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DIFFER GROUP HOLDING COMPANY LIMITED

鼎豐集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6878)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2020 was approximately RMB6,090,506,000 (2019: RMB2,251,841,000), representing an increase of approximately 170.5% as compared with the previous year.
- Profit for the year ended 31 December 2020 was approximately RMB353,330,000 (2019: RMB336,131,000), representing an increase of approximately 5.1% as compared with the previous year.
- Profit attributable to owners of the Company for the year ended 31 December 2020 was approximately RMB356,115,000 (2019: RMB335,503,000), representing an increase of approximately 6.1% as compared with the previous year.
- Earnings per share of the Company for the year ended 31 December 2020 was approximately RMB5.23 cents (2019: RMB5.32 cents).
- The Directors propose to declare a final dividend of HK0.5 cent per ordinary share for the year ended 31 December 2020 (2019: Nil).

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Differ Group Holding Company Limited (the “Company”) is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 together with the comparative figures for the corresponding period in 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | <i>Notes</i> | 2020 RMB'000 | 2019 RMB'000 |
|--|--------------|-------------------------------|------------------------|
| Income from financial related services | 4 | 185,077 | 144,634 |
| Income from assets management business | 4 | 709,115 | 777,613 |
| Income from trading of commodities | 4 | 5,196,314 | 1,329,594 |
| Other income | 4 | 79,122 | 53,686 |
| Costs of property sold | | (437,746) | (539,075) |
| Costs of trading of commodities | | (5,190,210) | (1,328,264) |
| Gain on disposal of subsidiaries | | 109,241 | 72,888 |
| Employee benefit expenses | | (69,765) | (59,949) |
| Depreciation expenses | | (19,781) | (16,692) |
| Short-term lease expenses | | (154) | (1,195) |
| Equity-settled share-based payments | | (335) | (1,624) |
| Other expenses | | (113,647) | (97,739) |
| Share of results of associates | | 128,420 | 124 |
| Share of results of a joint venture | | (13,619) | 11,088 |
| Gain on disposal of investment properties | | 2,988 | 61,874 |
| Change in fair value of investment properties | | 23,344 | 72,362 |
| Change in fair value of other financial assets | | 3,017 | (863) |
| Finance costs | 6 | (88,610) | (43,353) |
| Profit before income tax | 7 | 502,771 | 435,109 |
| Income tax expense | 8 | (149,441) | (98,978) |
| Profit for the year | | 353,330 | 336,131 |

| | <i>Notes</i> | 2020 RMB'000 | 2019 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| Other comprehensive income | | | |
| Items that may be reclassified to profit or loss in subsequent periods | | | |
| – Exchange differences on translating foreign operation | | 10,604 | (6,543) |
| – Net change in debt investments measured at fair value through other comprehensive income | | 4,979 | 8,000 |
| – Transfer to profit or loss upon disposal of debt investments measured at fair value through other comprehensive income | | (728) | (2,300) |
| | | 14,855 | (843) |
| Total comprehensive income for the year | | 368,185 | 335,288 |
| Profit/(loss) for the year attributable to: | | | |
| Owners of the Company | | 356,115 | 335,503 |
| Non-controlling interests | | (2,785) | 628 |
| | | 353,330 | 336,131 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 371,195 | 334,444 |
| Non-controlling interests | | (3,010) | 844 |
| | | 368,185 | 335,288 |
| Earnings per share | | | |
| | 10 | | |
| – Basic (RMB cents) | | 5.23 | 5.32 |
| – Diluted (RMB cents) | | 5.23 | 5.32 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | <i>Notes</i> | 2020 RMB'000 | 2019 RMB'000 |
|---|--------------|-------------------------------|-------------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 174,377 | 173,133 |
| Investment properties | | 677,200 | 747,800 |
| Interests in associates | | 400,286 | 15,653 |
| Interest in a joint venture | | – | 15,678 |
| Finance lease, loan and account receivables | 12 | 74,759 | 98,558 |
| Goodwill | | 83,338 | 33,400 |
| Other financial assets | 13 | 358,238 | 95,000 |
| Prepayments, deposits and other receivables | 14 | 635,277 | 319,060 |
| Deferred tax assets | | 43,569 | – |
| | | <u>2,447,044</u> | <u>1,498,282</u> |
| Current assets | | | |
| Inventories of properties | | 3,191,108 | 3,064,836 |
| Other inventories | | 281 | 513 |
| Finance lease, loan and account receivables | 12 | 1,374,221 | 867,917 |
| Prepayments, deposits and other receivables | 14 | 554,117 | 228,080 |
| Contract assets | | – | 3,624 |
| Other financial assets | 13 | 97,713 | 44,738 |
| Tax receivables | | 50,343 | 28,485 |
| Restricted bank deposits | | 333,293 | 38,714 |
| Cash and bank balances – general accounts | | 87,935 | 139,770 |
| Cash and bank balances – held on behalf of customers | | 12,435 | 22,959 |
| | | <u>5,701,446</u> | <u>4,439,636</u> |

| | <i>Notes</i> | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|--------------|------------------------|------------------------|
| Current liabilities | | | |
| Accounts and bills payable | 15 | 563,151 | 493,756 |
| Accruals, other payables, deposits received and deferred income | | 1,513,266 | 633,022 |
| Contract liabilities | 16 | 2,309,703 | 1,351,221 |
| Lease liabilities | | 10,659 | 14,896 |
| Provision for taxation | | 265,774 | 153,719 |
| Bank and other borrowings | | 278,013 | 493,375 |
| Corporate bonds | | 111,223 | 51,175 |
| | | <u>5,051,789</u> | <u>3,191,164</u> |
| Net current assets | | <u>649,657</u> | <u>1,248,472</u> |
| Total assets less current liabilities | | <u>3,096,701</u> | <u>2,746,754</u> |
| Non-current liabilities | | | |
| Other payables and deposits received | | 75,472 | 7,507 |
| Lease liabilities | | 5,176 | 89,699 |
| Bank and other borrowings | | 469,196 | 689,910 |
| Corporate bonds | | 163,753 | 248,310 |
| Deferred tax liabilities | | 34,784 | 120,077 |
| | | <u>748,381</u> | <u>1,155,503</u> |
| Net assets | | <u>2,348,320</u> | <u>1,591,251</u> |
| EQUITY | | | |
| Share capital | 17 | 14,734 | 12,832 |
| Reserves | | 2,291,298 | 1,574,321 |
| Equity attributable to owners of the Company | | <u>2,306,032</u> | <u>1,587,153</u> |
| Non-controlling interests | | <u>42,288</u> | <u>4,098</u> |
| Total equity | | <u>2,348,320</u> | <u>1,591,251</u> |

NOTES

1. CORPORATE INFORMATION

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

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

The Company's principal activities are investment holding and provision of consultancy services and its subsidiaries are principally engaged in (i) assets management business, (ii) provision of financial related services and (iii) commodity trading business.

2. BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

Functional and presentation currency

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

3. ADOPTION OF HKFRSs

3.1 Adoption of revised HKFRSs

In the current year, the Group has applied for the first time the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to and effective for the annual period beginning on 1 January 2020.

| | |
|--|--|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |
| Conceptual Framework for Financial Reporting | Revised Conceptual Framework for Financial Reporting |

The adoption of the revised HKFRSs has no material impact on the consolidated financial statements. In addition, the Group has early adopted the amendment to HKFRS 16 - Covid-19-Related Rent Concessions ahead of the effective date and applied the amendment from 1 January 2020.

Amendment to HKFRS 16 – Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Amendment to HKFRS 16 – Covid-19-Related Rent Concessions – continued

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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

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

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

| | |
|---|---|
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 ¹ |
| Amendments to HKAS 16 | Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ² |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to HKFRS | Annual improvements to HKFRS 2018-2020 ² |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current ³ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No Mandatory effective date yet determined but available for adoption

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

4. REVENUE AND OTHER INCOME

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------------|-------------------------------|
| Income from financial related services | | |
| <i>Revenue from contracts with customers within the scope of HKFRS 15</i> | | |
| Income from financial consultancy services | 14,875 | 36,887 |
| Income from supply chain agency services | – | 158 |
| Income from financial securities services | 3,452 | 3,223 |
| <i>Revenue from other sources</i> | | |
| Income from guarantee services | 11,038 | 11,311 |
| Interest income from: | | |
| – Entrusted loans | 109 | 17,533 |
| – Money lending | 135,533 | 51,342 |
| – Finance lease services | 20,070 | 24,180 |
| | <u>185,077</u> | <u>144,634</u> |
| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
| Income from assets management business | | |
| <i>Revenue from contracts with customers within the scope of HKFRS 15</i> | | |
| Income from sales of properties | 684,734 | 764,913 |
| <i>Revenue from other sources</i> | | |
| Income from disposal of distressed financial assets | 4,724 | 7,500 |
| Rental income and sublease rental income | 14,829 | 4,967 |
| Management fee income | 4,828 | 233 |
| | <u>709,115</u> | <u>777,613</u> |

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Income from trading of commodities | | |
| <i>Revenue from contracts with customers within the scope of HKFRS 15</i> | | |
| Income from trading of commodities | 5,196,314 | 1,329,594 |
| Other income | | |
| Bank and other interest income | 23,552 | 12,683 |
| Gain on disposal of property, plant and equipment | 258 | 118 |
| Government grants* | 3,520 | 501 |
| Reversal of impairment loss on finance lease, loan and account receivables and other receivables | 3,053 | 5,979 |
| Income from security trading | – | 96 |
| Sales of electronic devices | 13,017 | 16,429 |
| Gain from disposal of an associate | – | 3,056 |
| Gain on re-measurement of pre-existing interest in a joint venture | 15,487 | – |
| Foreign exchange gain, net | 7,325 | – |
| Others | 12,910 | 14,824 |
| | 79,122 | 53,686 |

* Amount of RMB2,326,000 represents the government grants from the employment support scheme under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region and the remaining mainly represented the grants from the relevant PRC government authorities in support of the Group's financial services and asset management business in the PRC. There were no unfulfilled conditions to receive the grants.

5. SEGMENT INFORMATION

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

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

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

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

Segment assets include all assets other than cash and bank balances that are managed on a group basis.

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

Segment revenue and results

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

For the year ended 31 December 2020

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

For the year ended 31 December 2019

| | Financial services <i>RMB'000</i> | Property development and investment <i>RMB'000</i> | Trading of commodities <i>RMB'000</i> | Total <i>RMB'000</i> |
|------------------------------------|---|--|---|-------------------------|
| Segment revenue | | | | |
| Revenue from external customers | <u>156,645</u> | <u>765,602</u> | <u>1,329,594</u> | <u>2,251,841</u> |
| Segment results | 149,902 | 294,187 | 365 | 444,454 |
| Gain on disposal of subsidiaries | | | | 26,718 |
| Equity-settled share-based payment | | | | (1,624) |
| Unallocated corporate expenses | | | | (6,365) |
| Unallocated finance costs | | | | <u>(28,074)</u> |
| Profit before income tax | | | | <u><u>435,109</u></u> |

Segment assets and liabilities

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|-------------------------------------|------------------------|------------------------|
| Segment assets | | |
| Financial services | 1,438,427 | 1,738,454 |
| Property development and investment | 6,217,932 | 4,139,701 |
| Trading of commodities | 491,190 | 11,994 |
| | <hr/> | <hr/> |
| Total segment assets | 8,147,549 | 5,890,149 |
| Unallocated | | |
| – Cash and bank balances | 941 | 47,769 |
| | <hr/> | <hr/> |
| Total assets | 8,148,490 | 5,937,918 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Segment liabilities | | |
| Financial services | 149,064 | 289,209 |
| Property development and investment | 4,835,116 | 3,322,874 |
| Trading of commodities | 48,857 | 60,387 |
| | <hr/> | <hr/> |
| Total segment liabilities | 5,033,037 | 3,672,470 |
| Unallocated | | |
| – Accruals and other payables | 29,651 | 9,475 |
| – Other borrowings | 462,506 | 365,237 |
| – Corporate bonds | 274,976 | 299,485 |
| | <hr/> | <hr/> |
| Total liabilities | 5,800,170 | 4,346,667 |
| | <hr/> <hr/> | <hr/> <hr/> |

Other segment information**For the year ended 31 December 2020**

| | Financial services RMB'000 | Property development and investment RMB'000 | Trading of commodities RMB'000 | Total RMB'000 |
|--|---|--|---|--------------------------|
| Additions to non-current assets (other than financial assets) | 2,175 | 354,357 | – | 356,532 |
| Equity accounted for investment in associates | 8,914 | 391,372 | – | 400,286 |
| Depreciation of property, plant and equipment | (13,908) | (5,866) | (7) | (19,781) |
| Impairment loss on goodwill | (13,504) | – | – | (13,504) |
| Share of results of associates | (6,739) | 135,159 | – | 128,420 |
| Share of results of a joint venture | – | (13,619) | – | (13,619) |
| Gain on disposal of property, plant and equipment | – | 258 | – | 258 |
| Gain on disposal of subsidiaries | – | 109,241 | – | 109,241 |
| Gain on disposal of investment properties | – | 2,988 | – | 2,988 |
| Change in fair value of investment properties | (1,700) | 25,044 | – | 23,344 |
| Change in fair value of other financial assets | 3,017 | – | – | 3,017 |
| Provision of impairment loss on finance lease, loan and account receivables, amount due from an associate and other receivables | (13,508) | (6,042) | – | (19,550) |
| Reversal of impairment loss on finance lease, loan and account receivables and other receivables | 3,053 | – | – | 3,053 |
| Bank and other interest income | 22,051 | 1,498 | 3 | 23,552 |
| Finance costs | <u>(1,388)</u> | <u>(41,617)</u> | <u>(2,733)</u> | <u>(45,738)</u> |

For the year ended 31 December 2019

| | Financial services <i>RMB'000</i> | Property development and investment <i>RMB'000</i> | Trading of commodities <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|---|--|---|-------------------------|
| Additions to non-current assets (other than financial assets) | 11,287 | 366,471 | – | 377,758 |
| Equity accounted for investment in an associate and a joint venture | 15,653 | 15,678 | – | 31,331 |
| Depreciation of property, plant and equipment | (11,788) | (4,696) | (208) | (16,692) |
| Share of results of an associate | 124 | – | – | 124 |
| Share of results of a joint venture | – | 11,088 | – | 11,088 |
| Gain on disposal of property, plant and equipment | 51 | 67 | – | 118 |
| Gain on disposal of subsidiaries | 46,170 | – | – | 46,170 |
| (Loss)/gain on disposal of investment properties | (5,708) | 67,582 | – | 61,874 |
| Change in fair value of investment properties | (1,000) | 73,362 | – | 72,362 |
| Change in fair value of other financial assets | (863) | – | – | (863) |
| Provision of impairment loss on finance lease, loan and account receivables and other receivables | (5,794) | – | – | (5,794) |
| Reversal of impairment loss on finance lease, loan and account receivables | 5,979 | – | – | 5,979 |
| Bank and other interest income | 11,860 | 197 | 626 | 12,683 |
| Finance costs | <u>(4,523)</u> | <u>(10,390)</u> | <u>(366)</u> | <u>(15,279)</u> |

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

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

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

| | 2020 | 2019 |
|----------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Customer A (<i>Note</i>) | <u>703,785</u> | <u>271,439</u> |

Note: This is a customer from trading of commodities segment for the years ended 31 December 2020 and 2019.

6. FINANCE COSTS

| | 2020 | 2019 |
|---------------------------------------|------------------------|-----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest on bank and other borrowings | 109,500 | 65,596 |
| Interest on corporate bonds | 28,238 | 17,687 |
| Interest on lease liabilities | <u>10,406</u> | <u>5,743</u> |
| | 148,144 | 89,026 |
| Less: interests capitalised | <u>(59,534)</u> | <u>(45,673)</u> |
| | <u>88,610</u> | <u>43,353</u> |

7. PROFIT BEFORE INCOME TAX

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Auditor's remuneration | | |
| – audit service | 1,360 | 1,433 |
| – non-audit service | 196 | 267 |
| | <u>1,556</u> | <u>1,700</u> |
| Cost of inventories recognised as expenses | <u>5,623,125</u> | <u>1,838,131</u> |
| Depreciation of property, plant and equipment | 19,781 | 16,890 |
| Less: Amounts capitalised on inventories of properties | – | (198) |
| | <u>19,781</u> | <u>16,692</u> |
| Impairment loss on goodwill | 13,504 | – |
| Impairment loss on finance lease, loan and account receivables, amount due from an associate and other receivables | 19,550 | 5,794 |
| Reversal of impairment loss on finance lease, loan and account receivables and other receivables | (3,053) | (5,979) |
| Equity-settled share-based payments | 335 | 1,624 |
| Write off of property, plant and equipment | – | 641 |
| Direct operating expenses arising from investment property that did not generate rental income during the year | 7,867 | 2,341 |
| Employee's costs (including directors' remuneration) | | |
| – Salaries and allowances | 60,661 | 49,783 |
| – Pension scheme contributions – Defined contribution plans | 3,900 | 4,623 |
| – Other benefits | 5,204 | 5,543 |
| | <u>69,765</u> | <u>59,949</u> |
| Net foreign exchange (gain)/loss | (7,325) | 1,809 |
| Gain on disposal of property, plant and equipment | <u>(258)</u> | <u>(118)</u> |

8. INCOME TAX EXPENSE

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---------------------------------|------------------------|------------------------|
| Current tax | | |
| Hong Kong Profits Tax | 283 | 207 |
| PRC | | |
| – Enterprise income tax (“EIT”) | 167,984 | 82,802 |
| – Land appreciation tax (“LAT”) | 24,979 | 18,122 |
| – Withholding tax | 523 | 411 |
| | <u>193,769</u> | <u>101,542</u> |
| Deferred tax | <u>(44,328)</u> | <u>(2,564)</u> |
| | <u><u>149,441</u></u> | <u><u>98,978</u></u> |

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

EIT arising from subsidiaries operated in the PRC for the year was calculated at 25% (2019: 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%.

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% (2019: 7%) of the interest paid by PRC entities to a non-PRC holding company during the year.

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rate regime. The first HK\$2,000,000 of assessable profits of qualifying corporation is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% for the year ended 31 December 2020 and 2019.

9. DIVIDENDS

The Directors proposed a final dividend of HK0.5 cent per ordinary share (2019: Nil), totaling approximately HK\$36,042,000 (equivalent to RMB30,636,000) (2019: Nil) in respect of the year ended 31 December 2020. This proposed dividend is subject to the approval of the shareholders at the forthcoming annual general meeting and not recognised as dividend payable in the consolidated financial statements for the year ended 31 December 2020. No dividend was paid during the year (2019: Nil).

10. EARNINGS PER SHARE

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|---|---------------------------------------|
| Profit for the year attributable to owners of the Company | <u>356,115</u> | <u>335,503</u> |
| | 2020 Number of shares ('000) | 2019 Number of shares ('000) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | <u>6,806,287</u> | <u>6,301,125</u> |
| Basic earnings per share (RMB cents) | <u>5.23</u> | <u>5.32</u> |
| Dilutive earnings per share (RMB cents) (<i>Note</i>) | <u>5.23</u> | <u>5.32</u> |

Note:

The computations of diluted earnings per share for the years end 31 December 2020 and 2019 do not assume the exercise of the Company's outstanding share options as the exercise price of the Company's share options was higher than the average market price for shares.

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2020, the Group has additions of approximately RMB23,802,000 (2019: RMB142,299,000) on construction-in-progress, other properties leased for own use, leasehold improvement and acquisition of motor vehicles, furniture, fixtures and office equipment.

12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--------------------------------------|------------------------|------------------------|
| Non-current assets | | |
| Finance lease receivables | <u>74,759</u> | <u>98,558</u> |
| Current assets | | |
| Entrusted loan receivables | 548 | 869 |
| Finance lease receivables | 33,631 | 157,138 |
| Loan receivables | 1,299,115 | 613,152 |
| Receivables from guarantee customers | 22,225 | 28,788 |
| Account receivables | <u>18,702</u> | <u>67,970</u> |
| | <u>1,374,221</u> | <u>867,917</u> |

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

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

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

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

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|----------------|------------------------|------------------------|
| 0 to 30 days | 209,272 | 467,345 |
| 31 to 90 days | 2,058 | 7,776 |
| 91 to 180 days | 407,612 | 100,000 |
| Over 180 days | 807,813 | 362,566 |
| | <u>1,426,755</u> | <u>937,687</u> |

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

13. OTHER FINANCIAL ASSETS

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Non-current: | | |
| <i>Financial assets measured at fair value through profit or loss ("FVTPL")</i> | | |
| – Unlisted equity securities (<i>note (a)</i>) | 36,000 | 34,000 |
| – Distressed assets (<i>note (b)</i>) | 60,331 | 60,000 |
| – Fund investment | 1,000 | 1,000 |
| – Consideration receivable (<i>note (c)</i>) | 260,907 | – |
| | <u>358,238</u> | <u>95,000</u> |
| Current: | | |
| <i>Financial assets measured at FVTPL</i> | | |
| – Equity securities listed in Hong Kong | 7,136 | 11,738 |
| <i>Financial assets measured at fair value through other comprehensive income</i> | | |
| – Distressed assets (<i>note (b)</i>) | 90,577 | 33,000 |
| | <u>97,713</u> | <u>44,738</u> |
| | <u>455,951</u> | <u>139,738</u> |

Notes:

- (a) The balance represented shares in an unlisted PRC company. The Group has classified the shares as FVTPL as the Group considers these investments 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) The balance represented a dividend entitlement in connection with the disposal of Fujian China Overseas (as defined below).

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Non-current assets | | |
| Amounts paid for properties acquired for asset management business | – | 83,680 |
| Other receivables | – | 235,380 |
| Amount due from an associate | <u>635,277</u> | <u>–</u> |
| | <u>635,277</u> | <u>319,060</u> |
| Current assets | | |
| Prepaid expenses | 29,882 | 80,161 |
| Deposits paid | 8,145 | 9,284 |
| Amount paid for land and properties acquired for asset management business | 83,680 | – |
| Other receivables | <u>432,410</u> | <u>138,635</u> |
| | <u>554,117</u> | <u>228,080</u> |

15. ACCOUNTS AND BILLS PAYABLE

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Accounts payable from property development | 549,024 | 452,847 |
| Accounts payable from financial services | | |
| – clearing house | 1,614 | 791 |
| – cash client | 12,513 | 29,988 |
| Bills payable | – | 10,130 |
| | <u>563,151</u> | <u>493,756</u> |

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Current or less than 1 month | 529,818 | 455,652 |
| 1 to 3 months | 29,725 | 10,772 |
| More than 3 months but less than 12 months | 2,115 | 20,742 |
| More than 12 months | 1,493 | 6,590 |
| | <u>563,151</u> | <u>493,756</u> |

16. CONTRACT LIABILITIES

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Contract liabilities related to property sales | <u>2,309,703</u> | <u>1,351,221</u> |

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.

17. SHARE CAPITAL

| | Number of ordinary shares '000 | Nominal value of share capital HK\$'000 | Equivalent nominal value of share capital RMB'000 |
|---|---|--|---|
| Authorised: | | | |
| Ordinary share of HK\$0.0025 each | | | |
| At 31 December 2019, 1 January 2020 and 31 December 2020 | 20,000,000 | 50,000 | 39,000 |
| Issued and fully paid: | | | |
| At 1 January 2019 | 5,330,386 | 13,326 | 10,585 |
| Issue of new shares for acquisition of subsidiaries under common control (<i>note a</i>) | 1,033,000 | 2,582 | 2,247 |
| At 31 December 2019 and 1 January 2020 | 6,363,386 | 15,908 | 12,832 |
| Issue of ordinary shares by placing (<i>note b</i>) | 265,000 | 663 | 597 |
| Issue of new shares for acquisition of a subsidiary (<i>note c</i>) | 190,000 | 475 | 427 |
| Issue of new shares for acquisition of asset through acquisition of a subsidiary (<i>note d</i>) | 390,000 | 975 | 878 |
| At 31 December 2020 | 7,208,386 | 18,021 | 14,734 |

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

- (a) An aggregate of 1,033,000,000 new ordinary shares of the Company of HK\$0.0025 each were issued as consideration shares on 23 January 2019 in relation to acquisition of Prime Thrive Investment Limited.
- (b) In connection with the placing, an aggregate of 265,000,000 new ordinary shares of the Company of HK\$0.0025 each were issued at a price of HK\$0.38 per share on 12 June 2020.
- (c) An aggregate of 190,000,000 new ordinary shares of the Company of HK\$0.0025 each were issued as consideration shares on 10 July 2020 in relation to step acquisition of Weihai Zhongtian (as defined below).
- (d) An aggregate of 390,000,000 new ordinary shares of the Company of HK\$0.0025 each were issued as consideration shares on 10 July 2020 in relation to acquisition of Shanghang Fengda (as defined below).

18. COMMITMENTS

- (i) Operating lease commitments

Group as lessor

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

| | 2020 | 2019 |
|---------------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within one year | 4,841 | 7,874 |
| After one year but within two years | 4,889 | 10,590 |
| After two years but within five years | 11,245 | 26,643 |
| Over five years | <u>–</u> | <u>29,015</u> |
| | <u>20,975</u> | <u>74,122</u> |

Leases are negotiated for terms of 8 years (2019: 2 to 15 years).

- (ii) As at 31 December 2020, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB833,500,000 (2019: RMB850,538,000).
- (iii) As at 31 December 2020, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to an associate of RMB75,950,000 (2019: RMB20,910,000 in respect of the capital injection to a joint venture).

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

| | 2020 | 2019 |
|--|-------------------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Contracted, but not provided for | | |
| – Investment properties under construction | 198,602 | 84,443 |
| – Property development | 1,423,664 | 799,365 |
| – Property, plant and equipment | 37,028 | 49,161 |
| | <u>1,665,294</u> | <u>932,970</u> |

19. CONTINGENT LIABILITIES

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

- (a) The Group has arranged mortgage loan facility with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayments. The outstanding guarantees amounted to approximately RMB1,681,211,000 (2019: RMB1,127,810,000) 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 RMB304,470,000 (2019: RMB328,232,000).
- (c) The Group has provided financial guarantee of maximum amount of approximately RMB467,000,000 (2019: nil) to banks in respect of bank facilities granted to an associate.

In the opinion of the directors, the financial impact arising from providing the above financial guarantee is insignificant and accordingly, they are not accounted for in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2020, the turnover of the Group was mainly derived from the (i) provision of financial related services (including finance lease services, express loan services, consultancy services, guarantee services and security brokerage services), (ii) assets management business (including a) property development and investment and b) distressed assets, equities investment and fund management) and (iii) commodity trading business.

Effect of COVID-19 pandemic

COVID-19 pandemic has swept the world since the beginning of 2020, causing immeasurable losses to people and the economy around the world. With strong and effective joint prevention and control mechanism, the COVID-19 pandemic in the PRC is under control and economic activities are recovering, and the assets management and financial services industry continues to grow stably.

The major businesses of the Group were recovered in February 2020 and the work and production at the sales offices and construction sites have been fully resumed in April 2020. With the purpose of supporting customers to overcome difficulties, the Group offered one month rental concession to tenants in Chu Zhou Fu Cheng (處州府城).

Facing the difficult external environment, the Group has improved operating efficiency and minimized the impact of the COVID-19 pandemic through measures like, quality improvement and efficiency enhancement. For assets management business, in order to meet projects schedule and to obtain satisfactory annual results, the Group has secured properties construction schedules and flat delivery schedules and worked hard on getting back the recovery of sales performance in the second half of the year. As a result, for the year 2020, revenue from sales of properties remained generally stable as compared with that for the year 2019, while the contracted sales reached a record high of over RMB2.3 billion.

For financial related services business, there is increase in demand of express loan services from our customers due to the COVID-19 caused adverse effect on the economy and other business segments. As at 31 December 2020, the balance of finance lease, loan and account receivables is approximately RMB1.4 billion, representing an increase of approximately 50% as compared with year 2019.

In the second half of 2020, the Group proactively overcame the adverse impact of the COVID-19 pandemic, continued to strengthen cashflow control, and actively targeted the market opportunities. As at 31 December 2020, the Group maintained sufficient cash balance (including cash and bank balances and current restricted bank deposits) of approximately RMB421.2 million, representing an increase of 136.0% as compared with year 2019.

FINANCIAL REVIEW

Turnover

The turnover increased from approximately RMB2,251.8 million for the year ended 31 December 2019 to approximately RMB6,090.5 million for the year ended 31 December 2020, representing an increase of approximately RMB3,838.7 million or 170.5%. The increase was attributable to the net effect of the following reasons:

(i) Financial related services

a.) *Express loan services*

The Group has provided money lending services and entrusted loan services to customers in the PRC and Hong Kong. Our customers are mainly small and medium enterprises. Our Group's express loan service income increase by 96.9% from approximately RMB68.9 million for the year ended 31 December 2019 to RMB135.6 million for the year ended 31 December 2020. The increase of express loan service income was mainly due to the increase of average loan receivables during the period.

b.) *Finance lease services*

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

Our Group's finance lease services income decreased by 17.0% from approximately RMB24.2 million for the year ended 31 December 2019 to RMB20.1 million for the year ended 31 December 2020. The decrease was mainly due to the Group's prudent and conservative strategy to develop this business.

c.) *Guarantee services*

We provided the financing guarantee services during the year ended 31 December 2020 and 2019. Our Group's guarantee service income slightly decreased by 2.4% from approximately RMB11.3 million for the year ended 31 December 2019 to approximately RMB11.0 million for the year ended 31 December 2020. The Group is adopting a prudent approach to approve the application of our guarantee services from potential customers. The decrease of income from guarantee services was mainly due to the decrease of the number of the customers of guarantee services.

d.) *Financial consultancy services*

The financial consultancy service income of our Group decreased from approximately RMB36.9 million for the year ended 31 December 2019 to RMB14.9 million for the year ended 31 December 2020. Our Group mainly provide financial and business solutions to various customers. The decrease of the demand of financial consultancy services which lead to decrease of our income from financial consultancy services.

(ii) *Assets management business*

a.) *Property development and investment*

The income from assets management business is mainly contributed by the sales of properties of Differ Sky Realm (鼎豐天境), She People Ancient City (畚鄉古城) and Chu Zhou Fu Cheng (處州府城), all of which were located in Lishui, the PRC. Differ Sky Realm (鼎豐天境) is a residential development comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. The said development covers a total site area of approximately 99,729 sq.m and a total gross floor area of approximately 377,169 sq.m upon completion. The Phase 4 of Differ Sky Realm (鼎豐天境) was completed on December 2020. Most of the Phase 4 and the remaining parts of other phases of Differ Sky Realm (鼎豐天境) were sold and the revenue from the Differ Sky Realm (鼎豐天境) for the year ended 31 December 2020 was approximately RMB575.0 million. She People Ancient City (畚鄉古城) is a commercial cultural development with total site area of approximately 173,934 sq.m. and a total gross floor area of approximately 311,585 sq.m. The construction of She People Ancient City (畚鄉古城) was completed in December 2019 and part of which were delivered to the purchasers during the year ended 31 December 2020. The revenue from She People Ancient City (畚鄉古城) for the year ended 31 December 2020 was approximately RMB102.7 million. Furthermore, Chu Zhou Fu Cheng (處州府城) is a commercial development in the theme of cultural tourism. The said development covers a total site area of approximately 74,721 sq.m and total gross floor area of approximately 97,929 sq.m. The construction of Chu Zhou Fu Cheng (處州府城) was completed in 2019 and part of which were recognised as revenue of approximately RMB7.0 million for the year ended 31 December 2020 in accordance with HKFRSs.

b.) *Distressed assets, equities investment and fund management*

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB24.4 million during the year ended 31 December 2020. Such income mainly represented the income from disposal of distressed financial assets, rental income and management fee income.

(iii) Commodity trading business

As mentioned in the 2019 annual report, the Group explored the possibility of business restructuring from supply chain agency services to commodity trading business in the second half of 2019. The Group considered that the previous experiences of supply chain agency services give the Group an advantage in sourcing and procurement of various commodities. The Group further considered that the previous client base and network from supply chain agency services gave the Group an advantage in locating the buyers and sellers. Started from third quarter of 2019, the Group was no longer acting as an agency of the supply chain business. The Group engaged in commodity trading business and provided various commodities (e.g aluminum ingot) to the customers under the following business model.

The Group proactively seek various suppliers for the availability of different kinds of commodities and the relevant quantities and unit price which can be offered to the Group. For lucrative offers from suppliers, the Group will contact different potential customers and negotiate the selling terms with them. The Group will enter into the sales and purchase agreement with the customers and there is no credit period granted to them. The Group will arrange handover of the relevant commodities to its customers when the sales invoices have been settled. Revenue from the commodity trading business is recognised when the control of goods is transferred to the customers and the relevant cost of sales (i.e purchase costs from the suppliers) is recognised simultaneously. During the year ended 31 December 2020, the Group recorded the income from commodity trading business of approximately RMB5,196.3 million (2019: RMB1,329.6 million) and the relevant cost of trading of commodities and gross profits were approximately RMB5,190.2 million (2019: RMB1,328.3 million) and RMB6.1 million (2019: RMB1.3 million) respectively.

Other income

Other income increased from approximately RMB53.7 million for the year ended 31 December 2019 to approximately RMB79.1 million for the year ended 31 December 2020, representing an increase of approximately RMB25.4 million or 47.4%. Our Group's other income for the year ended 31 December 2020 mainly represented bank and other interest income, gain on re-measurement of pre-existing interest in a joint venture, sales of electronic devices and foreign exchange gain.

Costs of property sold

The Group recorded cost of property development of approximately RMB437.7 million for the year ended 31 December 2020 (2019: RMB539.1 million). It mainly represented the land costs, construction costs and other relevant costs for part of i) Differ Sky Realm (鼎豐天境), ii) She People Ancient City (畚鄉古城) and iii) Chu Zhou Fu Cheng (處州府城) projects.

Gain on disposal of subsidiaries

On 31 December 2020, the Group disposed 51% of the entire issued share capital of Fujian China Overseas Urban Development Co., Ltd* (福建中海外城市開發有限公司) (“Fujian China Overseas”) (the “Disposal Company”), a wholly owned subsidiary of the Company for a total consideration of RMB438.6 million which consists of the cash consideration and the dividend entitlement (the “Disposal”).

Fujian China Overseas and its subsidiaries (the “Disposal Group”) is principally engaged in property development and management and commodity trading business. Major assets of the Disposal Group comprise two land use rights, which one is a commercial/cultural development called Chu Zhou Fu Cheng* (處州府城) and another is a commercial development called She People Ancient City* (畚鄉古城) and four subsidiaries engaged in commodity trading business in the PRC.

The purpose of the Disposal is to realise a profit from the disposed properties development and release funds to improve the Group’s cash flow and financial position. After the Disposal, the Disposal Company will cease to be indirect wholly-owned subsidiary of the Company and will instead become an associate of the Company.

The Group recorded the gain on disposal of the Disposal Group of approximately RMB109.2 million in 2020.

Share of results of associates

For the year ended 31 December 2020, share of results of associates of approximately RMB128.4 million represented the net effect of (i) a gain on bargain purchase of approximately RMB135.1 million which arose mainly from the excess of the Group’s interests in the fair value of the net identifiable assets of the Disposal Group over the fair value of the retained interest and (ii) share of losses of other associate of approximately RMB6.7 million.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB59.9 million for the year ended 31 December 2019 to approximately RMB69.8 million for the year ended 31 December 2020, representing an increase of approximately RMB9.9 million or 16.4%. Our Group’s employee benefit expenses mainly comprised staff salaries, directors’ emoluments and other benefits.

Other expenses

The other expenses increased from approximately RMB97.7 million for the year ended 31 December 2019 to approximately RMB113.6 million for the year ended 31 December 2020, representing an increase of approximately RMB15.9 million or 16.3%. Our Group's other expenses mainly comprised provision of impairment loss on receivables, impairment loss on goodwill, legal and professional fee, advertising expense, cost of electronic device sold, various office expenses and business tax and other taxes. Due to the decline prospects in financing lease business, the cash generating unit of finance leasing has been reduced to its recoverable amount of RMB19,896,000 and an impairment loss of goodwill of approximately RMB13,504,000 is recorded.

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Advertising expense | 13,191 | 9,004 |
| Bank charges | 529 | 773 |
| Business tax and other taxes | 15,928 | 16,810 |
| Cost of electronic device sold | 7,089 | 11,070 |
| Entertainment expense | 3,920 | 3,813 |
| Legal and professional fee | 12,813 | 12,164 |
| Impairment loss on goodwill | 13,504 | – |
| Motor vehicle expense | 1,013 | 885 |
| Office expense | 7,563 | 7,046 |
| Tele-communication fee | 989 | 645 |
| Travelling expense | 1,963 | 1,980 |
| Water and electricity | 2,286 | 2,144 |
| Provision of impairment loss on finance lease, loan and account receivables, amount due from an associate and other receivables | 19,550 | 5,794 |
| Exchange loss | – | 1,809 |
| Provision for compensation | 3,990 | 11,322 |
| Others | 9,319 | 12,480 |
| | <u>113,647</u> | <u>97,739</u> |

Gain on disposal of investment properties

The Group recorded gain on disposal of investment properties of approximately RMB3.0 million for the year ended 31 December 2020 (2019: RMB61.9 million). It mainly represented the net gain of disposal of parts of Chu Zhou Fu Cheng (處州府城) project recognised in accordance with HKFRSs.

Change in fair value of investment properties

The Group's investment properties are situated in the PRC and are held under the lease term from 40 to 50 years. As at 31 December 2020, the carrying amount of investment properties represents, i) parts of Differ One City (鼎豐壹城) project which are under construction for shopping mall and hold to earn rentals in future, ii) parts of Differ Fortune Plaza (鼎豐財富中心) and Differ Hua Cheng (鼎豐華城) project which are under construction for office and shopping mall respectively and hold to earn rentals in future and iii) an investment property in Xiamen which are held to earn rentals under operating lease. The fair value gain on the Group's investment properties of approximately RMB23.3 million (2019: RMB72.4 million) for the year ended 31 December 2020 are based on valuations of such properties and include parts of Chu Zhou Fu Cheng (處州府城) project, which are held for capital appreciation or held to earn rentals and 51% interest of which is disposed in 2020. 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 RMB356.1 million for the year ended 31 December 2020, representing an increase of approximately RMB20.6 million, or 6.1%, from approximately RMB335.5 million for the year ended 31 December 2019.

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

- (a) On 11 February 2020, Xiamen Ding Feng Sheng Enterprise Management Co., Ltd (廈門鼎豐盛企業管理有限公司), an indirect 50% owned subsidiary of the Company (as the purchaser) and Shanghang County Natural Resources Bureau (上杭縣自然資源局) (as the vendor) entered into the land use rights grant contract in relation to the acquisition of the land plot. The consideration is RMB390,700,000 and the land plot is located in Lincheng Town, Shanghang County, Fujian Province, the PRC. The transaction was completed on 4 August 2020.

- (b) On 18 June 2020, Differ Cultural Tours Limited (鼎豐文化旅遊有限公司), an indirect wholly-owned subsidiary of the Company (as the purchaser), entered into a conditional sale and purchase agreement with Mr. Cai Fangxiang (as the vendor) to acquire 49% equity interest in Weihai Zhongtian Real Estate Co., Ltd* (威海中天房地產有限公司) (“Weihai Zhongtian”) (formerly known as Weihai Rong Jing Property Development Limited* (威海融璟房地產開發有限公司)) and 51% equity interest in Shanghang Fengda Real Estate Co., Ltd* (上杭豐達置業有限公司) (“Shanghang Fengda”) and the debt of RMB95,164,200 in the aggregate consideration of RMB211,120,000 (the “Acquisition”). The consideration is settled by 580,000,000 shares of the Company at issue price of HK\$0.40 per share. The principal business of Weihai Zhongtian is property development and the sale of construction material and the principal business of Shanghang Fengda is property development. The Acquisition was completed on 10 July 2020. Upon the completion of the Acquisition, Weihai Zhongtian became an indirect wholly-owned subsidiary of the Company and Shanghang Fengda became an indirect 51% owned subsidiary of the Company.
- (c) On 12 November 2020, China Overseas Urban Development Co., Ltd* (“China Overseas”) (中海外城市開發有限公司) (as the purchaser), entered into the reorganisation agreement (“Reorganisation Agreement”) with Xiamen Differ Cultural Tourism Group Co., Ltd.* (“Xiamen Differ”) (廈門鼎豐文化旅遊集團有限公司) (as the vendor) and Differ Group (China) Co., Ltd.* (“Differ China”)(鼎豐集團(中國)有限公司), both of which are indirect wholly-owned subsidiaries of the Company, pursuant to which the purchaser has agreed to acquire and the vendor has agreed to sell 51% of the entire issued share capital (the “Sale Shares”) of the Disposal Company for the total consideration of RMB438,600,000 which consist of the cash consideration of RMB51,000,000 and dividend entitlement of RMB387,600,000. The Disposal Group are principally engaged in the property development and commodity trading business. The Disposal was completed on 31 December 2020 and the Sale Shares have been transferred to the nominee, Zhong Cheng Chuang Zhan City Construction Limited* (中城創展城市開發建設有限公司), of the purchaser. Upon the completion of the Disposal, the Disposal Group became the 49% associate of the Company.

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 2020.

OUTLOOK

It is anticipated that global economic uncertainties will persist in 2021 amid the outbreak of COVID-19. The Chinese Central government and local governments in different cities have introduced various temporary measures to contain the COVID-19 outbreak during 2020, which had a more or less direct impact of the progress of the construction, pre-sale and delivery of various property projects of the Group. The Group has adopted a prudent approach and closely monitor the financial position. The Board is optimistic about the asset management business and considers that the Chinese property market will bounce back in near future. During the period, the Group has acquired certain companies and land plots in Fujian and further acquired 49% of shares of the company which hold the land plots located in Shandong, the Group expects that the housing demand in these cities will remain robust while the overall real estate sale volume will mildly increase in near future. For distressed assets, the Group has a number of valuable alternative assets for execution or disposal and the Directors believe that these assets will generate remarkable returns in next few years.

This year is the first year of the 14th Five-year Plan. As the plan underlined the promotion of urban renewal and the coordinated development of cities and towns, it is expected that there are ample opportunities for the Group's property development business. Notably, projects with high return have sprung up in the market after the outbreak of the pandemic last year, which fosters the development of the Group's asset management business.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

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

The Reorganisation Agreement was entered into among China Overseas, Xiamen Differ and Differ China. Pursuant to the Reorganisation Agreement, Xiamen Differ and Differ China agreed the total amount owed from the Disposal Group to them are capped at RMB750,000,000 (the "Debts"). As at 31 December 2020, the outstanding principal amount was approximately RMB635.3 million.

The principal terms of Debts are as follows:

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

In addition, Xiamen Differ and Differ China provide guarantee to the Disposal Group in respect of various bank loans amounting up to RMB542 million from several PRC commercial banks (the “Guarantee”). As at 31 December 2020, the outstanding bank loans was RMB467 million.

The principal terms of Guarantee are as follows:

| | |
|-------------------|---|
| Guarantors: | Xiamen Differ and Differ China |
| Guarantee cap: | Up to RMB542 million |
| Service fee: | 3.1% per annum of the outstanding bank balance of the Guarantee |
| Guarantee period: | Up to 21 January 2026 |

A condensed consolidated statement of financial position of the Disposal Group as at 31 December 2020 is set out below:

| | <i>RMB'000</i> |
|---------------------------|----------------|
| Current assets | 2,792,099 |
| Non-current assets | 412,007 |
| Current liabilities | (1,766,709) |
| Non-current liabilities | (638,679) |
| Net assets | <u>798,718</u> |
| Share capital | 1,000 |
| Reserves | 406,346 |
| Non-controlling interests | <u>391,372</u> |
| Total equity | <u>798,718</u> |

As at 31 December 2020, the Group’s attributable interest in the Disposal Group amounted to RMB391,372,000.

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 31 December 2020, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Companies” contained in the Listing Rules, were as follows:

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

| Name of Director | Capacity/ Nature of interest | Number of Shares | Number of underlying shares pursuant to share options | Aggregate interests | Approximate percentage of the total issued share capital of the Company |
|-----------------------------------|---|---------------------|--|------------------------|---|
| Mr. Hong Mingxian (“Mr. Hong”) | Interest in controlled corporation (<i>Note 1</i>) | 3,001,200,000 | – | 3,001,200,000 | 41.63% |
| | Beneficial owner | – | 6,400,000 | 6,400,000 | 0.09% |
| Mr. Ng Chi Chung (“Mr. Ng”) | Interest in controlled corporation (<i>Note 2</i>) | 822,000,000 | – | 822,000,000 | 11.40% |
| | Beneficial owner | 305,898,000 | 6,400,000 | 312,298,000 | 4.33% |

Notes:

- These Shares were held by Expert Corporate Limited (“Expert Corporate”), which was wholly and beneficially owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 3,001,200,000 Shares under the SFO.
- These Shares were held by Ever Ultimate Limited (“Ever Ultimate”), which was wholly and beneficially owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 822,000,000 Shares under the SFO.

Save as disclosed above, as at 31 December 2020, 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 2020, 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 <i>(Note 1)</i> | 3,001,200,000 | 41.63% |
| Ms. Shi Hongjiao ("Ms. Shi") | Interest of spouse <i>(Note 2)</i> | 3,007,600,000 | 41.72% |
| Ever Ultimate | Beneficial owner <i>(Note 3)</i> | 822,000,000 | 11.40% |
| Ms. Ting Pui Shan ("Ms. Ting") | Interest of spouse <i>(Note 4)</i> | 1,134,298,000 | 15.73% |

Notes:

1. These Shares were held by Expert Corporate, which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 3,001,200,000 Shares under the SFO.
2. Ms. Shi is the spouse of Mr. Hong.
3. These Shares were held by Ever Ultimate, which was wholly and beneficial owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 822,000,000 Shares under the SFO.
4. Ms. Ting is the spouse of Mr. Ng.

Save as disclosed above and as at 31 December 2020, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

FOREIGN EXCHANGE RISK MANAGEMENT

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

TREASURY POLICIES

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

FINAL DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 June 2021 to Tuesday, 29 June 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m on Wednesday, 23 June 2021.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The register of members of the Company will be closed from Tuesday, 13 July 2021 to Thursday, 15 July 2021, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m on Monday, 12 July 2021. Subject to the approval by shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be paid on or around Wednesday, 28 July 2021.

EVENT AFTER THE REPORTING DATE

On 12 March 2021, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with Fujian Liantai Real Estate Development Co., Ltd* (福建聯泰房地產開發有限公司), a non-controlling interest of the Group, to dispose 51% equity interest in Shanghang Fengda at consideration of RMB76,877,000. The principal activities of Shanghang Fengda are property development and investment. Upon the completion of disposal, Shanghang Fengda will no longer be a subsidiary of the Company.

Other than disclosed elsewhere in the annual results announcement, there is no significant subsequent event.

HUMAN RESOURCES

As at 31 December 2020, the Group had a total of 406 employees (2019: 401). The staff costs (included Directors' emoluments) were approximately RMB69.8 million for the year ended 31 December 2020 (2019: RMB59.9 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2020 (2019: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2020, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB421.2 million (2019: RMB178.5 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 12.5% as at 31 December 2020 (2019: 25.0%). The current ratio is 1.13 times as at 31 December 2020 (2019: 1.39 times). The Group did not use any financial instruments for hedging purpose.

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

On 2 June 2020, pursuant to a placing and subscription agreement ("P&S Agreement"), Expert Corporate, an existing shareholder of the Company, should place 265,000,000 ordinary shares of the Company to certain placees at HK\$0.38 per share ("Placing Price") ("Placing"), and should also subscribe for 265,000,000 new ordinary shares issued by the Company at the same price ("Subscription"). The Placing Price represented a discount of approximately 9.52% to the closing price of HK\$0.42 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 who are professional investors and was completed on 5 June 2020 and the Subscription was completed on 12 June 2020. The net placing price, after deduction of the relevant expenses for the Placing, was approximately HK\$0.378 per share. The gross proceeds and the net proceeds received, after share issue expenses, was HK\$100,700,000 (equivalent to approximately RMB90,630,000) and HK\$100,191,246 (equivalent to approximately RMB90,173,000) respectively. The transaction results in an increase of issue share capital (nominal value of shares) and share premium of HK\$662,500 (equivalent to approximately RMB597,000) and HK\$99,528,746 (equivalent to approximately RMB89,576,000) respectively.

The Board consider that the Subscription represent 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.

As stated in the announcement of the Company date 2 June 2020 in respect of the Subscription, the Company intended to use all net proceeds from the Subscription for the repayment of indebtedness of the Group and the Company has fully used the net proceeds as intend for the year ended 31 December 2020.

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:

2020

| Name or category of participants | Date of grant | Number of share options | | | | At 31 December 2020 | Exercise period (Note) | Exercise price HK\$ |
|----------------------------------|---------------|-------------------------|----------|-----------|--------------------|---------------------|--------------------------------|------------------------|
| | | At 1 January 2020 | Granted | Exercised | Forfeited | | | |
| Directors | | | | | | | | |
| Mr. Hong | 25 April 2016 | 6,400,000 | - | - | - | 6,400,000 | 30 April 2017 to 30 April 2021 | 0.734 |
| Mr. Ng | 25 April 2016 | 6,400,000 | - | - | - | 6,400,000 | 30 April 2017 to 30 April 2021 | 0.734 |
| Employees (in aggregate) | 25 April 2016 | 24,336,000 | - | - | (2,104,000) | 22,232,000 | 30 April 2017 to 30 April 2021 | 0.734 |
| Total | | 37,136,000 | - | - | (2,104,000) | 35,032,000 | | |

2019

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

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

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

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

Fair value per share option

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

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

| | Number of share options | Weighted average exercise price HK\$ |
|--|------------------------------------|---|
| Outstanding at 1 January 2019 | 42,194,000 | |
| Forfeited | (5,058,000) | 0.734 |
| Outstanding at 31 December 2019 and 1 January 2020 | 37,136,000 | 0.734 |
| Forfeited | (2,104,000) | 0.734 |
| Outstanding at 31 December 2020 | 35,032,000 | 0.734 |

The share options outstanding at 31 December 2020 had exercise price of HK\$0.734 (2019: HK\$0.734) and a weighted average remaining contractual life of 0.24 year (2019: 0.98 year).

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB333.3 million as at 31 December 2020 were mainly pledged to secure for construction of pre-sale properties and the Group's facilities of providing guarantee services to the customers (2019: RMB38.7 million were pledged to secure for the Group's facilities of providing guarantee services to the customers and the bills payable). As at 31 December 2020, no charge on assets for the Group's bank borrowings (2019: approximately RMB615.8 million of bank borrowing were secured by finance lease receivables with carrying amount of approximately RMB17.1 million, properties held for sale with carrying amount of RMB1,318.5 million and investment properties with carrying amount of RMB401.0 million). As at 31 December 2020, other borrowings with carrying amount approximately RMB76.7 million (2019: RMB139.5 million) were secured by charged of 510,000 shares of one of the subsidiaries; and approximately RMB150.0 million (2019: nil) were secured by properties under development with carrying amount of RMB546.5 million (2019: nil), which was also secured by 100% share equity of the one of the subsidiaries.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

Throughout the year ended 31 December 2020, the Company had complied with the CG Code with the exception from the deviation from the code provisions A.1.8 as explained below:

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2020.

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 2020.

All the independent non-executive Directors were delegated with the authority to review on an annual basis the compliance of the terms of the non-competition undertaking and the enforcement of the non-competition undertaking given by Mr. Hong, Mr. Ng, Expert Corporate and Ever Ultimate. Each of them confirmed that (a) they have provided all information necessary for the enforcement of the non-competition undertakings, as requested by all independent non-executive Directors from time to time; and (b) each of them had fully complied with the non-competition undertaking for the year ended 31 December 2020. All independent non-executive Directors also confirmed that they were not aware of any non-compliance with the non-competition undertaking given by them during the same period.

AUDIT COMMITTEE

The audit committee of the Company currently comprises two independent non-executive directors, namely Mr. Chan Sing Nun (chairman of audit committee) and Mr. Lam Kit Lam and one non-executive director, Mr. Wu Qinghan. The unaudited consolidated results of the Group for the year ended 31 December 2020 have been reviewed by the audit committee. The Board is of the opinion that such results complied with the applicable accounting standards, the requirements under Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position and consolidated comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

Hong Kong, 29 March 2021

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

* *For identification purpose only*