 2017
Stock price	HK$0.76	HK$0.64	HK$0.70
Volatility	30%	20%	30%
Risk free rate	0.75%	0.31%	0.85%

32. CONVERTIBLE BONDS – continued

(a) 6% coupon convertible bonds – continued

The change in the fair value of the derivative component during the year ended 31 December 2017 results in a fair value gain of RMB1,960,000, which has been included in the "Change in fair value of derivative financial instruments" in the consolidated statement of comprehensive income for the year ended 31 December 2017.

The gain on redemption of 6% Convertible Bonds of RMB8,770,000, which represented the difference between the redemption price of US$30,000,000 (equivalent to RMB205,621,000) and the total carrying amount of liability and derivative component amounting to RMB214,391,000, has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2017.

(b) Zero coupon convertible bonds

On 13 August 2018, the Company issued certain zero coupon convertible bonds (the "0% Convertible Bonds") with a principal amount of approximately HK$240,000,000 in connection with the acquisition of Karhoe Company Limited (note 41). The bonds are convertible at the option of the bondholders into ordinary shares of the Company at an initial conversion price of HK$0.60 between the periods from 13 August 2018 to 12 February 2020.

The 0% Convertible Bonds have been split into the liability and equity component with the movements as follows:

	Liability component RMB'000	**Equity component** RMB'000	**Total** RMB'000
Issuance during the year	181,738	19,783	201,521
Conversion into ordinary shares	(181,738)	(19,783)	(201,521)
At 31 December 2018	–	–	–

The fair value of the liability component was estimated by an independent professional valuer firm at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The fair value of the equity component was estimated by the same valuer firm by binomial model.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

33. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using principle taxation rate of 25% for the year (2017: 25%). The following are the major deferred tax liabilities recognised by the Group and the movements thereon during the year.

	Revaluation of investment properties RMB'000	**Fair value adjustment on properties held for development arising from acquisition of a subsidiary** RMB'000	**Total** RMB'000
At 1 January 2017 (restated)	–	–	–
Step acquisition from joint venture to subsidiary	54,390	34,309	88,699
Charged to profit or loss *(note 11)*	1,774	–	1,774
At 31 December 2017 and 1 January 2018 (restated)	56,164	34,309	90,473
Acquisition of subsidiary	–	9,122	9,122
Transfer to liabilities related to assets classified as held-for-sale		(9,122)	(9,122)
Charged to profit or loss *(note 11)*	19,753	–	19,753
At 31 December 2018	**75,917**	**34,309**	**110,226**

As at 31 December 2018, the aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB1,100,155,000 (2017: RMB586,712,000). No deferred tax liabilities was recognised because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The Group had unrecognised deferred tax assets arising from tax losses of approximately RMB50,927,000 (2017: RMB27,477,000 (restated)) as at 31 December 2018. Tax losses of RMB40,139,000 (2017: RMB23,380,000(restated)) are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the relevant entities in the Group in which the losses arose. The remaining tax losses of RMB10,788,000 (2017: RMB4,097,000) may be carried forward indefinitely. Deferred tax assets have not been recognised for such losses at the reporting date due to the unpredictability of future profit streams in the relevant subsidiaries in the PRC and/or Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

34. 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 subsidiaries under common control *(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

35. RESERVES

Group

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

Share premium

The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued, net of share issue costs.

Merger and other reserves

As at 31 December 2018 and 2017, the merger reserve of the Group arose as a result of (a) the reorganisation ("Reorganisation") carried amount by the Group to rationalise the Group's structure in preparation for the listing of the Company's shares and other business combinations under common control; (b) gains/losses arising from changes in Group's interests in subsidiaries that do not result in a loss of control; and (c) the capital contributions by the ultimate controlling shareholder.

Statutory reserve

Statutory reserve represents appropriation of profits of the PRC subsidiaries to non-distributable reserve fund account as required by the relevant PRC statue.

Financial assets revaluation reserve

Balance represents fair value reserve comprises the cumulative net change in the fair value of equity investment designated at FVOCI that are held at the end of the reporting period.

Share options reserve

Share options reserve represents the cumulative expenses recognised on the granting of share options to the employees over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

35. RESERVES – continued

Company

	Share premium	Contributed surplus *(Note)*	Translation reserve	Convertible bonds equity reserve	Share option reserve	Accumulated profits/ (losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	356,029	355,920	24,066	–	12,120	27,405	775,540
Loss for the year	–	–	–	–	–	(28,382)	(28,382)
Other comprehensive income for the year	–	–	(18,027)	–	–	–	(18,027)
Total comprehensive income for the year	–	–	(18,027)	–	–	(28,382)	(46,409)
Recognition of equity-settled share-based compensation	–	–	–	–	8,335	–	8,335
At 31 December 2017 and 1 January 2018	356,029	355,920	6,039	–	20,455	(977)	737,466
Profit for the year	–	–	–	–	–	9,713	9,713
Other comprehensive income for the year	–	–	13,985	–	–	–	13,985
Total comprehensive income for the year	–	–	13,985	–	–	9,713	23,698
Issue of ordinary shares by placing	264,020	–	–	–	–	–	264,020
Issue of share in respect of conversion of convertible bonds	200,651	–	–	(19,783)	–	–	180,868
Acquisition of subsidiaries under common control	41,845	–	–	–	–	–	41,845
Recognition of equity-settled share-based compensation	–	–	–	–	3,729	–	3,729
Recognition of equity component of convertible bonds	–	–	–	19,783	–	–	19,783
At 31 December 2018	**862,545**	**355,920**	**20,024**	**–**	**24,184**	**8,736**	**1,271,409**

Note:

Contributed surplus of the Company represented the difference between the net asset values of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

36. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	**2018** **RMB'000**	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	37	**859,491**	484,491
Current assets			
Other financial assets		**379**	–
Prepayments		**19,179**	–
Amount due from subsidiaries		**1,024,648**	809,065
Cash and bank balances		**28,673**	605
		1,072,879	809,670
Current liabilities			
Accruals and other payables		**9,632**	8,970
Amounts due to subsidiaries		**235,585**	29,083
Other borrowings		**–**	123,426
Corporate bonds		**18,270**	41,725
		263,487	203,204
Net current assets		**809,392**	606,466
Total assets less current liabilities		**1,668,883**	1,090,957
Non-current liabilities			
Corporate bonds		**257,955**	225,199
Promissory note		**–**	120,000
Other borrowings		**128,934**	–
		386,889	345,199
Net assets		**1,281,994**	745,758
EQUITY			
Equity attributable to owners of the Company			
Share capital	34	**10,585**	8,292
Reserves	35	**1,271,409**	737,466
Total equity		**1,281,994**	745,758

On behalf of the Board

Hong Mingxian
Director

Ng Chi Chung
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

37. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest		Principal activities
			Directly	Indirectly	
Differ International Financial Limited (鼎豐國際金融有限公司)	British Virgin Islands (“BVI”)	1,100 ordinary shares of US$1 each	100%	–	Investment holding
Differ Financial Holdings Limited (鼎豐金融控股有限公司)	Hong Kong (“HK”)	1 ordinary share of HK$1	–	100%	Investment holding and provision of express loan services
鼎豐集團(中國)有限公司 (Differ Group (China) Company Limited^)	PRC	Registered capital of RMB288,000,000	–	100%	Investment holding and provision of express loan and financial consultancy services
廈門市鼎豐創業投資有限公司 (Xiamen Differ Venture Capital Company Limited^)	PRC	Registered capital of RMB30,000,000	–	100%	Investment holding and provision of express loan services
鼎豐擔保股份有限公司 (Differ Guarantee Company Limited^)	PRC	Registered capital of RMB150,000,000	–	100%	Provision of guarantee services
Differ Financial Services Company Limited (鼎豐金融服務有限公司)	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding
Differ Asia-Pacific Financial Company Limited (鼎豐亞太金融有限公司)	HK	1,000 ordinary shares of HK$1 each	–	100%	Provision of financing services
Differ Financial and Securities Limited (鼎豐金融證券有限公司)	HK	HK$12,000,000 (2017: HK$1,000)	–	100%	Provision of financial services
Differ Asset Management Company Limited (鼎豐資產管理有限公司)	HK	HK$500,000 (2017: HK$1,000)	–	100%	Provision of financial services

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

37. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
Differ Asset Development Limited (鼎豐資產發展有限公司)	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding
Differ Asset Group Limited (鼎豐資產集團有限公司)	HK	1,000 ordinary shares of HK$1 each	–	100%	Investment holding
廈門市鼎豐股權投資有限公司 (Xiamen Differ Capital Investment Company Limited^)	PRC	Registered capital of HK$500,000,000	–	100%	Investment holding
廈門文軼貿易有限公司 (Xiamen Wen Yi Trading Company Limited^)	PRC	Registered capital of RMB10,000,000	–	100%	Provision of financial services
贛州市問鼎資產管理有限公司 (Ganzhou Wen Ding Asset Management Company Limited^)	PRC	Registered capital of RMB500,000,000	–	100%	Provision of assets management services
廈門市鼎豐資產管理有限公司 (Xiamen Differ Asset Management Company Limited^)	PRC	Registered capital of RMB500,000,000	–	100%	Provision of assets management services
廈門市鼎豐貸投資咨詢有限公司 (Xiamen Differ Dai Investment Consulting Company Limited^)	PRC	Registered capital of HK$500,000,000	–	100%	Provision of express loan services
Differ Cultural and Creative Investment Company Limited (鼎豐文創投資有限公司) (Formerly known as Differ Wealth Consultant Limited (鼎豐財富顧問有限公司)	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

37. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
Differ Cultural and Creative Development Company Limited (鼎豐文創發展有限公司) (Formerly known as Differ Capital Financial HK Limited (鼎豐融資理財有限公司)	HK	1,000 ordinary shares of HK$1 each	–	100%	Provision of financing services
Differ Company Limited	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding
Jiashi Financial (嘉實金融有限公司)	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding
Differ Development Limited (鼎豐發展有限公司)	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding
Differ Financial Leasing Company Limited (鼎豐金融租賃有限公司)	HK	10,000 ordinary shares of HK$1 each	–	100%	Investment holding
廈門市鼎豐融資租賃有限公司 (Xiamen Differ Financial Leasing Company Limited^)	PRC	Registered capital of HK$128,000,000	–	100%	Provision of finance lease services
廈門市鼎豐財務諮詢有限公司 (Xiamen Differ Financial Consultancy Company Limited^)	PRC	Registered capital of RMB500,000	–	100%	Provision of financial consultancy services
Jiashi International Financial Limited 嘉實國際金融有限公司	BVI	101 ordinary shares of US$1 each	–	100%	Investment holding
Jiashi Leasing Group Company Limited (嘉實租賃集團有限公司)	HK	HK$156,000,000	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

37. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
嘉實(廈門)融資租賃有限公司 (Jiashi (Xiamen) Finance Lease Limited^)	PRC	US$35,000,000	–	100%	Provision of finance lease services
贛州市嘉恆商務諮詢有限公司 (Ganzhou Jia Heng Business Consulting Company Limited^)	PRC	RMB4,990,000	–	100%	Provision of financial consultancy services
Differ Supply Chain Development Group Limited (鼎豐供應鏈發展集團有限公司)	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding
Differ Supply Chain HK Limited (鼎豐供應鏈有限公司)	HK	1,000 ordinary shares of HK$1 each	–	100%	Provision of agency services of sale and exportation of enforced inventories
廈門鼎豐供應鏈發展有限公司 (Xiamen Differ Supply Chain Development Company Limited^)	PRC	RMB100,000,000	–	100%	Provision of agency services of sale and exportation of enforced inventories
鼎豐海西(廈門)投資管理有限公司# (Differ Hai Xi (Xiamen) Investment Management Company Limited^)	PRC	Registered capital of RMB10,000,000	–	70%	Provision of financial consultancy services
泉州鼎豐供應鏈管理有限公司# (Quanzhou Differ Supply Chain Management Limited^)	PRC	Registered capital of RMB50,000,000	–	100%	Provision of agency services of sale and exportation of enforced inventories
廈門倫輝貿易有限公司# (Xiamen Lun Hui Trading Company Limited^)	PRC	Registered capital of RMB20,010,000	–	100%	Provision of agency services of sale and exportation of enforced inventories

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

37. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
Differ Halo Limited#	BVI	1,000 ordinary shares of HK$1.00 each	–	51%	Investment holding
Halo World Limited# (華通世界有限公司)	HK	10,000 ordinary shares of HK$1.00 each	–	51%	Sales and trading
Affinity Finance Limited# (友誠財務有限公司)	HK	2 ordinary shares of HK$1.00 each	–	51%	Provision of money-lending services
Differ Cultural# (鼎豐文旅發展有限公司)	BVI	1 Ordinary shares of US$1 each	100%	–	Investment holding
Differ Cultural Tours Limited# (鼎豐文化旅遊有限公司)	Cayman Island	100 Ordinary shares of HK$0.01 each	–	100%	Investment holding
Cultural Tours Limited# (文旅有限公司)	BVI	100 Ordinary shares of US$1 each	–	100%	Investment holding
Differ Property Services Company Limited# (鼎豐物業服務有限公司)	HK	1,000 Ordinary shares of HK$1 each	–	100%	Provision of property management services
廈門市鼎豐物業服務有限公司# (Xiamen Differ Property Services Company Limited^)	PRC	Registered capital of RMB20,000,000	–	100%	Dormant
廈門問鼎商業運營管理有限公司# (Xiamen Wen Ding Business Operation Management Company Limited^)	PRC	Registered capital of RMB50,000,000	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

37. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
廈門問鼎商業運營管理有限公司 –麗水分公司# (Xiamen Differ Business Operation Management Company Limited – Li Shui Branch^)	PRC	Registered capital of RMB50,000,000	–	100%	Provision of property management services
廈門市鼎豐物業服務有限公司 –景寧分公司# (Xiamen Differ Property Services Company Limited – Jing Ning Branch^)	PRC	Registered capital of RMB20,000,000	–	100%	Provision of property management services
廈門市鼎豐物業服務有限公司 麗水分公司# (Xiamen Differ Property Services Company Limited – Li Shui Branch^)	PRC	Registered capital of RMB20,000,000	–	100%	Provision of property management services
Differ Cultural Tours Group Company Limited# (鼎豐文旅集團有限公司)	HK	1,000 Ordinary shares of HK$1 each	–	100%	Investment holding
廈門鼎豐文化旅遊集團有限公司# (Xiamen Differ Cultural Tourism Group Company Limited^)	PRC	Registered capital of RMB200,000,000	–	100%	Investment holding
南安鼎豐置業有限公司# (Nanan Differ Property Company Limited^)	PRC	Registered capital of RMB1,000,000		100%	Property development
景寧鼎豐置業有限公司# (Jing Ning Differ Real Estate Company Limited^)	PRC	Registered capital of RMB20,000,000	–	100% (2017: 70%)	Property development
麗水市富豐文化旅遊有限公司# (Lishui Fu Feng Cultural Tours Limited^)	PRC	Registered capital of RMB50,000,000	–	100% (2017: 70%)	Property development

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

37. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities
衢州鼎豐文化旅遊開發有限公司# (QuZhou Differ Cultural Tours Development Limited^)	PRC	Registered capital of RMB100,000,000	–	100%	Investment holding
龍泉市鼎豐文化旅遊有限公司# (Longquan Differ Cultural Tourism Company Limited^)	PRC	Registered capital of RMB100,000,000	–	70%	Provision of hotel and tourism services
龍泉鼎豐酒店有限公司# (Longquan Differ Hotel Company Limited^)	PRC	Registered capital of RMB100,000,000	–	70%	Provision of hotel management services
鼎豐商業管理有限公司# (Differ Commerical Management Company Limited)	HK	1,000 ordinary shares of HK$1 each	–	100%	Investment holding
Karhoe Company Limited# (嘉禾有限公司)	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding
Karhoe Asset Management Company Limited (嘉禾資產管理有限公司)#	HK	10,000 ordinary shares of HK$1 each	–	100%	Investment holding
廈門凱投盛商務諮詢有限公司# (Xiamen Kai Tou Sheng Business Consultation Company Limited^)	PRC	Registered capital of RMB10,000,000	–	100%	Investment holding
營口市東宇百勝置業有限公司# (YingKou City Dong Yu Bai Sheng Properties Company Limited^)	PRC	Registered capital of RMB200,000,000	–	100%	Property development

^ The English names are for identification only

These companies are newly incorporated/acquired by the Group this year

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

38. NON-CONTROLLING INTERESTS

As at 31 December 2017, the Group hold 70% equity interests in Jingning Differ Real Estate Limited ("Jingning") and Lishui Fu Feng Cultural Tours Limited ("Lishui") respectively. After the acquisitions of additional interests in subsidiaries from the non-controlling interests (the "NCI") as detailed in note 40(a), the Company had no NCI in Jingning and Lishui as at 31 December 2018.

During the year ended 31 December 2018, the Group disposed of its 30% equity interest in Longquan Differ Cultural Toursim Company Limited and its subsidiaries ("Longquan Group") at consideration of RMB30,000,000. Upon the completion of the disposal, the Group's hold 70% equity interests in Longquan Group.

牛頭山(廈門)文旅產業有限公司(Niutou Mountain (Xiamen) Differ Cultural Industry Limited^) ("Niutou Mountain"), a 51% owned subsidiary incorporated by the Group during the year ended 31 December 2018. The Group disposed of its 51% equity interestin Ninton Mountain during the year ended 31 December 2018 as detailed in note 39, the Company had no interest in Niutou Mountain as at 31 December 2018.

During the year ended 31 December 2018, the Group acquired 51% equity interests in Differ Halo Limited and its subsidiaries (the "Differ Halo Group") as detailed in note 41(iii).

During the year ended 31 December 2017, the Group completed the acquisitions of 25% equity interest in Differ Supply Chain Development Group Limited and its subsidiaries ("Supply Chain Group") and 37% equity interest in Jiashi Financial and its subsidiaries ("Jiashi Financial Group") and as detailed in notes 40 (b) and (e), which both became wholly-owned subsidiaries after the acquisitions.

38. NON-CONTROLLING INTERESTS – continued

Summarised financial information in relation to the non-controlling interests of the Group, before intra-group eliminations, is presented below:

Summarised statement of financial position

	Differ Halo Group		Longquan Group		Jingning		Lishui	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000 (Restated)	**2018 RMB'000**	2017 RMB'000 (Restated)
Percentage of equity interest held by NCI	**49%**	–	**30%**	–	**–**	30%	**–**	30%
Current								
Assets	**77,934**	–	**1,041,916**	–	**–**	1,000,432	**–**	153,814
Liabilities	**(74,021)**	–	**(943,344)**	–	**–**	(473,090)	**–**	(146,120)
	3,913	–	**98,572**	–	**–**	527,342	**–**	7,694
Non-current								
Assets	**215**	–	**1,005**	–	**–**	4,688	**–**	321,151
Liabilities	**(4,183)**	–	**–**	–	**–**	(556,715)	**–**	(90,472)
	(3,968)	–	**1,005**	–	**–**	(552,027)	**–**	230,679
Net assets/(liabilities)	**(55)**	–	**99,577**	–	**–**	(24,685)	**–**	238,373
Carrying amount of NCI	**(27)**	–	**29,873**	–	**–**	(7,406)	**–**	71,512

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

38. NON-CONTROLLING INTERESTS – continued

Summarised statement of comprehensive income
For the year ended 31 December 2018

	Differ Halo Group RMB'000 49%	**Longquan Group RMB'000 30%**	**Jingning RMB'000 30%**	**Lishui RMB'000 30%**	**Niutou Mountain RMB'000 49%**
Revenue	**3,660**	**–**	**352,781**	**–**	**–**
(Loss)/profit for the year and total comprehensive income for the year	**(415)**	**(422)**	**78,247**	**41,985**	**(1,401)**
(Loss)/profit allocated to NCI	**(203)**	**(126)**	**23,474**	**12,595**	**(687)**

For the year ended 31 December 2017

	Supply Chain Group RMB'000 (Restated) 25%	Jiashi Financial Group RMB'000 (Restated) 37%	Jingning RMB'000 (Restated) 30%	Laishui RMB'000 (Restated) 30%
Revenue	3,030	41,835	–	–
Profit/(loss) for the year and total comprehensive income for the year	1,150	23,697	(15,679)	23,311
Profit/(loss) allocated to NCI	288	10,345	(5,738)	1,189

38. NON-CONTROLLING INTERESTS – continued

Summarised statement of cash flows

For the year ended 31 December 2018

	Differ Halo Group 2018 RMB'000	Longquan Group 2018 RMB'000	Jingning 2018 RMB'000	Lishui 2018 RMB'000	Niutou Mountain 2018 RMB'000
Net cash (used in)/generated from operating activities	**(6,138)**	**(98,846)**	**285**	**(329,510)**	**(2,805)**
Net cash (used in)/generated from investing activities	**–**	**(230)**	**(278)**	**320,625**	**(1,553)**
Net cash generated from financing activities	**6,996**	**100,000**	**–**	**–**	**4,600**
Net increase/(decrease) in cash and cash equivalents	**858**	**924**	**7**	**(8,885)**	**242**

For the year ended 31 December 2017

	Supply Chain Group 2017 RMB'000 (Restated)	Jiashi Financial Group 2017 RMB'000 (Restated)	Jingning 2017 RMB'000 (Restated)	Lishui 2017 RMB'000 (Restated)
Net cash generated from/(used in) operating activities	10,077	80,750	(10,060)	77,464
Net cash generated from/(used in) used in investing activities	–	265	(73)	(68,034)
Net cash used in financing activities	–	(77,728)	–	–
Net increase/(decrease) in cash and cash equivalents	10,077	3,287	(10,133)	9,430

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

39. DISPOSALS OF SUBSIDIARIES

On 7 December 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of 51% equity interest in Niutou Mountain at consideration of RMB2,346,000. The principal business of the Niutou Mountain is engaged in provision of catering services in the PRC. The disposal was completed on 7 December 2018 and the Group recognised a gain on disposal of Niutou Mountain of approximately RMB715,000.

On 29 December 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest in 鼎豐網絡發展有限公司 (Differ Network Development Limited^) and its subsidiaries (the "Differ Network Group") at consideration of RMB37,000,000. The principal business of the Differ Network Group is providing assets management services in the PRC. The disposal was completed on 31 December 2018 and the Group recognised a gain on disposal of Differ Network Group of approximately RMB31,232,000.

^ The English names are for identification only.

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

	Niutou Mountain RMB'000	**Differ Network Group** RMB'000
Property, plant and equipment	1,434	–
Other financial assets	–	38,938
Other receivables	1,912	82
Tax receivables	152	–
Cash and bank balances	242	122
Accruals and other payables	(542)	(33,289)
Provision for taxation	–	(85)
Non-controlling interests	(1,567)	–
	1,631	5,768
Gain on disposal of subsidiaries included in profit for the year in the consolidated statement of comprehensive income	715	31,232
Total consideration	2,346	37,000
Satisfied by:		
Cash	2,346	37,000
Net cash inflow arising on disposal:		
Cash consideration	2,346	37,000
Cash and bank balances disposed of	(242)	(122)
	2,104	36,878

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

40. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

(a) During the year ended 31 December 2018, the Group entered into a sale and purchase agreement with a non-controlling interest equity holder to acquire 30% equity share of Jingning and Lishui at cash consideration of RMB190,000,000 ("30% Acquisition"). These subsidiaries are principally engaged in property development in the PRC. Upon completion of the 30% Acquisition of Jingning and Laishui on 18 September 2018, the Group's effective interest in Jingning and Lishui were changed from 70% to 100%.

(b) During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with a non-controlling interest equity holder to acquire 25% equity share of Differ Supply Chain Development Group Limited at cash consideration of RMB8,000,000 ("25% Acquisition"). Supply Chain Group is principally engaged in provision of agency service of sale and exportation of enforced inventories business in the PRC. Upon completion of the 25% Acquisition of Differ Supply Chain Development Group Limited on 27 September 2017, the Group's effective interest in the Supply Chain Group was changed from 75% to 100%.

(c) During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with a non-controlling interest equity holder to further acquire of 19% equity share of Jingning at a consideration of RMB4,119,000. The Group's effective interest in the Jingning was changed from 51% to 70%.

(d) During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with a non-controlling interests equity holder to further acquire of 19% equity share of Lishui at a consideration of RMB9,635,000. The Group's effective interest in the Lishui was changed from 51% to 70%.

(e) During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with a non-controlling interest equity holder to further acquire of 37% equity interest in Jiashi Financial at the consideration of RMB120,000,000 (the "37% Acquisition"). The consideration is settled by promissory note issued by the Company (note 31). Jiashi Financial Group is principally engaged in finance lease business in the PRC. Upon the completion of the 37% Acquisition on 27 October 2017, the Group's effective interest in Jiashi Financial was changed from 63% to 100%.

The difference between the considerations and the carrying amount of the net assets attributable to the additional interests in subsidiaries being acquired from the non-controlling interest equity holders has been dealt with in merger and other reserves.

41. BUSINESS ACQUISITION

For the year ended 31 December 2018

(i) On 8 January 2018, the Group completed an acquisition of 100% equity interests in 泉州鼎豐供應鏈管理有限公司 Quanzhou Differ Supply Chain management Limited ("Quanzhou Supply Chain") at consideration of RMB1,000,000. The acquisition consideration was settled in cash. The acquisition was made as the directors believe that it would enable the Group to broaden and expedite the development of the Group's assets management segment.

(ii) On 27 July 2018, the Group completed an acquisition of 100% equity interests in Karhoe Company Limited and its subsidiaries ("Karhoe Group") at the total consideration of RMB201,632,000. The acquisition consideration was satisfied by: (a) the issue of 0% Convertible Bonds of the Company with principal amount of approximately HK$240,000,000 (equivalent to approximate RMB201,521,000); and (b) the balance of RMB111,000 in cash. The acquisition was made as the directors believe that it would enable the Group to broaden and expedite the development of the Group's asset management segment.

(iii) On 30 November 2018, the Group completed an acquisition of 51% equity interests in Differ Halo Limited at consideration of HK$208,000. The acquisition consideration was settled in cash. The acquisition was made as the directors believe that it would enable the Group to broaden and expedite the development of the Group's financial service segment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

41. BUSINESS ACQUISITION – continued

The fair value of identifiable assets and liabilities of Quanzhou Supply Chain, Differ Halo Group and Karhoe Group as at the respective acquisition dates were:

	Quanzhou Supply Chain RMB'000	**Differ Halo Group** RMB'000	**Karhoe Group** RMB'000
Property, plant and equipment	24	222	210
Inventories of properties	–	–	367,000
Other inventories	–	589	–
Loan receivables	–	4,796	–
Other receivables	1,043	55,855	4,833
Cash and bank balances	22	358	3,514
Accounts payable	–	(34)	(24,019)
Other payables	(89)	(54,994)	(20,003)
Contract liabilities	–	–	(30,709)
Amount due to shareholders	–	(2,574)	–
Bank and other borrowings	–	(3,534)	(50,000)
Provision for taxation	–	(324)	–
Deferred tax liabilities	–	–	(9,122)
	1,000	360	241,704

	Quanzhou Supply Chain RMB'000	**Differ Halo Group** RMB'000	**Karhoe Group** RMB'000
Net cash (outflow)/inflow arising from the acquisition was calculated as follows:			
Cash consideration	(1,000)	–	(111)
Cash and bank balances acquired	22	358	3,514
	(978)	358	3,403

The consideration in relation to the acquisition of Differ Halo Limited of HK$208,000 (equivalent to approximately RMB182,000) was not yet settled as at 31 December 2018 and was included in other payable.

41. BUSINESS ACQUISITION – continued

The excesses of fair values of considerations over the fair value of the net assets acquired are accounted for as gain on bargain purchase and are calculated as below:

	Quanzhou Supply Chain RMB'000	Differ Halo Group RMB'000	Karhoe Group RMB'000
Fair value of total consideration transferred	1,000	182	201,632
Net assets acquired	(1,000)	(360)	(241,704)
Less: Non-controlling interests	–	178	–
Gain on bargain purchase	–	–	(40,072)

The revenue in the consolidated statement of comprehensive income for the year ended 31 December 2018 contributed by Quanzhou Supply Chain, Differ Halo Group and Karhoe Group were approximately RMB41,000, RMB302,000 and nil respectively.

Had Quanzhou Supply Chain, Differ Halo Group and Karhoe Group been consolidated from 1 January 2018, the consolidated statement of comprehensive income for the year ended 31 December 2018 would show pro-forma revenue of RMB851,507,000, RMB854,591,000 and RMB851,446,000 respectively and profit of RMB262,333,000, RMB264,860,000 and RMB256,697,000 for the year respectively.

For the year ended 31 December 2017

(iv) Step acquisition from joint venture to subsidiary

Pursuant to a sale and purchase agreement entered into between the Group and Wu Jianfei, the other shareholder of Lishui on 15 June 2017, 1% issued share capital of Lishui was acquired by the Group (the "Step Acquisition"). Lishui is engaged in property development and property investment. The Step Acquisition was made as part of the Group's strategy to expand the property development business in the PRC.

The consideration of the Step Acquisition made by the Group was a cash consideration of RMB507,000.

Upon the completion of the above transaction, Lishui, the former Joint Venture of the Differ Cultural, became the subsidiary of the Company.

The Step Acquisition was completed on 15 June 2017 (the "Completion Date"). In accordance with HKFRSs, the Group continued to share the results of Lishui under the equity method of accounting during the period from 1 January 2017 to the Completion Date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

41. BUSINESS ACQUISITION – continued

(iv) Step acquisition from joint venture to subsidiary – continued

The fair value of the Group's 50% equity interest in Lishui (collectively the "50% Joint Venture Shareholding") as at the Completion Date was RMB118,416,000 and the carrying amount of the Group's interest in the 50% Joint Venture Shareholding was RMB102,826,000. The difference between the fair value and the carrying amount of the 50% Joint Venture Shareholding as at the Completion Date was RMB15,590,000. Accordingly, gain of RMB15,590,000 has been recognised to the profit or loss and presented as "Gain on step acquisition" under "other income" in the consolidated statement of comprehensive income of the Group.

Details of identifiable assets and liabilities as at the Completion Date were as follows:

	Fair value RMB'000
Property, plant and equipment	163
Investment properties	292,000
Properties held under development	114,000
Prepayments and other receivables	6,458
Amount due from related parties	12,552
Tax prepaid	758
Cash and bank balances	1,785
Trade and other payables	(52,256)
Amount due to related parties	(49,930)
Deferred tax liabilities	(88,699)
Total identifiable net assets acquired	236,831
Less:	
Net assets attributed to non-controlling interests	(116,047)
Total identifiable net assets attributed to the Group acquired	120,784
Cash consideration paid	(507)
Cash and bank balances acquired	1,785
Net cash inflows arising from the Step Acquisition	1,278

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

41. BUSINESS ACQUISITION – continued

(iv) Step acquisition from joint venture to subsidiary – continued

	RMB'000
Purchase consideration	507
Interest in a joint venture forgone	118,416
Fair value of net assets acquired	(120,784)
Gain on bargain purchase arising from the Step Acquisition	(1,861)

The gain on bargain purchase was the variance between the consideration and the net asset value acquired after commercial negotiation with the vendor.

None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

In May 2018, the Group, through a wholly-owned subsidiary, entered into a provisional agreement with independent third parties (the "Seller") to acquire the entire interest in 廈門倫輝貿易有限公司 Xiamen Lun Hui Trading Company Limited (the "Xiamen Lun Hui"), a company principally holding an investment property in the PRC for property investment purposes, at a cash consideration of RMB2,000,000. By analysing the inputs, process and outputs of Xiamen Lun Hui, the acquisition did not constitute an acquisition of business and was accounted as acquisition of assets. The transaction was completed in May 2018 and Xiamen Lun Hui became a wholly-owned subsidiary of the Group accordingly.

The net assets acquired at the date of acquisition were as follows:

	RMB'000
Investment properties *(note 16)*	89,552
Cash and bank balances	84
Amount due to shareholder	(44,886)
Other borrowings	(42,750)
Net assets acquired	2,000
Consideration	2,000
Satisfied by:	
Cash	2,000

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

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

(a) Karhoe Group

As disclosed in note 41(ii) to the financial statements, the Group completed the acquisition of 100% equity interests in Karhoe Group on 27 July 2018. On the same date, the assets and liabilities of Karhoe Group were presented as held-for-sale following the approval of the Group's management to disposal 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	
Properties, plant and equipment	**210**
Inventories of properties	**420,881**
Prepayments, deposits and other receivables	**22,880**
Cash and bank balances	**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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

43. ASSETS CLASSIFIED AS HELD-FOR-SALE/LIABILITIES RELATED TO ASSETS CLASSIFIED AS HELD-FOR-SALE – continued

(b) Interest in an associate classified as held-for-sale

	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 agreement to disposal 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 assets classified as held-for-sale as at 31 December 2018.

44. COMMITMENTS

(i) Operating lease commitments

Group as lessee

Future minimum lease payments 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 includes any contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

44. COMMITMENTS – continued

(i) Operating lease commitments – continued

Group as lessor

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

	2018 RMB'000	2017 RMB'000
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: RMB1,434,028,000 (restated)).

(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, contracted but not provided for, to make capital injection amounted to US$5,000,000 (equivalent to RMB32,479,000) to the company, representing 5% of the total registered capital.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

44. COMMITMENTS – continued

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

	2018 RMB'000	2017 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

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

^ The English names are for identification only.

* Related company are controlled by Mr. Hong.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

46. FINANCIAL INSTRUMENTS BY CATEGORY

Categories of financial instruments as at the reporting date are as follows:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Financial assets		
Available-for-sale financial assets	**–**	131,370
Other financial assets		
– Financial assets at FVTPL	**98,279**	–
– Financial assets at FVOCI	**3,240**	–
At amortised costs		
– Finance lease, loan and account receivables	**1,100,501**	1,376,605
– Deposits and other receivables	**133,348**	365,485
– Restricted bank deposits	**39,847**	27,729
– Cash and bank balances	**109,431**	60,537
	1,484,646	1,961,726
Financial liabilities		
At amortised costs		
– Accounts and bills payable	**417,764**	141,710
– Accruals, other payables and deposits received	**247,775**	103,909
– Bank and other borrowings	**335,720**	242,751
– Corporate bonds	**276,225**	266,924
– Promissory note	**–**	120,000
	1,277,484	875,294

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise other financial assets, finance lease, loan and account receivables, deposits paid, other receivables, restricted bank deposits, cash and bank balances, accruals, other payables, deposits received, bank and other borrowings, corporate bonds and promissory note. These financial instruments mainly arise from its operations and financing activities. The Group has not used any derivatives and other instruments for hedging purposes.

In the opinion of directors, the carrying amounts of the Group's financial instruments approximated their fair values as at the end of each reporting period. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group's distressed assets also have valuation risk and legal title risk. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's restricted bank deposits, bank balances and bank and other borrowings were bearing floating interest rate. Exposure to floating interest rate exists when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

The interest rates of the above interest-bearing financial assets and financial liabilities of the Group are disclosed in notes 18, 24, 25 and 29 respectively. The following table illustrates the sensitivity of profit after income tax for the year to a reasonably possible change in interest rates of 0.5%, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's floating rate financial instruments held at the reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk – continued

	2018		2017 (Restated)	
	RMB'000	**RMB'000**	RMB'000	RMB'000
	+0.5%	**-0.5%**	+0.5%	-0.5%
(Decrease)/increase in profit after income tax for the year	**(297)**	**297**	(581)	581

Credit risk

The Group's credit risk is primarily attributable to its financial assets measured at amotised cost and financial assets measured at FVOCI. The Group's requires the review of individual outstanding amount regularly depending on individual circumstance or market condition.

The Group has adopted HKFRS 9 on 1 January 2018, where the impairment requirements under HKFRS 9 are based on an expect credit loss model. The Group applies general approach on measure ECL on finance lease, loan and account receivables, deposit and other receivables, restricted bank deposits and bank balances. Under the general approach, financial assets migrate through the following three stages based on the change in risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Life time ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

It is the Group's policy that all customers who wish to obtain loans from the Group are subject to management review. Receivable balances are monitored on an ongoing basis. The Group holds collateral directly or indirectly to cover its risks associated with the receivables.

All collateral of loan receivables, finance lease receivables and financial assets were held directly by the Group except for distressed assets classified as other financial assets measured at FVOCI, collateral is held by the non-performing debts' original creditors. For entrusted loan receivables, the Group holds collateral of the customers through banks. In case of default, the banks would assist the Group to recover the loan. Based on the arrangement of the Group and the banks, the banks may apply to the court for enforcement of the loan agreement and sale of the collateral.

At the reporting date, the Group's exposure under outstanding loan and account receivables were secured by the collateral and deposits received from finance lease customers as disclosed in notes 19 and 27.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

The Group also has investments in distressed assets classified as other financial assets measured at FVOCI which contain certain elements of credit risk. Depending on the status of the obligor of distressed asset, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. To minimize the credit risk of distressed assets, the Group selects counterparties with appropriate creditworthiness and repayment capacity. At the reporting date, the Group's maximum exposure in distressed assets equal to the carrying amount of these assets as disclosed in note 21.

The credit risk of the Group's remaining financial assets, which mainly comprise restricted bank deposits and cash and bank balances, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Credit risk in restricted bank deposits and cash and bank balances is mitigated as cash is deposited in banks with high credit rating.

All customers who wish to obtain financial guarantee from the Group are also subject to management review. The Group has entered into financial guarantee contracts in which it has guaranteed the bank the repayment of loan by customers of the Group. The Group has the obligation to compensate the bank for the loss it would suffer because the customers fail to repay. The Group's maximum exposure under the financial guarantee contracts is disclosed in "liquidity risk" below. To mitigate such risk, the Group requests the customers to provide collateral as appropriate. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the Group will proceed with sale of collateral. In order to maintain the credit risk at desirable levels, the Group's average loan-to-value ratio was kept at a level that could ensure the recoverability of the outstanding guarantee amount. At the reporting date, the Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers as follows:

	2018 **RMB'000**	2017 RMB'000
Real estate	**1,070**	20,293
Inventories	**11,000**	47,800
Machinery	**1,200**	1,140
Motor vehicles	**400**	570
Property rights	**957,800**	936,161
Others	**–**	9,500
	971,470	1,015,464

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

The following table provides information about the Group's exposure to credit risk and ECL for finance lease, loan and account receivables and other receivables as at 31 December 2018. The average expected loss rate is derived from the gross carrying amount and loss allowance as at 31 December 2018 after taken into accounting of the collaterals, historical default rate and forward looking information when determined the loss allowance. The assessment is performed debtors by debtors.

	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Account receivables	3.30	62,915	2,077
Finance lease receivables	0.23	290,795	678
Receivables from guarantee customers	27.13	49,251	13,350
Entrusted loan receivables	0.05	152,254	75
Loan receivables	1.41	569,518	8,052
		1,124,733	24,232
Other receivables	0.48	127,760	639
			24,871

The changes of the ECL rate is mainly taken the following factors into account when assessing whether credit risk has increased significantly subsequently:

– an actual or expected significant deterioration in the macro-economic environment;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

Movement in the loss allowance account in respect of finance lease, loan and account receivables and other receivables during the year is as follows:

	2018 RMB'000	2017 RMB'000
Balance at 31 December under HKAS 39	**22,898**	31,352
Impact of initial application of HKFRS 9	**15,934**	–
Adjusted balance at 1 January	**38,832**	31,352
Impairment losses recognised		
– finance lease, loan and account receivables	**5,119**	21,619
– other receivables	**639**	–
Reversal of impairment loss		
– finance lease, loan and account receivables	**(19,719)**	(30,073)
Balance at 31 December	**24,871**	22,898

The following significant changes in the gross carrying amounts of finance lease, loan and account receivables and other receivables contributed to the increase in the loss allowance during 31 December 2018:

– Origination of new finance lease, loan and account receivables and other receivables net of those receivables being settled; and

– Increase in days past due over 90 days.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk

Management of the Group monitors current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000
At 31 December 2018						
Accounts and bills payable	417,764	417,764	417,764	–	–	–
Accruals, other payables and deposits received	247,775	247,775	164,278	7,220	76,277	–
Bank and other borrowings	335,720	379,873	228,176	151,697	–	–
Corporate bonds	276,225	325,652	34,207	40,019	137,045	114,381
	1,277,484	1,371,064	844,425	198,936	213,322	114,381
Financial guarantees issued						
Maximum amount guaranteed	–	1,362,170	1,362,170	–	–	–
At 31 December 2017 (restated)						
Accounts and bills payable	141,710	141,710	141,710	–	–	–
Accruals, other payables and deposits received	103,909	103,909	72,884	7,863	23,162	–
Bank and other borrowings	242,751	261,819	196,990	52,443	12,386	–
Corporate bonds	266,924	335,830	56,218	30,897	120,217	128,498
Promissory note	120,000	126,403	5,895	120,508	–	–
	875,294	969,671	473,697	211,711	155,765	128,498
Financial guarantees issued						
Maximum amount guaranteed	–	1,240,669	1,240,669	–	–	–

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Valuation risk

The Group's distressed assets classified as financial assets measured at FVTPL and FVOCI are subject to valuation risk, which is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed assets. Differences arise from variance in factors such as future cash flows, collection period, discount rate, and disposal cost, and the Group adopted conservative approach to estimate these factors so as to minimize the difference between actual results and value estimations.

Legal title risk

The Group's distressed assets are subject to legal title risk, which is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. To minimize the legal title risk, the Group closely monitors the related legal processes and regularly communicates with the debtors, lawyers and other contract parties.

Capital management

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Capital management – continued

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated the share capital. The Group will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

The net debts-to-equity ratios at 31 December 2018 and 2017 were as follows:

	2018 **RMB'000**	2017 RMB'000 (restated)
Bank and other borrowings	**335,720**	242,751
Corporate bonds	**276,225**	266,924
Promissory note	**–**	120,000
	611,945	629,675
Less: Cash and bank balances – general accounts	**(85,656)**	(60,537)
Net debts	**526,289**	569,138
Equity attributable to owners of the Company	**1,611,986**	1,307,489
Net debts to equity ratio	**32.6%**	43.5%

48. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Major non-cash transaction

No major non-cash transaction during the year ended 31 December 2018.

During the year end 31 December 2017, the Group had exercised its right enforced by the civil judgement from the People's Court of Fujian Province to obtain the legal title of collaterals pledged by a finance lease customer who was in financial difficulties and was default of payments of finance lease receivables of approximately RMB53,727,000.

The Group accounted for the collaterals as prepayment for land and properties acquired for assets management business in the consolidated statement of financial position and offset the finance lease receivables of approximately RMB53,727,000 during the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

48. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS – continued

(b) Other cash flow information

Reconciliation of liabilities arising from financing activities

	Promissory note	Bank and other borrowings	Corporate bonds	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 31)	*(Note 29)*	*(Note 30)*	
At 1 January 2018	**120,000**	**242,751**	**266,924**	**629,675**
Changes from financing cash flow:				
Proceeds from bank and other borrowings	**–**	**268,444**	**–**	**268,444**
Proceed from issue of corporate bonds	**–**	**–**	**40,977**	**40,977**
Repayment of bank and other borrowings	**–**	**(277,278)**	**–**	**(277,278)**
Repayment of corporate bonds	**–**	**–**	**(43,587)**	**(43,587)**
Repayment of promissory note	**(120,000)**	**–**	**–**	**(120,000)**
Interest paid	**(2,132)**	**(17,537)**	**(8,975)**	**(28,644)**
Total changes from financing cash flows	**(122,132)**	**(26,371)**	**(11,585)**	**(160,088)**
Exchange adjustments	**48**	**5,519**	**11,911**	**17,478**
Other changes:				
Acquisition of subsidiaries	**–**	**96,284**	**–**	**96,284**
Interest expenses	**2,084**	**22,713**	**15,575**	**40,372**
Interest accrued	**–**	**(5,176)**	**(6,600)**	**(11,776)**
At 31 December 2018	**–**	**335,720**	**276,225**	**611,945**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

48. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS – continued

(b) Other cash flow information – continued

	Bank and other borrowings RMB'000 *(Note 29)*	Corporate bonds RMB'000 *(Note 30)*	Convertible bonds RMB'000 *(Note 32)*	Total RMB'000
At 1 January 2017	216,409	95,216	206,804	518,429
Changes from financing cash flow:				
Proceeds from bank and other borrowings	196,219	–	–	196,219
Proceed from issue of corporate bonds	–	181,891	–	181,891
Repayment of bank and other borrowings	(164,746)	–	–	(164,746)
Repayment of corporate bonds	–	(5,080)	–	(5,080)
Repayment of convertible bonds	–	–	(205,621)	(205,621)
Interest paid	(18,581)	(13,596)	(10,928)	(43,105)
Total changes from financing cash flows	12,892	163,215	(216,549)	(40,442)
Exchange adjustments	(5,131)	(5,103)	(309)	(10,543)
Other changes:				
Interest expenses	18,581	13,596	23,057	55,234
Gain on redemption of convertible bonds	–	–	(8,770)	(8,770)
Change in fair value of derivative financial instruments	–	–	(1,960)	(1,960)
Adjustment to the carrying amount of liability component of convertible bonds arising from modification of terms and conditions	–	–	(2,273)	(2,273)
At 31 December 2017	242,751	266,924	–	509,675

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

49. SHARE OPTION SCHEME

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

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**
Directors								
Mr. Hong	25 April 2016	6,400,000	–	–	–	6,400,000	30 April 2017 to 30 April 2021	0.734
Mr. Ng	25 April 2016	6,400,000	–	–	–	6,400,000	30 April 2017 to 30 April 2021	0.734
Employees (in aggregate)	25 April 2016	44,750,000	–	–	(15,356,000)	29,394,000	30 April 2017 to 30 April 2021	0.734
Total		**57,550,000**	**–**	**–**	**(15,356,000)**	**42,194,000**		

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

49. SHARE OPTION SCHEME – continued

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

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

49. SHARE OPTION SCHEME – continued

Fair value per share option

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

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

	Number of share options	**Weighted average exercise price** HK$
Outstanding at 1 January 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 year (2017: 1.71 years).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

50. CONTINGENT LIABILITIES

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

(a) The Group has arranged mortgage loan facility with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayments. The outstanding guarantees amounted to approximately 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: RMB770,969,000), in which RMB220,000,000 is given to Jingning Outdoor, a related company controlled by Mr. Hong.

Assets pledged to secure the above banking facilities are disclosed in note 18 to the financial statements.

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

51. 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 Investments Limited ("Prime Thrive") at a consideration of RMB499,972,000. Prime Thrive was under the control and managed by Mr. Hong, the substantial shareholder of the Company, via Ms. Shi through a trust arrangement, the acquisition is considered as a combination of businesses under 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. It is not practicable to disclose further details in relation to the acquisition at the date of the approval of these financial statements.

(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 Company 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 the approval of these financial statements.

PROPERTIES PORTFOLIO

PROPERTIES UNDER DEVELOPMENT/ FOR SALE AS AT 31 DECEMBER 2018

Property name	Address and lot no.	Stage of completion	Expected completion date	Type	Site area	Total or estimated GFA (sq.m.)	Group's interest (%)
Differ Sky Realm 鼎豐天境	Waishe District, Jingning She Autonomous County, Lishui, Zhejiang Province, PRC 中國浙江省麗水市景寧佘族自治縣外舍區	Phase 1 and 2: Completed Phase 3 and 4: Construction in progress	by the end of 2020	Residential/ Commercial	99,729	377,169	100
Chu Zhou Fu Cheng 處州府城	Northwest side of the intersection of Dayou Street and Dayang Road, Lishui, Zhejiang Province, PRC 中國麗水市大猷街與大洋路交匯處西北側	Construction in progress	Mid - 2019	Commercial	34,761	56,627	100
Shu Xiang Haoting 書香豪庭	Daying Village, Shuitou Town, Nanan, Fujian Province, PRC 中國福建省泉州南安市水頭鎮大盈村	Construction in progress	by the end of 2019	Residential/ Commercial	23,762	64,984	100
Yu Hu Zun Di 御湖尊邸	North side of Xinli North Street and West side of An Ding North Road, Yingkou, Liaoning Province, PRC 中國遼寧省營口市沿海產業基地安定北路以西、新聯北大街以北	Construction in progress	by the end of 2020	Residential/ Commercial	125,513	282,722	100

PROPERTIES PORTFOLIO

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2018

Property name	Address and lot no.	Type	Total or estimated GFA (sq.m.)	Lease term expiry date
Chu Zhou Fu Cheng 處州府城	Northwest side of the intersection of Dayou Street and Dayang Road, Lishui, Zhejiang Province, PRC 中國麗水市大猷街與大洋路交匯處西北側	Commercial	41,302	29 October 2055
Other properties	23/F, No.166 Tabu East Road, Siming District, Xiamen, Fujian Province, PRC 中國福建省廈門市塔埔東路166號第11座23樓	Commercial	1,883	19 December 2055
Other properties	Units 201-1 to 201-9, No. 10 Hubin West Road, Siming District, Xiamen, Fujian Province, PRC 中國福建省廈門市思明區湖濱西路10號201-1至201-9單元	Commercial	4,620	1 April 2035