Differ Group Auto Limited
鼎豐集團汽車有限公司

(Incorporated in the Cayman Islands with limited liability)
(Formerly Known as Differ Group Holding Company Limited)
Stock Code: 6878

ANNUAL REPORT 2022

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

Mr. NG Chi Chung *(Chairman and Chief Executive Officer)*
Dr. FENG Xiaogang
Mr. HONG Mingxian *(Chairman) (resigned on 21 April 2022)*

NON-EXECUTIVE DIRECTORS:

Mr. KANG Fuming *(appointed on 21 April 2022)*
Mr. XU Yiwei *(appointed on 21 April 2022)*
Mr. CAI Huatan *(resigned on 21 April 2022)*
Mr. WU Qinghan *(resigned on 21 April 2022)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

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

Suites 501-05 on 5th floor, AIA Central,
No.1 Connaught Road Central,
Hong Kong

COMPANY SECRETARY

TAM Wai Tak Victor

AUDITOR

BDO Limited

AUTHORISED REPRESENTATIVES

Mr. NG Chi Chung *(appointed on 21 April 2022)*
TAM Wai Tak Victor
Mr. HONG Mingxian *(resigned on 21 April 2022)*

MEMBERS OF AUDIT COMMITTEE

Mr. CHAN Sing Nun *(Chairman)*
Mr. LAM Kit Lam
Mr. KANG Fuming *(appointed on 21 April 2022)*
Mr. WU Qinghan *(resigned on 21 April 2022)*

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

Mr. NG Chi Chung *(Chairman) (appointed on 21 April 2022)*
Mr. LAM Kit Lam
Mr. CHAN Sing Nun
Mr. HONG Mingxian *(Chairman) (resigned on 21 April 2022)*

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

Industrial and Commercial Bank of China
China Construction Bank
Tianjin Binhai Rural Commercial Bank Corporation
Bank of Communications

COMPANY WEBSITE

www.dfh.cn

STOCK CODE

06878

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income from automobile e-commerce business	**135,790**	21,490	–	–	–
Income from assets management business	**426,424**	917,906	709,115	777,613	715,038
Income from trading of commodities	**269,531**	120,958	5,196,314	1,329,594	–
Income from financial related services	**175,977**	199,378	185,077	144,634	129,462
Other income	**95,489**	66,642	79,122	53,686	35,832
Costs of automobile e-commerce business	**(107,165)**	(18,513)	–	–	–
Costs of property sold	**(350,358)**	(584,555)	(437,746)	(539,075)	(466,131)
Costs of trading of commodities	**(269,312)**	(120,837)	(5,190,210)	(1,328,264)	–
(Loss)/gain on disposals of subsidiaries	**(58,484)**	140,683	109,241	72,888	31,947
Employee benefit expenses	**(66,629)**	(60,163)	(69,765)	(59,949)	(39,706)
Depreciation expenses	**(15,681)**	(20,746)	(19,781)	(16,692)	(4,355)
Operating lease expenses	**–**	–	–	–	(7,629)
Short-term lease expenses	**(1,487)**	(975)	(154)	(1,195)	–
Equity-settled share-based payments	**–**	–	(335)	(1,624)	(3,729)
Other expenses	**(365,556)**	(150,409)	(113,647)	(97,739)	(52,947)
Share of results of associates	**(9,814)**	(21,113)	128,420	124	(7,076)
Share of results of joint ventures	**–**	–	(13,619)	11,088	–
Gain on disposal of investment properties	**–**	–	2,988	61,874	–
Gain on bargain purchase arising from acquisition of subsidiaries	**28,866**	–	–	–	40,072
Change in fair value of investment properties	**14,444**	121,794	23,344	72,362	56,495
Change in fair value of other financial assets	**41,742**	61,076	3,017	(863)	6,750
Finance costs	**(73,582)**	(48,051)	(88,610)	(43,353)	(35,505)
(Loss)/profit before income tax	**(129,805)**	624,565	502,771	435,109	398,518
Income tax expense	**(50,552)**	(186,239)	(149,441)	(98,978)	(108,091)
(Loss)/profit for the year	**(180,357)**	438,326	353,330	336,131	290,427
Attributable to:					
Owners of the Company	**(180,205)**	440,759	356,115	335,503	255,728
Non-controlling interests	**(152)**	(2,433)	(2,785)	628	34,699
	(180,357)	438,326	353,330	336,131	290,427

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Total assets	**8,814,827**	8,319,847	8,148,490	5,937,918	5,572,090
Total liabilities	**(6,289,955)**	(5,598,455)	(5,800,170)	(4,346,667)	(3,912,751)
Non-controlling interests	**152**	–	(42,288)	(4,098)	(29,846)
Equity attributable to owners of the Company	**2,525,024**	2,721,392	2,306,032	1,587,153	1,629,493

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “Board”) of Differ Group Auto Limited (the “Company”) and its subsidiaries (collectively, the “Group”), I would like to present to our shareholders the annual report of the Group for the year ended 31 December 2022 (the “Year”).

The Year was definitely a changing and challenging year for the Group. The Group recorded revenue of approximately RMB1,007.7 million and net loss of approximately RMB180.4 million, representing a decrease of approximately RMB252.0 million in revenue and a reduction of profit of approximately RMB618.7 million as compared to the corresponding period of last year respectively. During the Year, the Group recorded its first loss since going public in 2013. The net loss were mainly attributable to the severe outbreak of the coronavirus disease (“COVID-19”) in December 2022 affected the delivery schedule of properties and the negative financial impacts of certain extraordinary items, such as loss on disposal of subsidiaries, provision for financial guarantees and the decrease of fair value gain of investment properties during the Year.

During the Year, considering that COVID-19 has fundamentally changed customer spending habits and e-commerce is poised to become a major trend in the future, the Group decided to focus on further expanding of automobile e-commerce business. In August 2022, the Company has changed its name from Differ Group Holding Company Limited to Differ Group Auto Limited to provide the Company with a new corporate image and better reflect the current status of the Group’s business development and its direction of future development. The Company plans to reduce its scale in financial related services, asset management business and the commodity trading business so as to put more financial resources on its automobile e-commerce business in the foreseeable future.

For the capital market, the Group has gained widespread public support and recognition. The Company has been selected as a constituent stock of Hang Seng Composite Index and included as an eligible stock of the Shenzhen-Hong Kong Stock Connect during the Year. The Group will take advantage of its reputable listed company in Hong Kong and will continue to explore and diversify its source of funding to ensure sustainable and steady development of the business with great potential.

APPRECIATION

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

Mr. Ng Chi Chung
Chairman

Hong Kong
31 March 2023

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

EXECUTIVE DIRECTORS

Mr. NG Chi Chung (吳志忠), aged 50, was appointed as an executive Director on 26 November 2013. Mr. Ng is the chairman and chief executive officer of our Company. Mr. Ng is responsible for the overall strategic formulation, business development and financial 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 (福建省石獅市), 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.

Dr. FENG Xiaogang (馮晓剛), aged 57, was appointed as our executive Director on 9 December 2021. Dr. Feng is responsible for investment and business management of our Group. Dr. Feng holds a Bachelor of Law degree from Tianjin Normal University, a Master of Business Administration degree from the University of Science and Technology Beijing and a Doctor of Philosophy degree in Management from Twintech International University College of Technology. Dr. Feng currently acts as an investment consultant for various companies in PRC and overseas. Dr. Feng has extensive experience in management and investment. During the period from 2001 to 2013, Dr. Feng was a senior management of Ambow Education Holding Ltd. ("Ambow Education"), a company listed on the New York Stock Exchange. During his tenure at Ambow Education, Dr. Feng led various fund raising, mergers and acquisitions projects. Prior to joining Ambow Education, Dr. Feng also worked in a government entity in the PRC and various international companies and was mainly responsible for investment and business management. Dr. Feng was the chairman and an executive director of Courage Investment Group Limited (Hong Kong stock code: 1145 and Singapore stock code: CIN), a company listed on the Main Board of the Stock Exchange and the Singapore Stock Exchange from 12 January 2021 to 1 January 2022 and re-designated to a non-executive director from 1 January 2022 to 31 December 2022. Dr. Feng was also an executive director of Tack Fiori International Group Limited (now known as Life Healthcare Group Limited) (Hong Kong stock code: 928), a company listed on the Main Board of the Stock Exchange, until 15 February 2016 when he was re-designated as a non- executive director and served until 31 October 2019.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

NON-EXECUTIVE DIRECTORS

Mr. XU Yiwei (許毅偉), aged 29, graduated from The School of International Law, China University of Political Science and Law (中國政法大學國際法學院) with a bachelor of laws degree in 2015. After graduation, Mr. Xu worked as a lawyer with Shenzhen branch office of Global Law Office (環球律師事務所) from 2015 to 2016. From 2016 to 2017, he worked as the Risk Control Manager with Xiamen Cloudventures Investment Management LLP (廈門弘信雲創業股權投資管理合伙企業(有限合伙)) from 2016 to 2017. From 2017 to 2020, Mr. Xu worked as the Legal Manager with Xiamen Datang Real Estate Group Co, Ltd. (廈門大唐房地產集團有限公司), a subsidiary of Datang Group Holdings Limited (Hong Kong stock code: 2117), a company listed on the Main Board of the Stock Exchange. From 2020 to present, Mr. Xu works as the Deputy General Manager with Xiamen Dingge Asset Management Company Limited (廈門市鼎戈資產管理有限公司), a subsidiary of the Company and works as the supervisor of certain subsidiaries of the Company. Mr. Xu is responsible for advising the overall strategic planning, the risk management and legal compliance of the Group but does not participate in the day-to-day management of the Group's business operation.

Mr. KANG Fuming (康富茗), aged 51, graduated from Sichuan Normal College (四川師範學院) (later known as China West Normal University (西南師範大學)) with a diploma in 1994. Mr. Kang has over 26 years of experience in real estate investment, financing, investment and development operations. From 1995 to 1996, Mr. Kang worked with the Guangzhou Branch Office of China Real Estate Group Limited (中國房地產集團有限公司). From 1996 to 2004, Mr. Kang worked with Guangzhou Guangjun Project Management Co., Ltd. (廣州廣駿工程監理有限公司) as Administrative Manager. From 2004 to 2018, Mr. Kang worked as Deputy General Manager with Guangdong Yuehai Lijiang Real Estate Development Limited (廣東粵海麗江房地產發展有限公司). From 2018 to present, Mr. Kang works as General Manager with Guangzhou Jun Zhi Yuan Investment Management Limited (廣州君之源投資管理有限公司), and he is a shareholder and director of Guangzhou Kunyin Zhongli Health Industry Investment Co., Ltd. (廣州坤銀中立健康產業投資有限公司); director of Guangzhou Hefu Investment Development Co. Ltd (廣州禾富投資發展有限公司); and shareholder and director of Lide Business Management Limited (勵德商業管理有限公司).

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Sing Nun (陳星能), aged 48, joined the Group as an independent non-executive Director on 26 November 2013. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr. Chan has over 15 years' experience in auditing, accounting and financial management. Mr. Chan is a company secretary of Platt Nera International Limited (Hong Kong stock code: 1949) and also a principal of an audit firm in Hong Kong. Other than his directorship in the Company, Mr. Chan served as an independent non-executive director of Fameglow Holdings Limited (Hong Kong stock code: 8603) from 21 September 2018 to 7 January 2021 and is currently an independent non-executive director of Guangdong Kanghua Healthcare Co., Ltd (Hong Kong stock code: 3689).

Mr. LAM Kit Lam (林洁霖), aged 48, 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. CHEN Naike (陳乃科), aged 55, joined the Group as an independent non-executive Director on 4 December 2019. Mr. Chen has been the chairman of Guohe Holding Group Limited (國和控股集團有限公司) since 2007, chairman of Zhejiang Qiaoshang Holding Limited (浙江僑商控股有限公司) since 2014. He has over 25 years' experience in corporate management, trading and manufacturing.

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

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

OUR SENIOR MANAGEMENT

Mr. ZHANG Lei (張磊), aged 37, the general manager of the automobile e-commerce business, joined our group in 2021. As the general manager of the automobile e-commerce business, he is in charge of overall operation of the automobile e-commerce business, in particular, the overall strategic formulation, management and planning of the automobile e-commerce business. Mr. Zhang previously served as the general manager for some first-class companies in the automobile industry, such as TianNeng Group and HengTian Group. He was also the co-partner and COO in Chinese unicorn Startup "51 Imported Cars". Mr. Zhang has more than 16 years' experience in corporate management, especially for companies principally engaged in the automobile industry.

Mr. CHU Sung Fai (朱宋輝), aged 65, is the director of certain subsidiaries and is responsible for the overall business execution and management. Mr. Chu obtained a diploma in management in 1983 from the Open University of Fujian (福建廣播電視大學) (a long distance learning course). Mr. Chu joined our Group in 2011 and he has extensive management experience in financial related services and asset management business.

Mr. LI Wanming (李萬明), aged 43, graduated from Zhengzhou University. Mr. Li, who joined our Group in 2021, is the vice general manager of the automobile e-commerce business and is currently in charge of resources introduction. Before he joined our group, Mr. Li commenced his career in the banking sector, working there for 14 years and became the sub-branch president in certain bank in Nanjing. Mr. Li joined a vehicle financing company in 2017 and has extensive experience in automobile-related financing affairs. He has a dozen years of experience in both automobile and finance business.

Mr. ZHANG Qun (張群), aged 53, joined our group in 2021 and serves as the financial manager of the automobile e-commerce business, for which he is responsible for accounting and corporate financing activities. Mr. Zhang started his accounting career since 1989 by serving as the general manager of finance department in a vehicle trading company based in Tianjin. He has over 30 years' experience and about 20 years' experience in the fields of accounting and automobile-related business, respectively.

Mr. CHENG Yun Chung RONIE (鄭潤聰), aged 50, is the manager in charge of corporate finance and fund raising activities within the Group. Mr. Cheng joined our Group in 2015. Mr. Cheng graduated from University of Warwick and he is a fellow member of the Institute of Chartered Accountant of England and Wales with over 20 years of experience in the financial industries and experience spanning from auditing to private equity fund to listed companies.

Mr. TAM Wai Tak Victor (譚偉德), aged 45, is the company secretary of the Company. Mr. Tam joined our Group in 2013. He is responsible for company secretarial matters of the Company. Mr. Tam graduated with a bachelor of arts in accounting & finance (first class honours) from the University of Glamorgan (now known as the University of South Wales) in June 2001. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tam has over 20 years of experience in the field of auditing, accounting and financial management.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2022, the turnover of the Group was mainly derived from the (i) automobile e-commerce business; (ii) assets management business (including a) property development and investment and b) rental income and management fee income); (iii) provision of financial related services (including express loan services, finance lease services, guarantee services and security brokerage services); and (iv) commodity trading business.

Effect of COVID-19 pandemic

During the year, the effects of the COVID-19 pandemic continued to pose challenges to the Group, particularly in China, despite other countries began to reopen their borders and economies. China's 'Dynamic zero-COVID' policy subsequently caused the postponement of economic activities in 2022 which affected the automobile e-commerce business and property development and investment business of the Group.

The stagnation of market impacted the Group's development planning of automobile e-commerce business in 2022 since the market demand and supply chain of automobile were affected. However, with the effort of management and staff, revenue from automobile e-commerce business for 2022 still recorded an increment over six times when compared to 2021.

Furthermore, the sales and delivery of properties have been delayed due to the number of COVID-19 infection cases reached a record high in December 2022, which caused by the relax of epidemic prevention and lock down policies in the cities especially in the fourth quarter of 2022. Such as part of our largest property development project, Differ One City, was completed and ready to be delivered to the buyer in December of 2022. However, the delivery schedule was affected due to severe outbreaks of COVID-19 pandemic in the China during this period. The revenue from property development and investment for 2022 was decreased by more than half as compared to 2021.

Unless there is any resurgence of COVID-19 pandemic in 2023, the Group is confident about its business prospects for 2023 which driven by the continuous digital transformation of automobile business and the speed up of properties construction and flat delivery schedule due to reopening of China market.

FINANCIAL REVIEW

Turnover

The turnover decreased from approximately RMB1,259.7 million for the year ended 31 December 2021 to approximately RMB1,007.7 million for the year ended 31 December 2022, representing a decrease of approximately RMB252.0 million or 20.0%. The decrease was attributable to the net effect of the following reasons:

(i) Automobile e-commerce business

The Group commenced its automobile e-commerce business in fourth quarter of 2021 under the brand of Cherries Car (車厘籽汽車), which provides comprehensive solutions and services to a wide range of customers ranging from car manufacturers, car dealers to retailing customers. As the Group had rich experience in providing financial related services in the automobile industry in the past, it is familiar with running automobile e-commerce business. The income from automobile e-commerce business had exponential growth in 2022, recording turnover of automobile e-commerce business of approximately RMB135.8 million for the year ended 31 December 2022, representing an increase of approximately RMB114.3 million or 531.9% as compared with last year.

(ii) Assets management business

(a) Property development and investment

The Group recorded income from assets management business is mainly contributed by the sales of properties of Differ One City (鼎豐壹城), Differ Humane Mansion (鼎豐書香豪庭), She People Ancient City (畲鄉古城) and Differ Sky Realm (鼎豐天境) which Differ One City (鼎豐壹城) is located in Longguan City, Differ Sky Realm (鼎豐天境) and She People Ancient City (畲鄉古城) are located in Lishui, the PRC and Differ Humane Mansion (鼎豐書香豪庭) is located in Nanan, the PRC. The income of sales of properties decreased by 56.7% from approximately RMB905.2 million for the year ended 31 December 2021 to approximately RMB392.4 million for the year ended 31 December 2022. Differ One City (鼎豐壹城) is a residential and commercial development comprises properties for residential purposes, shops, a shopping mall and a hotel. The said development covers a total site area of approximately 145,688 sq.m and a total gross floor area of approximately 558,180 sq.m upon completion. The revenue from the Differ One City (鼎豐壹城) for the year ended 31 December 2022 was approximately RMB227.9 million. Differ Humane Mansion (鼎豐書香豪庭) is a residential development comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. Differ Humane Mansion (鼎豐書香豪庭) covers a total site area of approximately 23,762 sq.m and total gross floor area of approximately 85,197 sq.m. The revenue of Differ Humane Mansion (鼎豐書香豪庭) for the year ended 31 December 2022 was approximately RMB111.8 million. She People Ancient City (畲鄉古城) is a commercial cultural development with total site area of approximately 173,934 sq.m. and a total gross floor area of approximately 311,585 sq.m. The revenue from She People Ancient City (畲鄉古城) for the year ended 31 December 2022 was approximately RMB27.4 million. Furthermore, 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 revenue from the Differ Sky Realm (鼎豐天境) for the year ended 31 December 2022 was approximately RMB25.3 million.

(b) Rental income and management fee income

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB34.0 million during the year ended 31 December 2022 (2021: RMB12.7 million). Such income mainly represented the income from rental income, asset management fee income and property management fee income.

(iii) Financial related services

(a) Express loan services

The Group has provided money lending services to customers in the PRC and Hong Kong. Our customers are mainly small and medium enterprises. Our Group's express loan service income slightly increase by 1.3% from approximately RMB159.4 million for the year ended 31 December 2021 to RMB161.5 million for the year ended 31 December 2022.

(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 11.6% from approximately RMB9.9 million for the year ended 31 December 2021 to RMB8.8 million for the year ended 31 December 2022. The decrease was mainly due to the Group has adopted a prudent and conservative approach to run this business.

(c) ***Guarantee services***

We provided the financing guarantee services during the year ended 31 December 2022 and 2021. Our Group's guarantee service income decreased by 81.6% from approximately RMB23.7 million for the year ended 31 December 2021 to approximately RMB4.4 million for the year ended 31 December 2022. The decrease of income from guarantee services was mainly due to the Group did not focus on the development of this business, there were no new customers in 2022.

(iv) Commodity trading business

During the year ended 31 December 2022, the Group recorded the income from commodity trading business of approximately RMB269.5 million (2021: RMB121.0 million) and the relevant cost of trading of commodities and gross profits were approximately RMB269.3 million (2021: RMB120.8 million) and RMB0.2 million (2021: RMB0.2 million) respectively. Commodity trading business is usually to be considered as a low profit margin business and it is to reap profit from volume of trade.

Other income

Other income increased from approximately RMB66.6 million for the year ended 31 December 2021 to approximately RMB95.5 million for the year ended 31 December 2022, representing an increase of approximately RMB28.9 million or 43.3%. Our Group's other income for the year ended 31 December 2022 mainly represented bank and other interest income, government grants and sundry income. The increase of other income was mainly due to there were government grants and reversal of impairment loss on financial guarantee of approximately RMB33.1 million and RMB23.0 million respectively in 2022.

Costs of property sold

The Group recorded cost of property development of approximately RMB350.4 million for the year ended 31 December 2022 (2021: RMB584.6 million). It mainly represented the land costs, construction costs and other relevant costs for part of i) Differ One City (鼎豐壹城), ii) Differ Humane Mansion (鼎豐書香豪庭), iii) Differ Sky Realm (鼎豐天境) and iv) She People Ancient City (畲鄉古城) projects.

During the year, the Group recognised the amount of write-down of inventory on properties held for sale of approximately RMB47.3 million. The Group reviewed the market conditions of properties held for sale of the Group as of 31 December 2022, and made write-down of inventory on properties held for sale whose net realizable value was lower than cost. The Group estimates the net realizable value of properties held for sale mainly based on the latest selling prices and current market conditions.

Loss on disposal of subsidiaries

In December 2022, the Group disposed 100% equity interests of Differ Group (China) Company Limited ("Differ China BVI") and other indirect wholly-owned subsidiaries (collectively "Differ China Group") and recorded a loss of disposal of approximately RMB76.6 million in 2022 (the "Disposal"). Differ China Group is principally engaged in assets management business (including management of non-performing loans and property development and investment), provision of financial related services and commodity trading business. Although the Group made a loss on the Disposal, it was an opportunity for the Group to reduce the scale in aforementioned business and release funds to further invest in automobile e-commerce business in the future.

In addition, the Group also disposed certain subsidiaries for the year ended 31 December 2022 and recorded net gain on disposal of such other subsidiaries of approximately RMB18.1 million.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB60.2 million for the year ended 31 December 2021 to approximately RMB66.6 million for the year ended 31 December 2022, representing an increase of approximately RMB6.4 million or 10.7%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits.

Other expenses

The other expenses increased from approximately RMB150.4 million for the year ended 31 December 2021 to approximately RMB365.6 million for the year ended 31 December 2022, representing an increase of approximately RMB215.2 million or 143.0%, mainly attributable to the recognition of the provision for financial guarantees of approximately RMB138.1 million for the year ended 31 December 2022 which was due to certain of guarantee customers failed to repay the principals and the relevant interests to the bank by due date during the year. Please refer to pages 29 to 31 of this annual report for more details. The other expenses mainly comprised provision for financial guarantees, provision of impairment loss on financial assets, business tax and other taxes, advertising expense, legal and professional fee and various office expenses.

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

	2022 **RMB'000**	2021 RMB'000
Advertising expense	**48,651**	23,708
Business tax and other taxes	**8,258**	26,072
Cost of electronic device sold	**–**	3,991
Impairment loss on goodwill	**9,997**	–
Legal and professional fee	**17,066**	13,723
Office expense	**11,811**	18,675
Provision of impairment loss on finance assets	**89,558**	25,047
Loss from derecognition of other financial assets	**14,400**	–
Provision for financial guarantees	**138,068**	23,846
Others	**27,747**	15,347
	365,556	150,409

Share of results of associates

For the year ended 31 December 2022, the Group recorded share of loss of associates of approximately RMB9.8 million (2021: RMB21.1 million), primarily due to share of loss from Zhongcheng City Development Co., Limited* ("Zhongcheng") (中城城開集團有限公司).

Change in fair value of investment properties

The Group's investment properties are situated in the PRC and are held under the lease term from 40 to 50 years. As at 31 December 2022, the carrying amount of investment properties represents the shopping mall of Differ One City (鼎豐壹城) project and an investment property in Xiamen which are held to earn rentals under operating lease. The fair value gain on the Group's investment properties of approximately RMB14.4 million (2021: RMB121.8 million) for the year ended 31 December 2022 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions. The decrease in fair value gains of investment properties mainly attributable to the completion of certain investment properties and the mild downward adjustment of the property market in PRC during the year amid the COVID-19 outbreak.

Loss for the year attributable to the owners of the Company

Our Group's loss for the year attributable to the owners of the Company was approximately RMB180.2 million for the year ended 31 December 2022, representing a decrease of approximately RMB621.0 million, from net profit of approximately RMB440.8 million for the year ended 31 December 2021.

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

(a) On 11 July 2022, Xiamen Differ Yield Cultural Tourism Group Co., Limited* ("Xiamen Differ") (廈門鼎繹文化旅遊集團有限公司), an indirect wholly-owned subsidiary of the Company (as the purchaser), entered into a sale and purchase agreement with Zhongcheng (as the vendor), an indirect 49% associate of the Company, to acquire 100% equity interests in Lishui Fu Feng Cultural Tours Company Limited* (麗水市富豐文化旅遊有限公司) and Xiamen Dingzao Commercial Operation Management Company Limited* (廈門鼎造商業運營管理有限公司) (collectively the "Lishui Group") in the consideration of RMB290,000,000 (the "Acquisition"). The principal business of the Lishui Group is property development and management. The Acquisition was completed on 20 July 2022.

(b) On 23 December 2022, Differ Hub Company Limited, a direct wholly-owned subsidiary of the Company (as the vendor), entered into a sale and purchase agreement with Hon Yin Company Limited (as the purchaser) to dispose 100% equity interests of Differ China BVI, sale loan of RMB217.8 million and procure Xiamen Differ to sell Lishui Group, for a total consideration of approximately RMB1.07 billion which will be settled by cash. Differ China Group is principally engaged in assets management business (including management of non-performing loans and property development and investment), provision of financial related services and commodity trading business. The disposal was completed on 30 December 2022.

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 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

In China, it is anticipated that life will take on a semblance of pre-COVID normality in 2023, as it shed most of pandemic-control measures. However, it is anticipated that PRC economic uncertainties will still persist in the short run. On one hand, the Group will adopt a prudent approach to the asset management business. It will closely monitor the rapidly changing environment of the Chinese property market and will seize various opportunities to transact the valuable assets at a suitable time. On the other hand, the Group will actively explore business expansion of the automobile e-commerce business through different means, including strategic cooperation with strategic partners, acquisition or investment in certain potential companies and forming joint-ventures with other companies. The Company successfully changed its name to Differ Group Auto Limited. The change of company name has both practical and symbolic significance, as the Company intends to put more emphasis on its automobile e-commerce business by deploying more human and financial resources to develop this business with great potential. The Group will continue to carry out its automobile e-commerce business under the brand of Cherries Car (車厘籽汽車), which provide comprehensive solutions and services to a wide range of customers ranging from car manufacturers, car dealers to retailing customers. The Group's goal is to take a leading position in China's e-commerce automobile industry in the near future.

CONTINGENT LIABILITIES

The details of the contingent liabilities of the Group as the 31 December 2022 are set out in notes 29 and 47 to the financial statements in this annual report.

COMMITMENT

The details of the commitment of the Group as at 31 December 2022 are set out in note 41 to the financial statements in this annual report.

FOREIGN EXCHANGE RISK MANAGEMENT

The exposure to currency exchange rate of the Group is minimal as majority of the Group's subsidiaries operates in the PRC with most of the transaction denominated and settled in RMB. Part of the Group's borrowings and corporate bonds are denominated in the currencies other than RMB. Such currencies are HK$ and United States dollars and their RMB equivalent amounts are approximately RMB730.1 million and RMB340.4 million as at 31 December 2022 respectively. The Group has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation has no significant impact on our Group's financial performance.

TREASURY POLICIES

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

FINAL DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: HK0.5 cent).

EVENT AFTER THE REPORTING DATE

Save as disclosed elsewhere in this annual report, there is no significant event identified by the management subsequent to the report period.

HUMAN RESOURCES

As at 31 December 2022, the Group had a total of 336 employees (2021: 419). The staff costs (included Directors' emoluments) were approximately RMB66.6 million for the year ended 31 December 2022 (2021: RMB60.2 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this annual report, there was no specific plan for material investments or capital assets as at 31 December 2022 (2021: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2022, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB168.9 million (2021: RMB328.0 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 16.4% as at 31 December 2022 (2021: 12.8%). The current ratio is 1.02 times as at 31 December 2022 (2021: 1.22 times). The Group did not use any financial instruments for hedging purpose.

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

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB142.6 million (2021: RMB228.1 million) as at 31 December 2022 were mainly pledged to secure for construction of pre-sale properties and the Group's facilities of providing guarantee services to the customers. As at 31 December 2022, approximately RMB290.6 million (2021: RMB250.7 million) of bank borrowing were secured by properties held for sale with carrying amount of RMB1,194.9 million (2021: RMB1,105.9 million). As at 31 December 2022, other borrowings with carrying amount approximately RMB82.9 million (2021: RMB107.9 million) were secured by properties under development with carrying amount of RMB126.9 million (2021: RMB121.9 million) and investment properties with carrying amount of RMB674.4 million (2021: RMB661.0 million), which was also secured by 100% share equity of a subsidiary (2021: 100% share equity of a subsidiary). In addition, the Group's properties held for sale and investment properties of carrying amount of approximately RMB105.2 million and RMB95.4 million respectively (2021: properties held for sale and investment properties of carrying amount of approximately RMB220.2 million and RMB95.8 million respectively) were pledged to banks in the PRC for financial related services business.

DIRECTORS' REPORT

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the (i) automobile e-commerce business; (ii) assets management business (including (a) property development and investment and (b) distressed assets, equities investment and fund management); (iii) provision of financial related services (including finance lease services, express loan services, consultancy services, guarantee services and securities brokerage services); and (iv) commodity trading business. The principal activities and other particulars of the subsidiaries are set out in note 36 to the financial statements.

CORPORATION ORGANISATION

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

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended 31 December 2022 and the financial position of the Group at that date are set out in the financial statements on pages 96 to 99 of this annual report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2022 (2021: a final dividend of HK0.5 cent per share).

DIRECTORS' REPORT

DIVIDEND POLICY

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

PRINCIPLES AND GUIDELINES OF DIVIDEND POLICY

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL SUMMARY

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

SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT

The details of movements in the property, plant and equipment of the Group for the year ended 31 December 2022 are set out in note 14 to the financial statements in this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively in the report. Details of the distributable reserves of the Company are set out in note 34 to the financial statements. The Company's reserves available for distribution to members as at 31 December 2022 amounted to approximately RMB907.0 million (2021: RMB1,143.1 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 2022.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's largest customer and the five largest customers accounted for approximately 9.8% and 23.6% of the Group's total income for the year ended 31 December 2022 respectively.

The purchases made by the Group from its largest supplier and the five largest suppliers accounted for approximately 15.7% and 30.4% of the Group's total cost of sales for the year ended 31 December 2022 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 2022.

DIRECTORS

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

Executive Directors

Mr. NG Chi Chung *(Chairman and Chief Executive Officer)*
Dr. FENG Xiaogang
Mr. HONG Mingxian *(Chairman)* *(resigned on 21 April 2022)*

Non-executive Directors

Mr. KANG Fuming *(appointed on 21 April 2022)*
Mr. XU Yiwei *(appointed on 21 April 2022)*
Mr. CAI Huatan *(resigned on 21 April 2022)*
Mr. WU Qinghan *(resigned on 21 April 2022)*

Independent Non-executive Directors

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 6 to 9 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 "Disclosure of interests by Directors and Chief Executives in the Company" below, at no time during the year ended 31 December 2022 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.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered by the Group or existed during the year.

SHARE OPTION SCHEME

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

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

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

The total number of shares in respect of which options may be granted under the Scheme shall not exceed 400,000,000 shares, being 5.55% of the total number of shares in issue as at the date of the report. On 25 April 2016, the Company granted an aggregate of 84,108,000 share options to the eligible persons. All share options which were granted under the Scheme had lapsed as at 31 December 2021.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year are set out in note 42 to the financial statements in this annual report. None of those transactions constitutes a disclosable connected transaction pursuant to Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

During the year, the Group had not entered into any connected transaction which is subject to annual reporting under Chapter 14A of the Listing Rules.

BUSINESS MODEL, CREDIT RISK ASSESSMENT POLICY AND KEY INTERNAL CONTROL OF FINANCIAL RELATED SERVICES

(1) Express Loan Business

BUSINESS MODEL

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

The management team has been carrying out a risk management practice to diversify our loan portfolio as its best effort and, for the year ended 31 December 2022, limiting individual loan to a level no larger than 5% of the total assets of the Group to ensure the relevant credit risk impact, even if realized, would be contained.

CREDIT RISK ASSESSMENT POLICY

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

a) Application

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

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

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

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

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

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

b) Preliminary assessment

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

c) Due Diligence

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

d) Approval of applications

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

KEY INTERNAL CONTROLS

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

Monitoring of the borrower

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

Monitoring of the value of the collateral

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

Follow up measures

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

Renewal application

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

Enforcement of collateral or guarantee

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

Monitoring and reporting of overall market situation

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

(2) Finance Lease Service Business

BUSINESS MODEL

We generally provide finance leases to corporate customers, which are mainly small and medium enterprises, incorporated and operating in Mainland China. Finance lease is an arrangement by which we purchase certain asset from our customer (or supplier designated by such customer) in cash and then lease it back to our customer immediately afterwards in return for a series of monthly rental payments payable by our customers to the Group over a pre-agreed lease period as well as an up-front one-off handling fee. Our customer will continue to have custody and the right to use the asset throughout the lease period. At the end of the lease period, the title of ownership of the asset will be transferred to our customer upon its exercise of option and payment of a nominal consideration. The Group mainly provide the finance lease services for machineries, properties and motor vehicles. Our finance lease customers are channelled through 1) our own business network and 2) referrals from our business partners, banks and chamber of commerce. We do not use or pay any intermediates during business solicitation. The lease amount is usually capped at the value of the leased asset deducting the initial deposit with us in range of 5% to 20%.

The Group manage the risks of our lease portfolio through:

- The overall diversification of our finance lease portfolio
- The monitoring over the repayment from customers
- The monitoring over the value of underlying assets
- The contractual right to claim and revert the ownership of the underlying assets in the event of default payment.

As for governance structure, we have established a management team in Mainland China, comprising of an executive director, responsible persons of finance lease business, financial department and legal department which is responsible to approve and review the finance lease. The management team has been carrying out a risk management practice with an aim to diversify our finance lease portfolio at its best effort. We have limited individual lease to a level not larger than RMB100 million so as to ensure the relevant credit risk impact, even if realized, would be contained. As the Group has deployed the financial resources to other businesses in recent year, there were no new customers for the finance lease service business for the year ended 31 December 2022.

CREDIT RISK ASSESSMENT POLICY

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

a) Application

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

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

(ii) for corporate customer, the business background of its owners, the key statement of financial position and income statement figures, details of its directors and shareholders;

b) Preliminary assessment

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

c) **Due diligence**

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

d) **Valuation of underlying assets**

Our business manager also assesses the valuation of underlying assets at market level and estimates its recovery level. Our business manager also checks the pledging status of underlying assets to ensure the Group has the first or higher priority of recovering these assets in the events of default in payment.

e) **Approval of applications**

When all due diligence work is completed and the results were satisfactory, our management will meet to consider the application. In addition, before final approval, our legal and compliance department will cross-check the terms of the relevant agreements to ensure that 1) the terms are in full compliance with the relevant laws and regulations and 2) terms are legally justified for the Group to claim and recover ownership of underlying asset in the event of default in payment.

KEY INTERNAL CONTROLS

Other than adoption of the above stated measures, the Company has also implemented several post-approval monitoring controls.

After the commencement of the lease period, we will conduct on-going monitoring of the lessee. Monitoring of the lessee includes visiting the borrower regularly in order to understand its actual business conditions, obtaining its financial statements, telephoning the borrower on a regular basis in order to remind the borrower of its repayment schedule and understand if there is any foreseeable difficulty in repayment, etc.

Monitoring of the value of the underlying assets

Our business managers are responsible for monitoring of the value of the underlying assets on an on-going basis. Our business managers also conduct a formal valuation assessment on a regular basis which will not be longer than at a yearly interval. The Company has an annually recurring practice to engage a professional valuation firm to assess the valuation of underlying assets and to issue related valuation reports. The Company is satisfied with 1) the valuation-related qualifications, experience and independence of the core valuation team members and 2) the valuation approach and methodology they have adopted for differently-attributed pledged assets.

Follow up measures

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

Renewal application

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

Enforcement of underlying assets

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

Monitoring and reporting of overall market situation

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

(3) Guarantee Service Business

BUSINESS MODEL

We generally provide financing guarantee to corporate customers, which are incorporated and operating in Mainland China for their debt financing arrangements with licensed banks in Mainland China. Our financing guarantee customers are channelled through 1) our own business network and 2) referrals from our business partners, such as banks and chamber of commerce. We do not use or pay any intermediates for solicitation of business.

The amount of financing guarantee fee chargeable is determined by our management in consideration of series of factors, including the guaranteed amount, the value of collaterals, the background, credit history and financial health of our financing guarantee customers and/or their counter guarantors, and/or the counter guaranteed amount provided by the counter guarantors to the Group. We charge our customers guarantee fee which is usually calculated in the region of 3.1% to 4.5% of the principal amount of the loan provided by the bank to our customer for the year ended 31 December 2022.

We manage the risks of our financing guarantee through:

- The stringent assessment of the credit status and financial health of our financing guarantee customers and/or their counter guarantors.

- The monitoring over the repayment status of our financing guarantee customers under the corresponding debt financing arrangements.

- The monitoring over the valuation and pledging status of collaterals.

- The contractual right to claim and revert the ownership of the collaterals or to recover from counter guarantors in the event of default payment.

As for governance structure, we have established a management team in China, comprising of an executive director, responsible persons of financing guarantee business, financial department and legal department to approve and review our financing guarantee. The management team has been carrying out a risk management practice to controlling the provision of financial guarantees to 1) a level commensurate with the scale, credit history and financial health of corporates customers and associates and 2) to a level at which contingent default loss, if any, would be within the tolerate and affordable level of the Group. In balanced consideration of the inherent credit risks and business opportunities in the PRC guarantee market, the Company has adopted a prudent approach to operate this business in 2022 and there were no new customers for the guarantee service business for the year ended 31 December 2022.

MAJOR TERMS OF THE GUARANTEE CONTRACTS ENTERED

As at 31 December 2022, the Group had given financial guarantees to banks for banking facilities granted to certain customers of the Group with maximum amount of approximately RMB453,011,000. Among the financial guarantee amount, RMB179,543,000 is related to guarantee provided to two former wholly-owned subsidiaries that have been sold in late 2022. The current owner of the two former wholly-owned subsidiaries has undertaken to discharge the guarantee of the Group within 1 year from the completion date of the disposal (i.e. 30 December 2022)(the "Completion Date") or at any time demanded by the Group. If the guarantee has not been discharged within 1 year of the Completion Date, the Group should charge guarantee fee based on 3.1% to 5% per annum of the guarantee amount from the date after 1 year of the Completion Date. Please refer to the announcement of discloseable transaction dated 23 December 2022 for more details.

RMB273,468,000 is related to guarantee contracts entered in 2021 but the relevant three guarantee customers ("Defaulting Customers" or "Borrowers") with their debts are default in payment to a bank (the "Bank") in 2022. The Group charged 3.1% per annum of the guarantee amount as service fee for a guarantee period of two years commencing from 2 March 2021. Please refer to the announcement of discloseable transaction dated 2 March 2021 for more details. Such borrowings are secured by (i) properties pledged by the Borrowers with reference value of RMB135,400,000; (ii) investment properties with carrying amount of RMB95,409,000 held by the Group; (iii) corporate guarantee provided by the Company and (iv) personal guarantee and corporate guarantee provided by various parties. The Group realised the Bank has disposed its rights under the said borrowings to a PRC asset management company ("AM Co.") in late September 2022. In the event of failure to repay the outstanding balances, the creditors have the right to proceed the sale of pledged properties under the banking facilities. As at the reporting date, the AM Co. has not requested the Group for repayment as well as no legal action taken to the Group. However, in accordance to the PRC court judgement dated 30 August 2022, the guarantee liability of the Company, as guarantor, is confirmed. The Directors, with reference to the legal opinion from a PRC lawyer, considered that it is highly probably the creditors will demand the Company and the Group for the shortfall of the default amount after taken into consideration of the value of the pledged properties provided by the Borrowers. Taking into account of the total overdue amount of approximately RMB273.5 million minus approximately RMB135.4 million being the reference value of two pledged properties to Bank by the Borrowers. The provision on financial guarantees of RMB138,068,000 are recognised as financial guarantee liabilities (the "Provision" or "Financial Guarantees") as at 31 December 2022.

The Provision is supported by a valuation report performed by independent professional valuers. Details of the valuation, including the valuation method and the relevant input/assumptions are set out below:

Valuation Methodology

The valuation of the financial guarantees has been conducted in accordance with HKFRS 9. The fair values of the Financial Guarantees are measured as the higher of:

1. The HKFRS 9 Expected Credit Loss ("ECL") allowance, and

2. The amount initially recognised less any cumulative amount of income/ amortisation recognised.

The valuers conducted an assessment of the credit rating of the Defaulting Customers. Based on the assessed ratings, the valuers determined the appropriate probability of default ("PD") with reference to "Average cumulative issuer-weighted global default rates (1998-2021)" provided by Moody's Investors Service. The valuers have considered the loss given default ("LGD") of the underlying loans as hypothetical put option granted to the lender on the collateral (fair value), with which the lender can request guarantor to pay for shortfall between the collateral value (as underlying asset price) and the loan payable amount (as the exercise price of put option). In determining the exposure at default ("EAD"), the exposure of the guarantor to the loan payable is calculated by the outstanding balance of the loan minus guarantee deposit (if any). The fair values of corporate guarantees are derived as their ECL allowances, which are calculated as the EAD of the underlying loan payables, multiplied by PD and LGD.

Assumptions

In the course of the valuation, a number of specific assumptions and caveats have been made. The valuers have based on the following to arrive at their valuation conclusion.

a. The credit rating assessment of the Borrowers are partly based on several assumed figures including depreciation, Capex, net cash generated from operating activities and interest expenses.

b. The expected default rate is based on "Average cumulative issuer-weighted global default rates (1998-2021)" provided by Moody's Investor Service, on the assumption that there is no material difference between the expected default rates over the whole life of the payables and the historical default rates of the unsecured bonds with similar rating.

c. Time to maturity of the corporate guarantees represents the period from valuation date to expiry date of the loan contracts.

d. There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation.

e. There will be no major changes in the current taxation law in the areas in which the company conducting their business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with.

f. The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing.

g. There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing businesses.

h. The Borrowers and the guarantor will remain free from claims and litigation (except for legitimate claims resulting from the subject loan contracts and the Financial Guarantees) against the business or their customers that will have a material impact on value;

i. The businesses are unaffected by any statutory notice and that operation of the businesses give, or will give, no rise to a contravention of any statutory requirements.

j. The businesses are not subject to any unusual or onerous restrictions or encumbrances.

CREDIT RISK ASSESSMENT POLICY

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

a) Application

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

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

(ii) for corporate customers, including our associates, the business background of its owners, the key statement of financial position and income statement figures, details of its directors and shareholders;

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

b) Preliminary assessment

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

c) Due diligence

If our business manager is satisfied with the application after the preliminary assessment, we will perform an in-depth due diligence on the applicant and, where applicable, the counter guarantor. At the commencement of contemplation of provision guarantee service, the due diligence team had 1) obtained and reviewed the financial statements of the customers, 2) performed on-site visits to the customers' headquarter and major production centers. The legal department has also obtained and reviewed the business registration and shareholding records of the customers to confirm the ownership of pledged assets and registered the pledged assets with the relevant government authority and maintained corresponding pledgee certificates to ensure the priority and validity in time of pledged assets recovery. Due diligence conducted on the applicant generally includes gaining a thorough understanding of the applicant's business, production process, assets and liabilities, cash flows, source of funds for payment or repayment and credit history.

d) Valuation of collaterals

Our business manager also assesses the valuation of collaterals at market level and estimates its recovery level. Our business manager also checks the pledging status of collaterals to ensure the Group has the first or higher priority of recovering these assets in the events of default in payment. At the commencement of the corresponding guarantee contracts and at each subsequent year end, the Company has engaged a professional valuation firm to assess the valuation of pledged assets and to issue related valuation reports. The Company is satisfied with 1) the valuation-related qualifications, experience and independence of the core valuation team members and 2) the valuation approach and methodology they have adopted for the pledged assets. If the assessed value of the collaterals does not meet the Company's expectation, the Company will request additional collaterals from the customers.

e) Approval of applications

When all due diligence work is completed and the results were satisfactory, our management will meet to consider the application. In addition, before final approval, our legal and compliance department will cross-check the terms of the relevant agreements to ensure that 1) the terms are in full compliance with the relevant laws and regulations and 2) terms are legally justified for the Group to claim and revert ownership of collaterals or to recover from counter guarantors in the event of default in payment.

KEY INTERNAL CONTROLS

Other than using the above stated measures, the Company has also implemented several post-approval monitoring controls.

After the commencement of the guarantee period, we will conduct on-going monitoring of the financing guarantee customers. Monitoring of the financing guarantee customers includes ascertaining visiting key customers regularly in order to understand their actual business conditions, obtaining their latest financial statements, telephoning them on a regular basis in order to remind of its repayment schedule and understand if there is any foreseeable difficulty in repayment, etc.

Monitoring of the value of the collaterals

Our business managers are responsible for monitoring of the value of the collaterals on an on-going basis. Our business managers also conduct a formal valuation assessment on a regular basis which will not be longer than at a yearly interval.

Follow up measures

If, as a result of our post-approval monitoring, we become aware of any circumstances that would adversely affect the ability of customers in regards of their debt repayment to banks, we may (i) discuss with our customer regarding ways to improve and/or remedy the situation; and/or (ii) request our customer to provide additional collateral and/or guarantees.

Renewal application

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

Enforcement of collaterals or demand for recovery from counter guarantors

If a customer fails to repay the principal or interest to banks by its due date, we will contact the financing guarantee customers immediately to understand the situation. We may also consider 1) requesting the customers to provide its debt restructuring plan under negotiation with the banks or 2) at time of materialized default and the liability for indebtedness by guarantor is confirmed, instructing our lawyers to commence legal proceedings against the customer to enforce the execution of collateral recovery or to demand the execution of counter guarantee by the counter guarantors.

Monitoring and reporting of overall market situation

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

Finance lease, loan and accounts receivable

Diversity

As at 31 December 2022, the Group has about 36 customers with total outstanding finance lease receivables, loan and accounts receivable in the sum of approximately RMB440.8 million. The total outstanding finance lease receivables, loan and account receivables from the five largest customers was approximately RMB376.0 million. As at 31 December 2022, the Group has certain concentration risk on finance lease, loan and accounts receivable as it has four customers with outstanding balances of approximately RMB361.7 million and the amount of loan and accounts receivable due from the largest customers was approximately RMB224 million. Our four largest customers of the Group primarily include provider of asset and business management, provider of supply chain management services and commercial complex management services, manufacturer and wholesales of food and manufacturer and traders of knitted textiles and raw materials. Out of the four largest customers of the Group, one loan agreement was renewed during the year ended 31 December 2022. For the renewed loan agreement, the Group has completed the renewal application procedure as specified. For the year ended 31 December 2022, the borrower (the "Special Borrower") of the loan agreement (the "Special Loan") has not yet repaid any portion of the principal and interest of the Special Loan to the Group prior to the renewal of the Special Loan for the special nature of the Special Loan. The Group has granted the Special Loan to the Special Borrower because the Group is considering to acquire the shares of a subsidiary (the "Target Company") of the Special Borrower, which holds certain land. If the Group eventually determined to acquire the shares of the Target Company, the principal and the relevant interests of the Special Loan will be used to set off with the consideration to be paid by the Group. On the contrary, if the Group eventually determined not to acquire the shares of the Target Company, the principal and the relevant interests will be repaid by the Special Borrower at the then material time. The implementation of the investment decision is depending on the final decision of the Group. To secure the repayment of the Special Loan, the Special Borrower has charged its shareholding in the Target Company as collateral for the Special Loan. The Group has assessed the value of the collateral and corporate guarantee provided and considered the recoverability of the Special Loan is comparable to the other loan agreements currently renewed by the Group. The Group has not yet made the investment decision and such acquisition may or may not carried out eventually. For the renewed agreement, the Group has considered the current collateral provided to the Group before the Group agreed to renew such agreement. As at 31 December 2022, the loan-to-value ratio of total loan receivables, receivables from guarantee customers and certain account receivables was 96.4%, which is calculated by dividing the outstanding receivables (excluding finance lease receivables) amount by the value of collaterals. The finance lease receivables are effectively secured by the underlying assets as the rights to these assets would be reverted to the Group in the event of default payment.

Details of the major terms of loans granted, collaterals and concentration of loans on major customers are set out on note 18 to the financial statements in this annual report. Details of the loan impairment policies are set out on note 4.12(ii) to the financial statements in this annual report.

DIRECTORS' REPORT

CHANGE IN INFORMATION OF DIRECTORS DISCLOSED PURSUANT TO LISTING RULE 13.51B(1)

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors since the Company's 2021 Annual Report are set out below:

Name of Director	Change
Mr. Ng Chi Chung (“Mr. Ng”)	With effect from 21 April 2022, Mr. Ng has been appointed as the chairman of the Board, the chairman of the nomination committee and the authorised representative. Fixed remuneration for each month of the three-year term mandate as chairman of the Board and executive director equal to HKD80,000.

CHANGE OF DIRECTORS

On 21 April 2022, Mr. Hong Mingxian (“Mr. Hong”) has resigned as the chairman of the Board, an executive Director, the chairman of the nomination committee and the authorised representative of the Company. Mr. Cai Huatan has resigned as a non-executive director and Mr. Wu Qinghan has resigned as a non-executive director and a member of the audit committee.

On 21 April 2022, Mr. Kang Fuming has been appointed as a non-executive director and a member of the audit committee and Mr. Xu Yiwei has been appointed as a non-executive director.

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 31 December 2022, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Companies" contained in the Listing Rules, were as follows:

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

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Mr. Ng	Interest in controlled corporation *(Note 1)*	847,298,000	11.75%
	Beneficial owner	351,142,000	4.87%

Notes:

1. 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 847,298,000 Shares under the SFO.

Save as disclosed above, as at 31 December 2022, 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 2022, 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
Mr. Hong	Interest in controlled corporation *(Note 1)*	2,962,300,000	41.09%
Expert Corporate Limited ("Expert Corporate")	Beneficial owner *(Note 1)*	2,827,300,000	39.22%
Ms. Shi Hongjiao ("Ms. Shi")	Interest of spouse *(Note 2)*	2,962,300,000	41.09%
Ever Ultimate	Beneficial owner *(Note 3)*	847,298,000	11.75%
Ms. Ting Pui Shan ("Ms. Ting")	Interest of spouse *(Note 4)*	1,198,440,000	16.62%
Huatai Securities Co., Ltd.	Interest in controlled corporation *(Note 5)*	516,488,000	7.16%
Huatai International Financial Holding Company Limited	Interest in controlled corporation *(Note 5)*	516,488,000	7.16%
Huatai Financial Holdings (Hong Kong) Limited	Beneficial owner	516,488,000	7.16%

Notes:

1. These Shares were held by Expert Corporate and Virtuous Light Equities Fund SPL of 2,827,300,000 shares and 135,000,000 shares respectively, which were wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 2,962,300,000 Shares under the SFO.

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

3. These Shares were held by Ever Ultimate, which was wholly and beneficial owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 847,298,000 Shares under the SFO.

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

5. These Shares were held by Huatai Financial Holdings (Hong Kong) Limited.

Save as disclosed above and as at 31 December 2022, the Directors are not aware any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2022 amounted to HK$100,000 (2021: HK$50,000).

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 2022.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2022.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 41 to 56 of this annual report.

DIRECTORS' REPORT

CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Group is committed to the principles of good corporate governance, and strives to integrate corporate and social responsibility into its business strategy and management approach. Also, it is the Group's corporate and social responsibility in promoting a sustainable and environmentally friendly environment. Details of the Group's environmental, social and governance (the "ESG") policies and performance are set out in the "Environmental, Social and Governance Report" section of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 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 Auto Limited
Ng Chi Chung
Chairman

Hong Kong, 31 March 2023

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 2022.

CORPORATE CULTURE

The Company has adopted, promoted and preserved a healthy corporate culture by which our directors, management and employees are bounded to strike for a sustainable development of the Company in a lawfully, ethically, and responsibly manner. Our culture is also about reaching a balance of benefits and risks of short terms goals with our long-term strategy.

The Board of the Directors has a collective responsibility for promoting robust corporate governance, at heart of which embedded with our corporate culture which has the following features.

- **Transparency**

  Our directors and management shall be moulded to make decisions and to conduct our business based on the best information available to them and shared among them.

- **Integrity and Objectivity**

  Our directors and management shall undertake to make decisions and to conduct our business with integrity and objectivity in the best interests of the Company and its shareholders.

- **Accountability**

  Our directors and management shall be rewarded commensurately by the performance of the Company under their decisions and actions.

The Board is satisfied that our corporate culture has been well promoted and preserved based on its review of a set of culture-related factors, such as compliance history, staff turnover rate, numbers of stakeholders' complaints and performance of the Company.

CORPORATE GOVERNANCE PRACTICE

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 2022, the Company had complied with the CG Code with the exception from the deviation from the code provisions C.1.8 and C.2.1 (respectively relating to directors' insurance and segregation of chairman role) as explained below:

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

Under the code provision C.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. However, the roles of the Company's chairman and CEO are both performed by Mr. Ng Chi Chung ("Mr. Ng"). Although the responsibilities of the chairman and the CEO are vested in one person, all major decisions are made in consultation with the members of the Board. There are two executive Directors, two non-executive Directors and three independent non-executive Directors in the Board. The Board considers that there is sufficient balance of power and the current management maintains a strong management position of the Company. The Board also considers that the current structure can promote efficient formulation and implementation of the Company's strategies and explore business opportunities efficiently and promptly.

THE BOARD AND BOARD COMMITTEES

The Directors who held office during the year ended 31 December 2022 and as at the date of this report are as follows:

Mr. Ng	Executive Director, Chief Executive Officer and Chairman
Dr. Feng Xiaogang	Executive Director
Mr. Hong Mingxian	Executive Director *(resigned on 21 April 2022)*
Mr. Kang Fuming	Non-executive Director *(appointed on 21 April 2022)*
Mr. Xu Yiwei	Non-executive Director *(appointed on 21 April 2022)*
Mr. Cai Huatan	Non-executive Director and Honorary Chairman *(resigned on 21 April 2022)*
Mr. Wu Qinghan	Non-executive Director *(resigned on 21 April 2022)*
Mr. Chan Sing Nun	Independent non-executive Director
Mr. Lam Kit Lam	Independent non-executive Director
Mr. Chen Naike	Independent non-executive Director

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

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

CORPORATE GOVERNANCE FUNCTION

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

CONFIRMATION OF INDEPENDENCE

During the year ended 31 December 2022, 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.

The Board is satisfied with the overall board effectiveness of the Company based on its own annual review over the board diversity, independence, succession and performance.

While the current board gender diversity has not yet fulfilled the principle set out in Main Board Listing Rules Ch13.92, the Board has set a target to achieve a dual genders board by 31 December 2024.

As for our workforce gender diversity, the Group has a gender ration of 48% (female): 52% (male). The Board considers that this gender ratio is commensurate with the business model and business development needs. The Board has set a target to maintain this ratio with a 5% reasonable deviations for the coming 2 years. Currently, there are no particular challenging factors or circumstances that may prevent us from achieving the target.

Implementation

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

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

Measurable Objectives

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Group's chairman and CEO are both performed by Mr. Ng. Although the responsibilities of the chairman and the CEO are vested in one person, all major decisions are made in consultation with the members of the Board. There are two executive Directors, two non-executive Directors and three independent non-executive Directors in the Board. The Board considers that there is sufficient balance of power and the current management maintains a strong management position of the Company. The Board also considers that the current structure can promote efficient formulation and implementation of the Company's strategies and explore business opportunities efficiently and promptly.

There are no financial, business, family or other material/relevant relationship(s) among our Directors.

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 will contain detailed information of the retiring directors pursuant to the Listing Rules.

BOARD COMMITTEE

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

DIRECTORS' ATTENDANCE RECORD

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

During the year ended 31 December 2022, the Board held four regular board meetings which were held at approximately quarterly intervals and two general meetings, being 2021 AGM and extraordinary general meeting. The attendance of each Directors is as follows:

	Number of regular board meetings attended/held during the Director's tenure of office	Number of general meetings attended/held during the Director's tenure of office
Executive Directors:		
Mr. Ng Chi Chung	4/4	2/2
Dr. Feng Xiaogang	4/4	2/2
Mr. Hong Mingxian *(resigned on 21 April 2022)*	1/1	0/0
Non-executive Directors:		
Mr. Kang Fuming *(appointed on 21 April 2022)*	3/3	2/2
Mr. Xu Yiwei *(appointed on 21 April 2022)*	3/3	2/2
Mr. Cai Huatan *(resigned on 21 April 2022)*	1/1	0/0
Mr. Wu Qinghan *(resigned on 21 April 2022)*	1/1	0/0
Independent non-executive Directors:		
Mr. Chan Sing Nun	4/4	2/2
Mr. Lam Kit Lam	4/4	2/2
Mr. Chen Naike	4/4	0/2

There were 2 additional board meetings held for normal course of business during the year with the presence of all executive Directors. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of Board members. The Board is provided with relevant materials in relation to the matters brought before the meetings. Reasonable notices of meetings are given to the Directors and the Directors are encouraged to propose new items as any other business for discussion at the meetings. Minutes are kept by the company secretary and are open for inspections by all Directors at any reasonable time. Procedures for convening meetings of the Board and Board committees and preparing minutes of the meetings have complied with the requirements of the Articles of Association of the Company and applicable rules and regulations.

AUDIT COMMITTEE

The Board has established the Audit Committee with written terms of reference on 26 November 2013, which was latest updated on 31 December 2018 in compliance with the CG code's and relevant listing rules requirements. The Audit Committee also serves and fulfils its duties as corporate governance function of the Company in accordance with the updated terms of reference. As at 31 December 2022, the Audit Committee consists of two independent non-executive Directors, namely Mr. Chan Sing Nun and Mr. Lam Kit Lam and one non-executive Director namely, Mr. Kang Fuming. Mr. Chan Sing Nun is the chairman of the Audit Committee.

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

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

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

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

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

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

During the year ended 31 December 2022, the Audit Committee (1) reviewed the Group's annual and interim reports and result announcements, the related accounting principles and practices adopted by the Group and provided advice and comments thereon; (2) made recommendations to the Board and the management in respect of the Group's financial reporting, risk management and internal control procedures; and (3) reviewed the Group's discloseable and connected transactions. The Audit Committee held four meetings during the year and the attendance of each member is as follows:

	Member of Audit Committee Meeting attended/held during the committee member's tenure of office
Mr. Chan Sing Nun	4/4
Mr. Lam Kit Lam	4/4
Mr. Kang Fuming *(appointed on 21 April 2022)*	3/3
Mr. Wu Qinghan *(resigned on 21 April 2022)*	1/1

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee with written terms of reference on 26 November 2013, which was latest updated on 30 December 2022 in compliance with the CG code's and relevant listing rules requirements. As at 31 December 2022, the Remuneration Committee consists of two independent non-executive Directors, namely Mr. Lam Kit Lam and Mr. Chan Sing Nun and one executive Director, namely Mr. Ng Chi Chung. Mr. Lam Kit Lam is the chairman of the Remuneration Committee.

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

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

– ensuring none of the Directors determine their own remuneration.

During the year ended 31 December 2022, the Remuneration Committee reviewed and made recommendation on the remuneration package of Directors and senior management of the Group and assessed the performance of executive Directors. The Remuneration Committee held 2 meetings during the year and attendance of each member is as follows:

	Number of Remuneration Committee Meeting attended/held during the committee member's tenure of office
Mr. Lam Kit Lam	2/2
Mr. Chan Sing Nun	2/2
Mr. Ng Chi Chung	2/2

NOMINATION COMMITTEE

The Board has established the Nomination Committee with written terms of reference on 26 November 2013, which was latest updated on 31 December 2018 in compliance with the CG code's and relevant listing rules requirements. As at 31 December 2022, the Nomination Committee consists of two independent non-executive Directors, namely Mr. Lam Kit Lam and Mr. Chan Sing Nun and one executive Director, namely Mr. Ng Chi Chung. Mr. Ng Chi Chung is the chairman of the Nomination Committee.

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

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

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

– identify suitable and qualified individuals to become Board members.

During the year ended 31 December 2022, the Nomination Committee reviewed and discussed the structure, size and composition of the Board; made recommendation on the reappointment of Directors; and confirmed the independence of the independent non-executive Directors. The Nomination Committee held 2 meeting during the year and the attendance of each member is as follows:

	Number of Nomination Committee Meeting attended/held during the committee member's tenure of office
Mr. Ng Chi Chung *(appointed on 21 April 2022)*	0/0
Mr. Chan Sing Nun	2/2
Mr. Lam Kit Lam	2/2
Mr. Hong Mingxian *(resigned on 21 April 2022)*	2/2

NOMINATION POLICY

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

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

Nomination and Appointment of Directors

Criteria:

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

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.

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

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

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

- Sufficiency of time to be devoted to the Company.

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

- the considerations listed out in our Board Diversity policy.

Nomination Process

(a) Appointment of New Director

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

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

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

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

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

(b) Re-election of Director at General Meeting

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

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

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

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

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

DIVIDEND POLICY

The Company have a dividend policy.

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

INSIDE INFORMATION DISCLOSURE

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

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

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

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

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2022.

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 2022 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 (Agreed-Upon Procedures Engagements) for the year ended 31 December 2022 amounted to RMB1,804,000 (2021: RMB1,530,000) and RMB179,000 (2021: Nil) accordingly. The Audit Committee has assessed and satisfied with the independence of our external auditor.

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year, the Board has delegated key management functions, duties, and limited authority to management at appropriate level. The management is charged with a duty to identify, manage, and monitor the affairs of their delegated areas and to establish relevant internal controls while they are also charged with a duty to report the performance to the members of the Board on a timely basis.

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

Members of the Board are individually and collectively responsible for reviewing the information due diligently, making meaningful enquires of the performance of the Company and taking proper follow-up actions.

Pursuant to corporate governance code D.1.3 under part 1, the Board acknowledges its responsibilities for preparing our consolidated financial statements on a going concern basis. As the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the end of the reporting period, the Directors are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

Referring to note 2 to the financial statements where detailed information is presented, the Company, however, has a material uncertainty exists related to the events or conditions that may cast significant doubt on the Group's ability to continue as going concern. As of issuance date of the annual report, the Board has not observed any concerns or signals that go beyond the level of materiality uncertainties. The Board undertakes to continue to monitor, manage and, when necessary, disclose the change and impact of materiality uncertainties.

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. Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. 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.

WHISTLE-BLOWING SYSTEM

By our anti-corruption policy and code of conduct, we prohibit all kinds of fraudulent acts, including corruption, serious regulatory breaches, and management collusion and override. We will take disciplinary actions against those who violate the requirements and principles set out in our policy or by the applicable laws and regulations.

In accordance with our whistle blowing policy, the Company undertakes to design and implement a whistle blower system that has the following features:

- We accept whistle blower reports from all kinds of stakeholders, including customers, suppliers, employees and investors.

- We accept whistle blower reports in confidence and anonymity.

- We charged the oversight function of whistle blower system to the Audit Committee.

- We promise to protect all good-will whistle blower from act of discrimination or retaliation.

- We promise to take appropriate investigation or follow-up actions for all good will whistle blower reports.

Stakeholders are encouraged to file their reports to our registered office in Hong Kong. Their report shall be filed in address to our Chairman of the Board or the Chairman of Audit Committee.

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 2022, all Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending training course to develop professional skills. The relevant details are set out below:

	Reading and/or online studying	**Seminars and/or workshop**
Executive Directors:		
Mr. Ng Chi Chung	✓	✓
Dr. Feng Xiaogang	✓	✓
Mr. Hong Mingxian *(resigned on 21 April 2022)*	✓	✓
Non-executive Directors:		
Mr. Kang Fuming *(appointed on 21 April 2022)*	✓	✓
Mr. Xu Yiwei *(appointed on 21 April 2022)*	✓	✓
Mr. Cai Huatan *(resigned on 21 April 2022)*	✓	✓
Mr. Wu Qinghan *(resigned on 21 April 2022)*	✓	✓
Independent non-executive Directors:		
Mr. Chan Sing Nun	✓	✓
Mr. Lam Kit Lam	✓	✓
Mr. Chen Naike	✓	✓

COMPANY SECRETARY

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the consolidated financial statements for the financial year ended 31 December 2022, 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.

SHAREHOLDERS' RIGHT AND COMMUNICATION

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

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

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

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

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

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

INVESTOR RELATIONS

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

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

During the year ended 31 December 2022, there had been no change in the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Differ Group Auto Limited (the "Company", "Differ", the "Group" or "we") has shown continually progress towards becoming more substantial across its businesses spanning from assets management services to automobile e-commerce business. The Company's vision of building a more sustainable business has been brought to reality through the integration of sustainability principles into its strategic planning and day-to-day operations with a focus on delivering long-term value to stakeholders of the Group whilst always maintaining its competitive edge.

The Company is delighted to publish its seventh environmental, social and governance ("ESG") report (the "Report") highlighting its deep ties to its stakeholders and its commitments to its pursuit of sustainability.

SCOPE OF THE REPORT

The Report examines the Company's ESG management approaches, and the corresponding performance for the period commencing on 1 January and ending on 31 December 2022 (the "Reporting Period", "2022") related to its major subsidiaries (collectively, the "Group") in Gingning, Longquan, Nanan, Tianjin, Weihai, Xiamen and Hong Kong.

REPORTING STANDARD

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

REPORTING PRINCIPLES

This Report was prepared in adherence to the Reporting Principles stipulated in the ESG Reporting Guide:

- "Materiality" – Through a stakeholder engagement, material ESG-related issues were identified. The materiality assessment was detailed under the section "Materiality assessment" in order to address the most material ESG topics pertaining to our businesses.

- "Quantitative" – Whenever possible, the Report strives to disclose quantitative metrics and related targets to demonstrate the businesses' impact.

- "Balance" – The Report presents an unbiased representation of our ESG management approach and performance and avoids misleading omissions and presentation.

- "Consistency" – Whenever deemed material, the Report details the standards, tools, assumptions and/or source of conversion factors used, as well as explanations of any inconsistencies to previous reports.

The Report has been reviewed and approved by the board of directors of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Board's Statement

Thank you for your long-term care and support to Differ, as well as your attention and suggestions for the company's ESG work in 2022.

In 2022, rapid changes in macro environment, both home and abroad, from persisting COVID-19, to fluctuating market demand, have brought major challenges to the company's development. However, relying on the solidarity of our employees and reliable corporate reputation formed over the years, Differ is confident that we will continue to meet the expectations of our stakeholders. As a responsible enterprise, Differ always believes that the concept of ESG and the company's business development are deeply integrated and mutually promoted.

The Board of Directors of the Company (the "Board") is fully responsible for the oversight and decision making of the Group's ESG approach. The Board concurs that long-term success for the Group will depend on sustainable development. The Board establishes the general direction for the Group's ESG strategies and incorporates ESG factors into business decision-making.

The Board believes the Group's long-term performance will be enhanced by engaging with both our internal and external stakeholders, better positioning the Group to make informed decisions on allocating resources on major ESG matters. The Group pledges to increase sustainability performance through resource optimization and is dedicated to integrating environmental, social, and governance factors across its business operations as to protect and enhance the well-being of the environment, our staff and our community. The Group wishes to constantly advance its sustainability journey through ongoing processes of regular monitoring, review, and proactive environmental mitigation actions. The Group is committed to strengthening its ongoing environmental management system in order to minimize any negative effects across its operations.

Contact & Feedback

Our Group's strong relationship with the community as well as its commitment to the best interests of its stakeholders are critical to the Groups business sustainability journey.

If you have any comments, suggestions or feedback regarding this ESG report and the Group's Sustainability performance, please write to:

- Suites 501-05, 5th Floor, AIA Central, No. 1 Connaught Road Central, Central, Hong Kong
- Email: pr@dfh.cn.

TCFD Statement

Governance

The Board sets the overall direction for the Group's ESG strategies, integrating ESG considerations as part of the business decision-making process. The Board evaluates the materiality of the identified ESG risks and oversees the progress of its ESG related targets and initiatives.

Strategy

Climate-related risks and opportunities are taken into consideration when refining the Group's business strategy. The Group aims to manage climate-related factors and risks across its business, as it concurs that long-term success for the Group will depend on sustainable development. The Board of directors establish the general direction for the Group's ESG strategies and incorporates ESG factors into business decision-making. The Group pledges to increase sustainability performance through resource optimization and is dedicated to integrating environmental, social, and governance factors across its business operations as to protect and enhance the well-being of the environment, our staff and our community.

Differ acknowledges that climate change may impact the Group's business operations. Physical risks, including more frequent extreme weather events, and transition risks, including stricter emission standards may have varying degrees of impact on the Group's operations. By identifying and managing the potential financial risks and opportunities brought about by climate change, the Group recognizes that there are potential growth opportunities when moving towards a low-carbon economy. The risks and opportunities arising from climate change will be incorporated in the Group's decision making, risk management and daily operations. We are dedicated to enhancing our climate adaptability and resilience across the business.

The Group will continue to communicate its ESG-related information annually with reference to the HKEx ESG Reporting Guide and TCFD framework.

Risk Management

The Group understands the importance of risk management, the Group is committed to identifying, addressing, and reducing relevant environmental risks associated with its activities. The Group will continue to seek ways to manage climate-related risk and will continue to monitor the Group's internal control system, risk assessment and risk management system. The Group will continue to strengthen existing polices and formulating management measures.

Climate change is a prevalent issue for companies across all sectors and geographical regions, as such the Group has identified risks that may be material to its business operations. The risks and opportunities arising from climate change will be incorporated in the Group's decision making, risk management and daily operations.

Risks	Potential impacts
Increased frequency and severity of extreme weather events (e.g., floods, typhoons, wildfires, extreme heat, etc.)	Damage on developing, developed, and invested real estate properties.
	Negative impacts on the manufacture, storage, transportation, and distribution of cars along the automobile e-commerce supply chain.
Gradual increase in global temperature and worsening air quality	Negative impacts on the employees' health and safety.
Increased stringency in the regulation of carbon emissions	Increased costs regarding compliance with the regulation of carbon emissions.
Increased price on carbon emissions and purchased energy sources	Increased carbon emission and energy costs.
Opportunities	**Potential impacts**
Shift of market preferences to low emission business	Access to new automobile market and diversification of assets and products.
Development of new financial services regarding climate change mitigation and adaptation	Increased revenue through new solutions to mitigation and adaptation needs.
Participation in renewable energy programs and adoption of energy efficiency measures	Increased market valuation through resilience planning (e.g., infrastructure, land, buildings) and increased reliability of supply chain and ability to operate under various conditions.

Metrics and Targets

The Group aims to reduce its negative impact on the environment, the Groups has made commitments and has implemented a range of measures to reduce greenhouse gas ("GHG") emissions, improve water efficiency and reduce the waste generated across its businesses. A host of measures and behavioral changes have been adopted across our operations to achieve these commitments.

The metrics used to assess climate-related risks and opportunities; to manage relevant strategies and to review performance mainly include carbon emissions, energy use, and water consumption. Detailed figures are listed in the "Environmental Stewardship" Section in this report.

STAKEHOLDER ENGAGEMENT

Differ places high priority on its stakeholders' interests, opinions, and input along its sustainable journey. We frequently adopt a proactive strategy to communicating with important stakeholders in order to increase our transparency and understand their ideas and concerns on our company operations. By identifying the sustainability risks and possibilities, we think that interacting with our stakeholders may improve and facilitate Differ's sustainability strategy and help it achieve its goals by identifying sustainability risks and opportunities along the way.

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

Investors and shareholders

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

Customers

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

Employees

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

Suppliers and business partners

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

Media

- Company website
- Company's announcements

Communities

- Company website
- Community activities

Government authorities and regulators

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

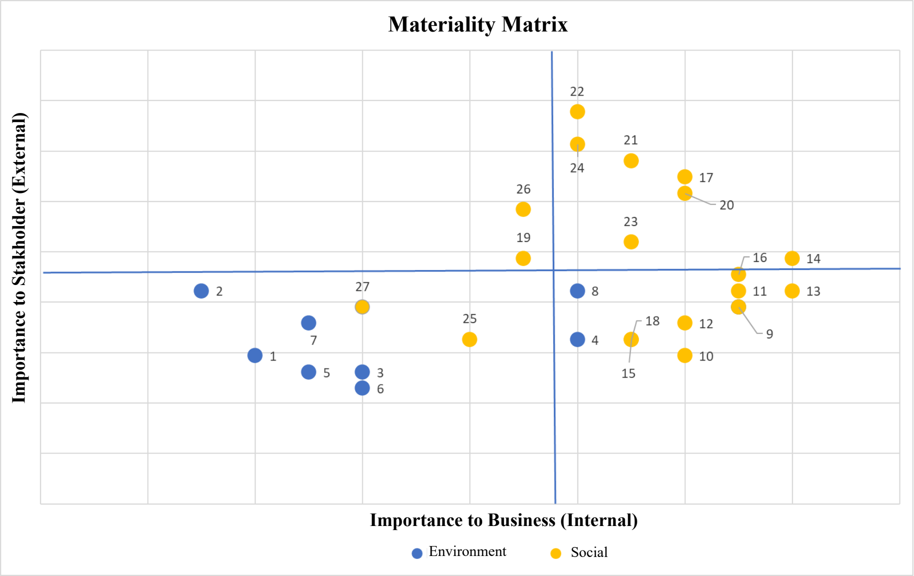
Moving forward, Differ will continue to explore new communication channels to engage with its internal and external stakeholders in order to comprehensively understand their needs and concerns.

MATERIALITY ASSESSMENT

Differ recognizes that stakeholders' opinions are one of the main determining factors when assessing a business' approach to sustainability. As such, an independent consultant was entrusted to conduct a materiality assessment to identify the material ESG issues that directly affect the business operations and development during the Reporting Period. By analyzing the findings, the Group is able to identify risk factors, shape the Group's sustainability strategies as well as fulfill stakeholder expectations. More details are be shown as below.

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

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



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

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

AWARDS AND RECOGNITIONS

The Group is dedicated to consistently attaining excellence in commercial performance as well as sustainable development. This is reflected by the awards and recognition the Group has received during the Reporting Period.

By continuously incorporating sustainability into our company development process, we aim to improve our ESG performance in the future and live by the Group's motto of "Integrity, Gratitude, Producent and Trailblazing".

Awards	Issuing Authorities
Transformation Pioneer Company of the Year 2022	Gelonghui

Transformation Pioneer Company of the Year

BUSINESS ETHICS

Anti-corruption

It is our Company's policy to conduct our work in an honest and ethical manner. As such, we have adopted a zero-tolerance approach to bribery and corruption. We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships. Any of our directors and employee who are found to breach this policy will face disciplinary action, which could result in dismissal or legal actions for gross misconduct. We extend this principle to our suppliers, service providers, agents or representatives (including their senior management and authorized representatives) who are found to breach this policy (or we have reasonable suspicion on that) may lead to termination of related contracts with immediate effect.

Being a listed company, we comply with the highest standards and practices to fight corruptions, including the compliance with the following laws, regulations and guidelines:

- The Prevention of Bribery Ordinance (Cap 201)
- Environmental, Social and Governance Reporting Guide issued by HKEx
- Corporate Governance Code and Corporate Governance Report issued by HKEx

Code of Conduct

The Group is committed to operating ethically. We firmly stand against corruption and bribery. As such, we have adopted a zero-tolerance approach towards corruption, bribery, extortion, fraud and money laundering related issues. The Group has established a code of conduct to offer employees a set of correct practices as well as ensuring compliance to national, regional laws and regulations, including the Prevention of Bribery Ordinance of Hong Kong, Criminal Law of the PRC and Anti- Money Laundering Law of the PRC. The Group strictly prohibit the transfer of interests in any forms by employees to stakeholder, any breach of rules will lead to disciplinary actions including dismissal and serious offenders may be sent to disciplinary authorities for further legal actions.

During the Reporting Period, the Group has had no breaches of relevant laws and regulations, and no concluded legal cases regarding corruption practices were brought against the Group or their employees.

Enhancing Employee Awareness

To uphold high standards of corporate governance, the Group strives to enhance our employees' awareness regarding anti-corruption by providing anti-corruption training by third party providers.

During the Year, the Group has provided anti-corruption training to employees at management levels (including members of the Board).

Extending Our Values Across Suppliers

When choosing business partners, Differ places great significance to its suppliers' integrity and ethical behavior as to maintain a high standard of business ethics. An Integrity Agreement is distributed to all of the selected suppliers and service providers before cooperation to ensure these parties share our standard of integrity and behave in a dignified manner.

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

Whistleblowing Policy

As an ethical business, Differ is dedicated in building a robust, independent, effective and confidential channel to discover fraud, non-compliance, malpractices, misconduct or irregularity against applicable laws and regulations or policies and guidelines of the Group. Through this policy, employees, business partners, stakeholders are encouraged to report any concerns to the Group in good faith. We ensure that:

- The identify of the Person and/or any documents that may disclose or imply the identify of Protected Person remains confidential;

- Protected Person are legally and fairly treated in those situations and conditions where identities and related documents are subjected to disclosure requirements of applicable laws and regulations;

- The Protected Person to proceeding on the ground that the related Concerned Matter is brought forward to us or that even the Concerned Matter is eventually unsubstantiated;

- The Protected Persons, as our employees, will not be terminated, threatened to terminate, put to disciplinary action or discriminate in any forms on the ground that the related Concerned Matter is brought forward to us or that even the Concerned Matter is eventually unsubstantiated; and

- The Protected Persons, as our business partners and stakeholders, will not be terminated from business, threatened to terminate from business, unfairly or unfavorably treated on the ground that the related Concerned Matter is brought forward to us or that even the Concerned Matter is eventually unsubstantiated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL STEWARDSHIP

Differ has adopted and implemented sustainable practices to protect the environment and to strengthen its role as a green business. To bolster our environmental stewardship, Differ has made a host of commitments aimed at diminishing the Company's negative impact on the environment by reducing its energy consumption, GHG emission and waste consumption. We have extended these commitments to our employees by enhancing their awareness on environmental protection and educating them on the relevant laws and regulations.

Through our environmental management system ("EMS"), the Group is able to monitor our environmental performance; reduce our negative environmental impacts; and comply with international and national standards. Related environmental aspects are being identified for our operations including provision of services and activities before formulating of working guidelines and mitigation strategies. A series of internal policies and working guidelines, covering greenhouse gas emission, waste management, and resource usage, has been enacted to provide detailed and people-oriented guidance for our employees to follow.

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

Managing Emissions and climate change

Climate Change

Differ acknowledges that climate change may impact our business operations. Physical risks, including more frequent extreme weather events, and transition risks, including stricter emission standards may have varying degrees of impact on the Group's operations. By identifying and managing the potential financial risks and opportunities brought about by climate change, the Group recognizes that there are potential growth opportunities when moving towards a low-carbon economy. The risks and opportunities arising from climate change will be incorporated in the Group's decision making, risk management and daily operations. We are dedicated to enhancing our climate adaptability and resilience across the business.

Through a host of measures, including the operation guidelines under extreme weather which outlines the appropriate actions to be taken in accordance with various warnings from the Hong Kong Observatory. The Group aims to strengthen climate change related polices, including conduct climate-risk assessment and formulate management measures.

Air and Greenhouse Gas Emissions

Although the Group has limited air emissions due to the nature of its offices, we are committed to making gradual changes across our operations to reduce the Group's impact.

Controlling pollutant emissions necessitates an extensive monitoring system, the Group has implemented a monitoring and measurement management procedure. Our Integrated Management Centre has been assigned to manage all GHG emissions monitoring tasks in order to centralize all the data for better analysis and develop a consistent monitoring standard to meet regulatory standards. Daily GHG emissions are being recorded for annual data analysis to give a strong base for future development of suitable future strategies and policies. Saving energy is important to reducing greenhouse gas emissions. In view of this, related policies have been implemented and will be discussed in the following sections.

Based on the systematic collection of consumption data, the Group's major GHG emission source is electricity consumption which makes up 95.44% of the total GHG emission while mobile fuel combustion makes up 4.51%, paper waste disposed at landfills and business air travel also contributed to 0.05% of the total GHG emissions respectively.

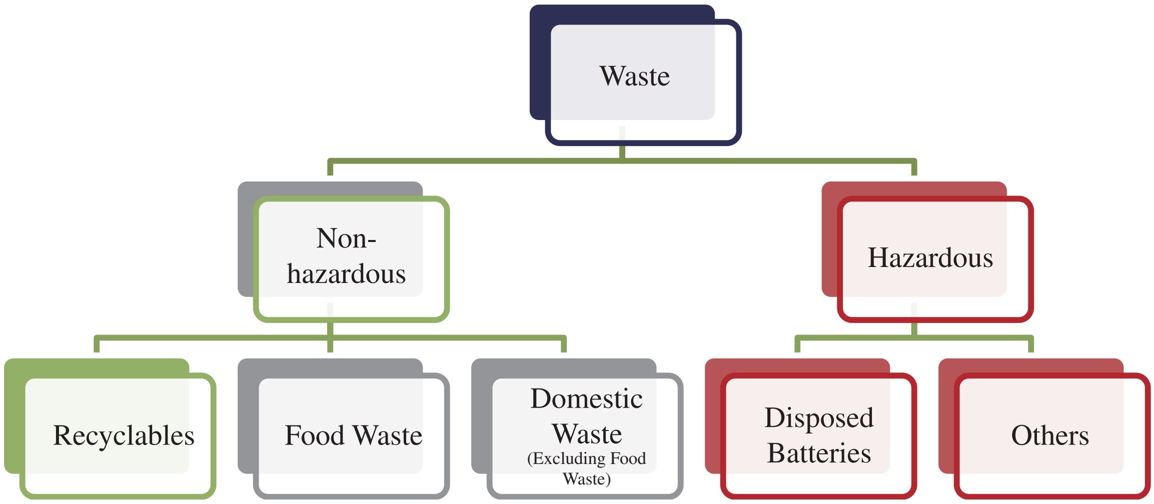
Please refer to the section titled "Our Environmental Performance" for detailed data.

Energy efficiency and the reducing GHG emission are important to the Group. Energy consumption is one of the major contributions of GHG emission therefore the Group is identifying energy-saving opportunities and energy efficiency improvements that will lead to meeting the carbon reduction goal. The Group aims to adopt the following actions in order to improve their energy performance:

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

Managing Waste

Given our Company's operations, there is no significant generation of hazardous and non-hazardous waste and we have not set any waste reduction targets this year. To better manage the waste the Group produces a Waste Separation Management Policy has been developed and implemented providing details on how to properly dispose of waste. An illustration is shown below:



Differ strives to properly manage and dispose of the waste produced across its operations by:

- Providing colour labelled bins in designated areas including staircase, pantry, and toilets to allow employees to access the waste facilities and conduct waste sorting easily

- Paying close attention to hazardous waste management due to its toxic and harmful characteristic. Taking disciplinary actions in the event that malpractices, such as mixing hazardous waste with non-hazardous waste, are observed

- Electing an administrator that is entrusted to monitor and manage the whole waste management process. For example, when employees apply for new batteries for replacement, the administrator will examine the old batteries and carry out further handling so as to prevent unnecessary waste

Additionally, the Group has adopted a host of waste management initiatives with the underlying aim of reducing waste emissions. Driven by the idea that recycling, reducing single-use materials is crucial, the Group strives to promote behavioral change across their employees through the following actions:

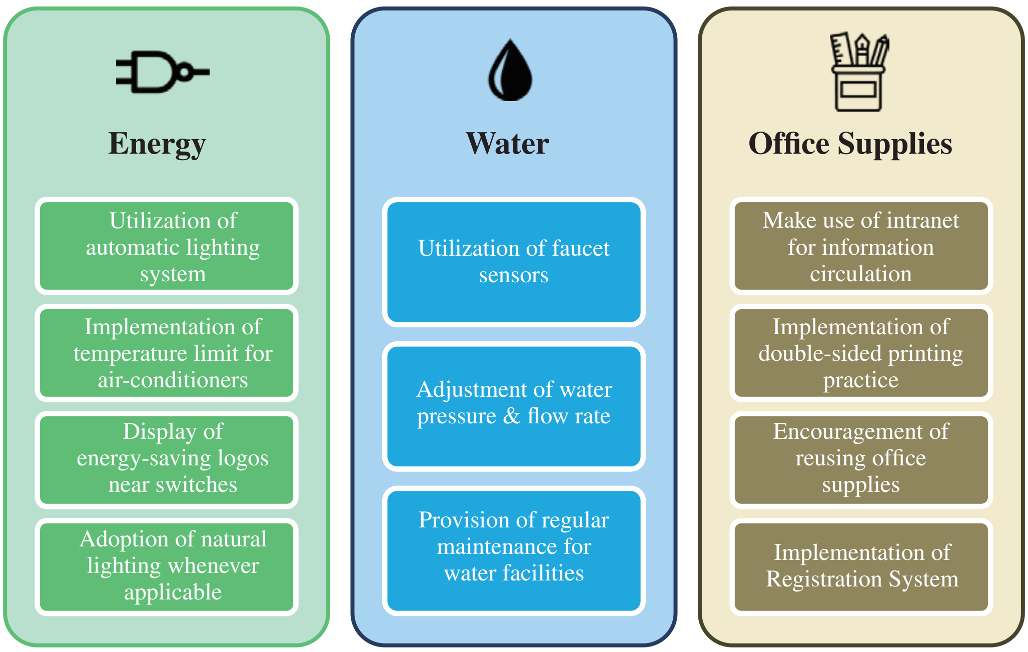
- Reusing used envelopes and file folders for internal communications to reduce the use of paper for interim printing

- Recommending to employees to elect e-version of report to reduce the printed paper

Managing the Use of Resources

Differ is dedicated to achieving responsible resource consumption in order to prevent resource depletion at the expense of future generations. The Group promotes a positive energy and resource conservation culture and advocate for encouraging and educating employees on the need for energy saving practices. Employees' behavior and the consumption behavior of the group are closely monitored by our management department. By eliminating unnecessary and excessive consumption through the 4R principles (i.e. reduce, reuse, replace and recycle), the Group hopes to optimize resource efficiency and embark on its sustainability journey.

To encourage all members of the Group to contribute to this objective, the Group has shared with all employees instruction regarding energy, water, and other resources consumption. Through the Energy and Resources Saving Policy, all members of the Group may contribute to this objective by sharing a number of actions employees can adopt. Actions related to energy, water, and other resources consumption are shown below:



Water Consumption

Differ promotes water efficiency measures across the Company to reduce our water consumption as well as improving all of our employees' awareness on the importance of conserving water. We extend this principle across our supply chain by requiring our contractors and subcontractors to recycle and reuse water on-site as much as possible.

During the reporting year, the Group has encountered no problem in getting applicable water sources.

The Environment and Natural Resources

The Group is always aiming for long-term sustainable performance by actively managing emerging environmental risks and improving operational efficiencies. More so now, due to the recent alarming trends in climate change that have brought unprecedent concerns forward about environmental protection.

Internal green office guidelines have been introduced to encourage employees to conserve natural resources. Particular attention has been paid to pollutants and GHG emission, energy and water usage, and waste disposal. Corrective measures will be implemented once our environmental performance is found unsatisfactory in periodic audits. Root cause(s) will also be examined whenever applicable to relieve and avoid the condition.

As an office-based enterprise, we honor our commitment to natural resources by carefully selecting environmentally-friendly office equipment. The Group only sources products with green lifecycle, from design, production, usage to disposal. Our main criteria are energy and resource efficiency, pollutant emissions, recyclability, product health and safety, both at the manufacturing and operating stages. All our electrical appliances are either with energy efficiency labels or with certifications recognized by environmental organizations. In addition, the procurement of office equipment is based on the National Green Procurement List, which prioritizes recyclable materials and equipment that run on renewable energy. Furthermore, procurement relies solely on physical storage rather than economic purposes to minimize wastage of precious and scarce resources.

Our Environmental Performance

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

Air & GHG Emissions	2022	2021	2020	2019
Scope 1 - Direct GHG emissions[1 2] (tCO_2e)	66.47	119.66	144.95	141.12
Nitrogen oxides (NOx) (kg)[3]	24.449	0.350	0.476	0.005
Sulphur oxides (SOx) (kg)	0.381	0.710	0.012	0.007
Particulate matter (PM) (kg)[4]	1.800	0.027	0.035	0.004
Scope 2 – Energy indirect GHG emissions[5] (tCO_2e)	1,407.78	1,271.60	4,440.96	1,606.23
Scope 3 – Other indirect GHG emissions[6 7] (tCO_2e)	0.86	0.70	117.74	121.67
Total GHG emissions (tCO_2e)	1,475.11	1,391.26	4,703.65	1,869.02
GHG Intensity (tCO_2e/employee)	4.39	3.50	11.09	5.29
Resource Consumption	**2022**	**2021**	**2020**	**2019**
Electricity (MWh)	2,300.07	1,558.59	5,505.78	1,995.68
Intensity (MWh/employee)	6.85	3.72	12.99	5.65
Energy (GJ)	8,280.30	5,610.92	19,820.81	7,184.44
Vehicle fuel (L)	25,870.75	39,955.79	67,519.62	59,036.32
Intensity (L/employee)	77.00	95.35	159.24	167.24
Energy (GJ)	903.06	1687.49	2,213.43	1,935.34
Water (m^3)[8]	124,083.80	79,810.80	121,752.00	54,880.00
Intensity (m^3/employee)	369.30	190.48	303.62	163.33
Paper (Tonnes)	0.18	0.15	4.61	3.20
Intensity (Tonnes/employee)	0.00054	0.01	0.01	0.01

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

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

3 Due to enhanced calculation method, there has been an increase in Nitrogen Oxides emitted. The calculation is based on the "How to prepare an ESG Report, Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx.

4 Due to enhanced calculation method, there has been an increase in Particulate Matters emitted. The calculation is based on the "How to prepare an ESG Report, Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx.

5 Scope 2 represents energy indirect GHG emissions generated by the use of electricity purchased from power suppliers. Due to the resumption of business activity following the COVID-19 pandemic, the electricity consumption has increased in the Reporting Period.

6 Scope 3 represents other indirect GHG emissions caused by business air travel by employees and paper waste disposed at landfill only. The calculation refers to the "How to prepare an ESG Report, Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx.

7 During the COVID-19 pandemic, the Group has minimized business air travel.

8 In 2022, there was no issue in sourcing water.

SUPPORTING THE COMMUNITY

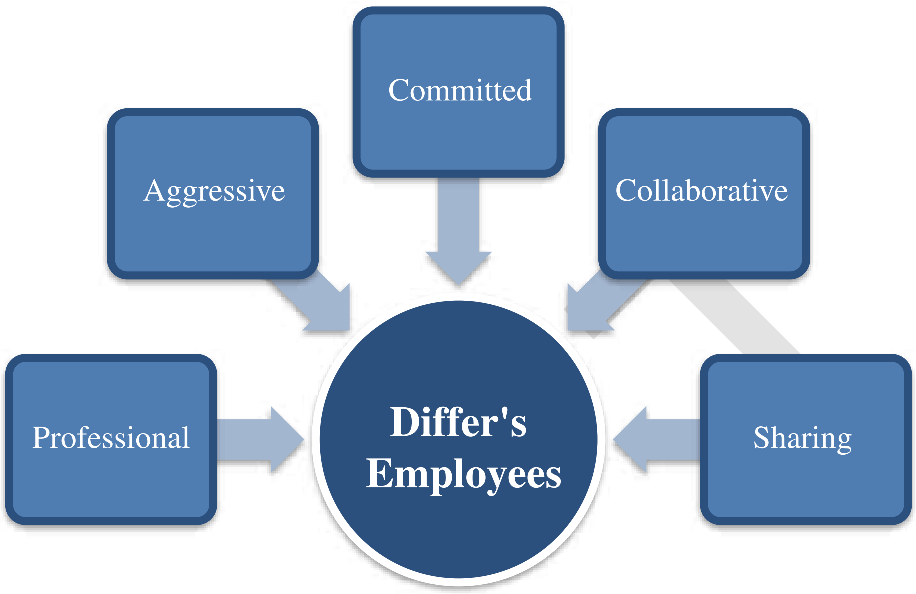
We believe in creating positive impact and fostering close ties with our community which can in turn benefit the Group. To maintain a long-lasting relationship, we support the community by through charitable partnerships, volunteerism and strategic sponsorship and donations, as well as by encouraging our staff to participate in various volunteer activities and initiatives during their spare time. Differ actively engages in investments to address issues related to education, public health and well-being, environmental protection, and public infrastructure construction in poverty- stricken areas to help raise those living in impoverished suburban areas including the elderly and children.

The Group is committed to being a responsible corporate, through our core values of: "Sharing and win-win" we share our belief that everyone can win through collaboration. We believe that business growth and community growth are compatible. Through the promotion of community-based tourism, Differ aims to share economic opportunities with our community as well as contribution to raising the living standards of all.

During the Reporting Period, the Group donated HK$100,000 to the Reading Dreams for local community development. Other than cash donation, the Group also encourages its employees to actively participate in volunteering works to build a harmonious society in a hand-in-hand manner. We will never stop caring for our communities and will continue our corporate responsibility to find ways to strike a balance between community growth and business development.

OUR PEOPLE

The Group proactively makes efforts to understand the needs of its employees and regularly reviews the effectiveness of its policies. We believe in creating a safe and comfortable working environment that provides opportunities for all our employees to grow. We believe employees play an essential role in the success of our business, for this reason, we aim to build a business that attracts and retains talented individuals. We strive to provide a platform for employees to reach their full potential and achieve positive personal growth. Differ aims to become a platform where employees are able to reach their full potential through career development opportunities thereby providing our clients with the very best.



Employment Conditions

The Group examines and compares our remuneration plans with the market on a regular basis in order to recruit and retain the best talent. We offer attractive remuneration packages and a working environment that is friendly, stimulating and free of discrimination. We believe in the importance of providing our employees a working environment free of discrimination. All employees are treated fairly, regardless of gender, age, ethnicity, family status, sexual orientation, disability, race and religion. Differ does not allow any form of discriminatory behavior, including during the hiring, promotion, performance evaluation, and payroll decision-making processes. As an equal opportunity employer, we uphold a high standard of fairness in our recruitment and promotion process to avoid any discrimination or mistreatment incident and to create an equal and fair workplace. We believe in assessing candidates by their experience, capability and qualification. All job application candidates and employees are treated equally regardless of their race, sex, marital status, pregnancy, disability status or other forms of difference that are unrelated to the job requirements.

Differ's compensation package takes a performance-based approach that helps motivate employees to perform the best of their capabilities whilst producing quality work. Through our comprehensive responsible employment practices, employee performance is assessed every two years; bonuses and service awards are given to high-caliber employees; all employees are entitled to paid leaves (including annual leave, sick leave, maternity and paternity leave, marriage leave, breastfeeding leave and compassionate leave). Both Hong Kong and Chinese employees are secured with mandatory provident fund and social welfare scheme respectively.

Furthermore, we are dedicated to fostering a Company-wide culture that upholds the importance of work-life balance. Work schedules of five-day work weeks are offered to corporate and office employees providing them with sufficient personal time. We do not encourage our employees to work beyond our fixed working hours, prior approval from the management is required and employees are compensated.

During the reporting period, there was no non-compliance with relevant laws and regulations that have had a significant impact on the Group concerning compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. Furthermore, the Group provided a safe working environment for its employees, protecting them from occupational hazards, and avoided use of child and forced labour.

The breakdowns of employment data are as below:

Employees		2022	2022 Turnover rate
Total number of employees		336	24.6%
By gender	Male	176	24.5%
	Female	160	24.8%
By category	Senior Management	44	–
	Middle Management	71	–
	General Employees	221	–
By age group	Under 30	42	37%
	30-39	148	25.6%
	40-49	90	18.2%
	50-59	54	25.7%
	Above 60	2	0%
By type	Full-time	336	–
	Part-time	0	–
By geographical region	Mainland China	314	26%
	Hong Kong	22	14.3%

Healthy and Safe Workplace

Differ is committed to actively pioneering ways to improve the physical and mental health of its valued employees. Under the Health, Safety, Environment and Workspace Condition Policy, a number of procedures relating to workplace hygiene and safety practices are endorsed to eliminate potential safety hazards and maintain a tidy working environment, such as:

- Eye-catching safety signs are displayed on machineries and equipment with high safety risks to remind workers.

- Personal protection equipment is distributed to those who are exposed to potential occupational risks to safeguard their physical health.

A healthy and safe workplace can only be maintained by having employees and management actively collaborate. To encourage employees to adopt appropriate health and safety practices, the Group has highlighted the importance of everyone's contribution to this aspect and to fully inform all employees about dangers and precautions. Additionally, fire drills are organized to familiarize employees with the evacuation routes and locations of fire extinguishers, so as to respond quickly in the event of a fire.

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

Employee Wellness

The Group is committed to providing a healthy work environment where employees can thrive. During the Reporting Year, the Group strengthened employees' engagement through diversified recreational and team-bonding activities: birthday party, Sports day, Lunar New Year Festival activities, International Women's Day activities, Dragon Boat Festival, Orientation and Thanksgiving activities were organized during the Reporting Period to cultivate a work-life balance culture and allow our employees to feel relaxed while spending quality time together.

Lunar New Year

Employee Gathering Activities

In addition to balancing work and personal life, the Group pays close attention to fostering a family- friendly working environment so that employees can combine work and family responsibilities. We hope to support our employees and expand our family by inviting staff family members to our activities thus allowing employees to better balance their work commitments with their family responsibilities.

Development and Training

Employees' career growth is supported by the Group by providing a variety of skill enhancement training programs given that employee development is inextricably linked to the Group's ongoing business expansion. The Group offers training opportunities in a variety of knowledge and skills based on the needs of employees and the business, boosting employees' skills and preparing them to meet the industry and the Group's demands. In order to systematically standardize and manage our training, a Training Management Procedure has been established.

To maximize the effectiveness of our training, a "SMART" strategy is imposed on the process of drafting the annual training plan, whereby training outcomes must be specific, measurable, attainable, relevant and time-bound. It is information gathered based on the department's needs that is also considered during the planning phase, including internal and external vocational coaching. After discussions with supervisors, the annual training plan is enacted, and will be evaluated at the end of the year to fully utilize the employee's potential.

Being well-informed about industrial developments is the key to staying ahead of competitors. We appoint experienced in-house staff as training mentors and invite external financial industry experts to share their experiences and the latest market trends. Written exams are used to fairly and transparently assess employees' performance and learning effectiveness. In 2022, a host of training programmes have been organized according to both corporate operational and employee development needs.

We understand that incorporating the concept of continuous self-learning is critical to fostering a culture of positive improvement. Hence, employees at all levels are provided with additional learning materials such as reference books and training videos to support ongoing training in their spare time. Additionally, a training funding scheme has been established to encourage external training for all employees, the financial aid is granted according to their work performance.

The breakdown of data related to training is shown below:

Training		2022
Training percentage		94.64%
By gender	Male	52.52%
	Female	47.48%
By category	Senior management	13.21%
	Middle management	20.13%
	Frontline & General Staff	66.66%
Average training hours		
By gender	Male	12.24
	Female	12.24
By category	Senior management	9.55
	Middle management	9.92
	Frontline & General Staff	25.90

Labour Standard

Any form of forced labour is prohibited by the Group. The Group has a responsibility to protects workers' rights and children. Therefore, we do not tolerate any form of child labor or forced labor. Through the establishment and implementation of a host of policies including the Anti-Child and Underage Labour Policy and Anti-Forced Labour Policy, the Group strictly abides by relevant labour laws and national regulations, including Provisions on the Prohibition of Using Child Labour, the Law on the Protection of Minors of the PRC, and the Labour Law of the PRC.

All job applicants must provide an authentic identity card or certification for rigorous screening prior to hiring, as to eliminate the risk of hiring child labor. Background information is also being thoroughly examined to ensure its accuracy and legitimacy. In the unlikely event that a forged document is discovered, the Group will not hesitate to terminate the contract and take legal action.

We take care of our employees by maintaining a safe, respectful and harmonious work environment.

Mutual respect is fundamental to maintaining a harmonious work environment, we spare no efforts to protect workers' rights. The Group has strict policies to prohibit all forms of physical and psychological abuse, including violence, humiliation, detention, and threats. Employees are encouraged to report anonymously, verbally or in written form, to the management team in case of any unsatisfactory treatments or suspected abuse cases. Prompt investigation and remediation will be taken within a week. Our commitment to preventing child labor and forced labor extends across our supply chain, termination of contracts will be enacted if any violations of the related laws and regulations are discovered.

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

OUR VALUE CHAIN

Supply Chain Management

The success of the Group depends on establishing long-term cooperative relationships with various suppliers. Apart from internal governance, we also influence our supply chain to commit in achieving environmental sustainability and addressing social concerns. With the joint collaboration, we hope to build a pathway towards socially and environmentally sustainable development as well as becoming a leader in the capital management industry through corporate social responsibility and environmental stewardship.

When selecting reliable business partners, a comprehensive selection criterion has been implemented that assesses partners' contribution and commitment on environmental conservation, labour rights protection and ethical operation. We hope to evaluate and manage potential environmental and social risks in our supply chain more effectively and ensure that suppliers' performance is in line with the Group's sustainable development strategy. The Group recognizes the significance of supply chain management in reducing indirect environmental and social risks, through its Code of Conduct for suppliers and customers, that aims to promote mutual commitment to social responsibility in the supply chain industry. With the guidance on fulfilling social obligations of suppliers and clients', these are expected to adhere to it throughout our business cooperation.

To further facilitate the implementation of the Code of Conduct, inspections are carried out to ensure that our suppliers and customers meet the Group's expectations and standards. In some cases, training sessions focused on the Code of Conduct are held to deepen and broaden suppliers and customers' knowledge and understanding on the Code. In case of any violation of the document or laws and regulations, the Group will take disciplinary actions. The procurement process must be regularly reviewed and closely monitored by the Group to ensure that contract procurement fair and equitable.

To build strong relationships with our stakeholders, the Group has conducted online surveys with customers and suppliers to maintain active engagement and communicate the Group's expectations. The Group has implemented stakeholders' feedback into the process of identifying the material topics. Furthermore, to enhance greater corporate social responsibility, we will review the services of suppliers and their performance meet procurement requirements.

Guidance for promoting the building of a sustainable community falls into four dimensions of the Code of Conduct. We encourage the creation of a better community and image of the Group by going beyond the proposed rules.

Build a Fair & Equal Workplace

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

Protect Labour Rights

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

Environmental Conservation

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

Ethics & Integrity

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

Number of suppliers by geographical region

Geographical region	Number of suppliers
China	655
Hong Kong	0
Others	0

Leading Quality Services

Providing quality services is a core value of ours, in this ever-changing market. We aim to constantly evolve our capital management to ensure the Group caters to the needs of our clients and are pleased to serve our clients in an immediate and timely manners for solving their inquiries. Being innovative and having unique insights are the key ingredients to stand out in this highly competitive industry, and this requires accurate and intuitive understanding of the industry. We encourage our employees to voice their ideas and share their opinions with us as employees are known to always raise the best ideas. Rewards are offered to employees to motivate them to make contributions in bringing practical and innovative ideas to the light.

Furthermore, we have established an Internal Quality Committee that is comprised of experts from different departments such as finance, legal compliance and management etc. The Committee's duties are to regularly review and update the Group's policies and procedures in regards to service quality to deliver customer-oriented services, as well as identify market trends.

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

Customer Satisfaction

Customer's feedback is a driving force for the Group's progress. We are dedicated to offering clients the best possible services and elevating their experience. To do so, we have established a customer's services mechanism to ensure the service quality. The mechanism strengthens the Group's relationship with its clients as well as bolstering loyalty. Additionally, we have conducted questionnaires and visits. In doing so, we were able to collect information related to cooperate operations and design the best custom-made services for them.

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

Customer Privacy

The Group puts great importance on personal data protection as our business is built on trust. We spare no efforts in resolving in clients' concerns, and we have implemented stringent guidelines and procedures on collecting, using, transferring, storing and disclosing customers' information. In order to provide value-added services and enhance customer's experience, relevant information is collected and handled in a secure and confidential manner. Only authorized personnel who have received proper training are granted rights to access, process and erase the information. In the event of receiving governmental and legal orders to disclose the data, Differ will only take further actions after receiving clients' prior consent.

Intellectual Property Rights

The Group is aware that protecting intellectual property ("IP") is essential for promoting innovation. Businesses cannot fully profit from their discoveries without the protection of unique ideas, without protection, businesses would eventually be deterred from investing as much in research and development ("R&D"). In order to reinforce and standardize the Group's management of IP rights, we have implemented an Intellectual Property Management Manual. All of Differ's employees receive a thorough explanation of the Group's research, product and service development, and documentation procedures in regards to IP rights protection. The Group offers training and promotion campaigns to increase awareness of intellectual property rights among employees, particularly top management. All departmental managers are made aware of the importance of IP rights and strictly comply with the Anti-unfair Competition Law of the PRC to resolutely eliminate the loss caused by improper behaviour.

For all copying, using and transferring related documents prior permission is required. To prevent the Group's IP and confidential information from leaking, all employees and cooperation partners are required to sign non-disclosure agreements. If infringement of the Groups IP rights is observed, legal actions will be taken.

HKEX ESG REPORTING GUIDE INDEX

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

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

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

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our People – Development and Training
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have. a significant impact on the issuer relating to preventing child and forced labour.	Our People – Labour Standard
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People – Labour Standard
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People – Labour Standard
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Our Value Chain – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Our Value Chain – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Our Value Chain – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our Value Chain – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our Value Chain – Supply Chain Management
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Value Chain – Leading Quality Services

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Due to the business nature of the Group, products related complaints received and recall for safety and health reasons is considered not material.
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Our Value Chain – Leading Quality Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Value Chain – Leading Quality Services
KPI B6.4	Description of quality assurance process and recall procedures.	Our Value Chain – Leading Quality Services
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Our Value Chain – Leading Quality Services
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Business Ethics – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business Ethics – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Business Ethics – Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business Ethics – Anti-corruption
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Supporting the Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Supporting the Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Supporting the Community

INDEPENDENT AUDITOR'S REPORT

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 AUTO LIMITED (FORMERLY KNOWN AS DIFFER GROUP HOLDING COMPANY LIMITED)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Differ Group Auto Limited (formerly known as Differ Group Holding Company Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 96 to 226, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 2 (b) (ii) to the consolidated financial statements, which states that the Group incurred a loss of approximately RMB180.4 million for the year ended 31 December 2022, and as of that date, the Group had bank and other borrowings of RMB647.5 million and corporate bonds of RMB654.0 million which are due within twelve months from 31 December 2022 while its cash and cash equivalents amounted to RMB26.2 million only. These conditions, along with other matters as set forth in Note 2(b) (ii), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment on finance lease, loan and accounts receivable, consideration receivables and amounts due from associates (the "Receivables")

Refer to notes 5, 18 and 21 to the consolidated financial statements.

As at 31 December 2022, the Group had finance lease, loan and accounts receivable, consideration receivables and amounts due from associates of RMB440.8 million, RMB1,249.0 million and RMB575.4 million respectively and the Group was exposed to credit risk thereof. The Group has applied HKFRS 9 "Financial Instruments" and assessed impairment for these receivables based on expected credit losses ("ECL") model. In determining the impairment losses on the Receivables, the management assessed historical default rates, the values of the collaterals as well as those relevant forward-looking information such as the expected future cash flows and forward-looking macroeconomic factors which involve estimation and significant judgement. The assessment on the ECL of the Receivables were performed with the assistance of an independent external valuer.

Due to the significance of the Receivables (representing 26% 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 the Receivables, we considered this as a key audit matter.

Our responses:

Our key procedures in relation to the management's impairment assessment on the Receivables included:

– Checking, on a sample basis, the ageing profile of the Receivables as at 31 December 2022 to the underlying financial records and post year-end settlements to bank receipts;

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

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

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

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

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

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

Valuation of investment properties

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

The Group has investment properties of RMB769.8 million as at 31 December 2022 and a fair value gain of RMB14.4 million was accounted for under "change in fair value of investment properties" in the consolidated statement of comprehensive income during the year.

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

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

Our responses:

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

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

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

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS’ RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Income from automobile e-commerce business	7	**135,790**	21,490
Income from assets management business	7	**426,424**	917,906
Income from trading of commodities	7	**269,531**	120,958
Income from financial related services	7	**175,977**	199,378
Other income	7	**95,489**	66,642
Costs of automobile e-commerce business		**(107,165)**	(18,513)
Costs of property sold		**(350,358)**	(584,555)
Costs of trading of commodities		**(269,312)**	(120,837)
(Loss)/gain on disposal of subsidiaries	38	**(58,484)**	140,683
Employee benefit expenses		**(66,629)**	(60,163)
Depreciation expenses		**(15,681)**	(20,746)
Short-term lease expenses		**(1,487)**	(975)
Other expenses		**(365,556)**	(150,409)
Share of results of associates		**(9,814)**	(21,113)
Gain on bargain purchase arising from acquisition of subsidiaries		**28,866**	–
Change in fair value of investment properties		**14,444**	121,794
Change in fair value of other financial assets		**41,742**	61,076
Finance costs	10	**(73,582)**	(48,051)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
(Loss)/profit before income tax	8	**(129,805)**	624,565
Income tax expense	11	**(50,552)**	(186,239)
(Loss)/profit for the year		**(180,357)**	438,326
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		**(3,567)**	–
– Net change in debt investments measured at fair value through other comprehensive income		**1,746**	5,321
– Release of translation reserve upon disposal of subsidiaries		**35,612**	(81)
– Release of financial assets revaluation reserve upon disposal of subsidiaries		**(19,318)**	–
		14,473	5,240
Total comprehensive income for the year		**(165,884)**	443,566
(Loss)/profit for the year attributable to:			
Owners of the Company		**(180,205)**	440,759
Non-controlling interests		**(152)**	(2,433)
		(180,357)	438,326
Total comprehensive income attributable to:			
Owners of the Company		**(165,732)**	445,999
Non-controlling interests		**(152)**	(2,433)
		(165,884)	443,566
(Loss)/earnings per share	13		
– Basic (RMB cents)		**(2.50)**	6.11
– Diluted (RMB cents)		**(2.50)**	6.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**444,529**	309,327
Investment properties	15	**769,843**	756,801
Interests in associates	16	**360,366**	370,180
Finance lease, loan and accounts receivable	18	**30,075**	60,538
Goodwill	19	**86,034**	96,031
Other financial assets	20	**379,818**	342,020
Prepayments, deposits and other receivables	21	**811,439**	347,481
Deferred tax assets	32	**48,997**	36,897
		2,931,101	2,319,275
Current assets			
Inventories of properties	22	**3,877,360**	3,810,641
Finance lease, loan and accounts receivable	18	**410,713**	1,086,596
Prepayments, deposits and other receivables	21	**1,191,701**	474,004
Other financial assets	20	**92,164**	138,858
Tax receivables		**135,276**	60,076
Restricted bank deposits	17	**142,623**	228,054
Cash and bank balances – general accounts	23	**26,244**	99,951
Cash and bank balances - held on behalf of customers	24	**7,645**	5,486
		5,883,726	5,903,666
Assets classified as held-for-sale	40	**–**	96,906
		5,883,726	6,000,572
Current liabilities			
Accounts payable	25	**395,779**	411,094
Accruals, other payables, deposits received and deferred income	26	**768,367**	749,196
Contract liabilities	27	**2,805,076**	2,644,848
Lease liabilities	28	**8,467**	10,229
Financial guarantees	29	**138,882**	23,846
Provision for taxation		**332,256**	367,982
Bank and other borrowings	30	**647,510**	558,201
Corporate bonds	31	**653,961**	146,370
		5,750,298	4,911,766
Liabilities classified as held-for-sale	40	**–**	7,905
		5,750,298	4,919,671
Net current assets		**133,428**	1,080,901
Total assets less current liabilities		**3,064,529**	3,400,176

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Other payables and deposits received	26	**223,830**	145,956
Lease liabilities	28	**2,843**	9,134
Bank and other borrowings	30	**–**	159,631
Corporate bonds	31	**142,648**	196,988
Deferred tax liabilities	32	**170,336**	167,075
		539,657	678,784
Net assets		**2,524,872**	2,721,392
EQUITY			
Share capital	33	**14,734**	14,734
Reserves	34	**2,510,290**	2,706,658
Equity attributable to owners of the Company		**2,525,024**	2,721,392
Non-controlling interests	37	**(152)**	–
Total equity		**2,524,872**	2,721,392

The consolidated financial statements were approved and authorised by the board of directors on 31 March 2023 and are signed on its behalf:

Ng Chi Chung

Director

Feng Xiaogang

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000 *(Note 34)*	Merger and other reserves RMB'000 *(Note 34)*	Statutory reserve RMB'000 *(Note 34)*	Financial assets revaluation reserve RMB'000 *(Note 34)*	Translation reserve RMB'000	Retained profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	14,734	1,619,971	(1,184,215)	180,449	17,572	(13,987)	2,086,868	2,721,392	–	2,721,392
Loss for the year	–	–	–	–	–	–	(180,205)	(180,205)	(152)	(180,357)
Other comprehensive income for the year	–	–	–	–	(17,572)	32,045	–	14,473	–	14,473
Total comprehensive income for the year	–	–	–	–	(17,572)	32,045	(180,205)	(165,732)	(152)	(165,884)
Transfer to statutory reserve	–	–	–	19,221	–	–	(19,221)	–	–	–
Acquisition of subsidiaries	–	–	–	34,917	–	–	(34,917)	–	–	–
Disposal of subsidiaries	–	–	–	(118,054)	–	–	118,054	–	–	–
Final dividend paid	–	(30,636)	–	–	–	–	–	(30,636)	–	(30,636)
At 31 December 2022	14,734	1,589,335	(1,184,215)	116,533	–	18,058	1,970,579	2,525,024	(152)	2,524,872

For the Company's subsidiary operated in financial guarantee business in the People's Republic of China (the "PRC"), amount of approximately RMB25,023,000 as at 31 December 2022 (2021: RMB25,023,000) which was set aside in the PRC books of accounts as reserve in accordance with the relevant rules governing the financial guarantee business in the PRC for non-matured obligation and guarantee indemnity reserve and was not distributable.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(129,805)**	624,565
Adjustments for:			
Bank and other interest income	7	**(22,897)**	(26,875)
Interests expenses	10	**73,582**	48,051
Depreciation of property, plant and equipment	8	**15,681**	20,746
Share of results of associates		**9,814**	21,113
Change in fair value of investment properties		**(14,444)**	(121,794)
Gain on disposal of property, plant and equipment	8	**(208)**	(142)
Impairment loss on goodwill	8	**9,997**	–
Write off of property, plant and equipment		**734**	–
Write-down on inventories	8	**47,341**	29,151
Change in fair value of other financial assets		**(41,742)**	(61,076)
Loss from derecognition of other financial assets		**14,400**	–
Provision for financial guarantees	8	**138,068**	23,846
Reversal of provision for financial guarantees	7	**(23,032)**	–
Provision for impairment loss on financial assets	8	**89,558**	25,047
Reversal of impairment loss on financial assets	7	**(8,178)**	(11,990)
Loss/(gain) on disposal of subsidiaries		**58,484**	(140,683)
Gain on bargain purchase arising from acquisition of subsidiaries		**(28,866)**	–
Gain on disposal of an associate	7	**–**	(11,007)
Operating profit before working capital changes		**188,487**	418,952
Increase in other inventories		**–**	(15)
Increase in inventories of properties		**(84,844)**	(45,286)
(Increase)/decrease in finance lease, loan and accounts receivable, net of deferred income		**(59,973)**	337,437
Increase in prepayments, deposits and other receivables		**(362,014)**	(965,430)
Decrease/(increase) in restricted bank deposits		**85,431**	(4)
(Increase)/decrease in cash and bank balances - held on behalf of customers		**(2,160)**	6,950
Decrease in accounts payable		**(73,458)**	(140,565)
Increase in accruals, other payables and deposits received		**127,830**	149,324
Increase in contract liabilities		**115,733**	1,130,589
Cash (used in)/generated from operations		**(64,968)**	891,952
Interests received		**22,897**	26,875
Income tax paid		**(121,627)**	(86,078)
Net cash (used in)/generated from operating activities		**(163,698)**	832,749

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(155,530)**	(160,630)
Receipt of government grant related to property, plant and equipment		**80,000**	20,904
Proceeds from disposal of property, plant and equipment		**1,504**	159
Addition of investment properties		**–**	(331,900)
Receipt of government grant related to investment properties		**–**	61,400
Investments in other financial assets		**(88,220)**	(89,192)
Proceeds from disposal of other financial assets		**28,560**	51,101
Acquisition of subsidiaries, net of cash and cash equivalents	39	**(76,971)**	(104,367)
Acquisition of additional interests of subsidiaries		**–**	(15,000)
Disposal of subsidiaries, net of cash disposal of	38	**112,528**	53,120
Net cash used in investing activities		**(98,129)**	(514,405)
Cash flows from financing activities			
Proceeds from issue of corporate bonds		**620,806**	209,319
Proceeds from bank and other borrowings		**156,407**	262,631
Repayments of bank and other borrowings		**(292,721)**	(512,981)
Repayments of corporate bonds		**(179,673)**	(140,937)
Repayments of lease liabilities		**(22,145)**	(13,821)
Interest paid		**(64,221)**	(84,126)
Advance from non-controlling interests		**–**	4,278
Dividend paid		**(30,636)**	(30,636)
Net cash generated from/(used in) financing activities		**187,817**	(306,273)
Net (decrease)/increase in cash and cash equivalents		**(74,010)**	12,071
Cash and cash equivalents at beginning of the year		**100,006**	87,935
Effect of foreign exchange rates, net		**248**	–
Cash and cash equivalents at end of the year		**26,244**	100,006
Analysis of balances of cash and cash equivalents			
Cash and bank balances	23	**26,244**	100,006
Less: included in the assets classified as held for sale	40	**–**	(55)
Cash and cash equivalents as stated in the consolidated statement of cash flows and consolidated statement of financial position		**26,244**	99,951

1. CORPORATE INFORMATION

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

Pursuant to the passing of a special resolution at the extraordinary general meeting held on 29 July 2022, the English name of the Company was changed from "Differ Group Holding Company Limited" to "Differ Group Auto Limited" and the Chinese name of the Company was changed from "鼎豐集團控股有限公司" to "鼎豐集團汽車有限公司". The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies of the Cayman Islands on 29 July 2022.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in the PRC is located at 33/F, Differ Fortune Centre, No. 503 Gaolin Middle Road, Huli District, Xiamen City, Fujian Province, the PRC and the principal place of business of the Company in Hong Kong is located at Suites 501-05, 5/F, AIA Central, No.1 Connaught Road Central, Central, Hong Kong.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern basis

(i) 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.

2. BASIS OF PREPARATION – continued

(b) Basis of measurement and going concern basis – continued

(ii) Going concern basis

The Group incurred a loss of approximately RMB180.4 million for the year ended 31 December 2022, and as of that date, the Group had bank and other borrowings of RMB647.5 million and corporate bonds of RMB654.0 million which are due within twelve months from 31 December 2022 while its cash and cash equivalents amounted to RMB26.2 million only.

Included in the current bank borrowings of RMB290.6 million, RMB250.7 million has been overdue and became repayable on demand. These events or conditions may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group, and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

1. The Group maintains continuous communication with lenders and management believes that the existing other borrowings and corporate bonds available to the Group, total amounting to approximately RMB332 million as at 31 December 2022, will be successfully renewed when their current terms expire given the long standing relationship the Group has with the relevant counter parties;

2. The Group will pursue plans for potential disposal of the Group's seized properties held for sale with carrying amount of RMB1,039 million to raise additional working capital to finance the repayment of defaulted bank borrowings of RMB250.7 million;

3. The Group has been actively monitoring its finance lease, loan and accounts receivable and other receivables to ensure their collectability upon their maturity and payment request by the Group. The Group will retain sufficient fund in order to alleviate the Group's liquidity pressure;

2. BASIS OF PREPARATION – continued

(b) Basis of measurement and going concern basis - continued

(ii) Going concern basis- continued

4. The Group continues to generate operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from property development and investment, financial services and automobile e-commerce to generate additional operating cash inflows; and

5. The Group will also continue to seek for other alternative financing to finance the settlement of its existing financial obligations and future operating expenditures.

The Directors have assessed the Group's cash flow projection covering a period of not less than twelve months from 31 December 2022. They are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists related to the events or conditions that may cast significant doubt on the Group's ability to continue as going concern and, therefore, that it may be unable to realise its assets and discharges its liabilities in the normal course of business. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to successfully renew some of existing other borrowings and corporate bonds when their current terms expire, successfully dispose of assets to raise additional cash, recovery of the real estates sector and other businesses to generate cash inflow from operations, settlement of various receivables upon their maturity and payment request by the Group; and successfully in obtaining other additional sources of financing other than those mentioned above as and when needed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. BASIS OF PREPARATION – continued

(c) Functional and presentation currency

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

3. ADOPTION OF HKFRSs

3.1 Adoption of revised HKFRSs

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the annual period beginning on 1 January 2022.

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS	Annual improvements to HKFRS 2018-2020

The adoption of the amendments to HKFRSs has no material impact on the consolidated financial statements.

3. ADOPTION OF HKFRSs – continued

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
HK Interpretation 5 (Revised) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKFRS 16	Lease liability in a sale and leaseback[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.1 Business combination and basis of consolidation – continued

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

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

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

4.2 Subsidiaries

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.3 Associates

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

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

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

4.4 Goodwill

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.4 Goodwill – continued

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

4.5 Impairment of assets (other than financial assets)

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.6 Property, plant and equipment

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.7 Investment properties

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

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

4.8 Leases

Accounting as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise leases which are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meet the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.8 Leasing – continued

Accounting as a lessee – continued

Right-of-use asset – continued

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

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

Lease liability

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.8 Leasing – continued

Accounting as a lessee – continued

Lease liability – continued

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in substance fixed lease payments.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.8 Leasing – continued

Accounting as a lessor

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

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

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

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

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

4.9 Inventories of properties

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

4.10 Share capital

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.11 Employee benefits

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

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

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

4.12 Financial Instruments

(i) Financial assets

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.12 Financial Instruments – continued

(i) Financial assets – continued

Debt instruments

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.12 Financial Instruments – continued

(i) Financial assets – continued

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.

(ii) Impairment loss on financial assets

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.12 Financial Instruments – continued

(ii) Impairment loss on financial assets – continued

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.12 Financial Instruments – continued

(ii) Impairment loss on financial assets – continued

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

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

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.12 Financial Instruments – continued

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

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

(vii) Derecognition

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.13 Cash and cash equivalents

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

4.14 Provisions and contingent liabilities

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.15 Accounting for income tax

Income taxes comprise current tax and deferred tax.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.15 Accounting for income tax – continued

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

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

4.16 Revenue recognition

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

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.16 Revenue recognition – 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 services.

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) Income from automobile e-commerce business

– Income from sale of goods is recognised when control of goods have been passed to customers, which is primarily upon the goods are delivered to and have been accepted by customers.

– Agency service income is recognised on a success basis, i.e. when the transacting parties come into an agreement.

– Software development service income is recognised over time, based on the actual costs incurred relative to the total cost to be provided.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.16 Revenue recognition – continued

(b) Income from assets management business

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

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

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

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

– Management fee income is recognised when services are rendered.

(c) Income from trading of commodities

– Income from sale of goods is recognised when control of goods have been passed to customers.

(d) Income from financial related services

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

– Financial consultancy service income is recognised when services are rendered.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.16 Revenue recognition – continued

(e) Others

– 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.

Contract assets and liabilities

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

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

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

Contract costs

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

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

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

(c) the costs are expected to be recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.16 Revenue recognition – continued

Contract costs – continued

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

4.17 Capitalisation of borrowing costs

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

4.18 Government grants

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.19 Foreign currencies

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

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

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

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

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

4.20 Related parties

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

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

(ii) has significant influence over the Group; or

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.20 Related parties – continued

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.21 Segment reporting

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

4.22 Share-based payments

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

4.23 Non-current assets held for sale and disposal groups

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Critical judgements

Going concern assumption

The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the going concern assumption is set out in note 2(b)(ii) to the consolidated financial statements.

Principal versus agent consideration

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

Subsidiary governed under structured agreements

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – continued

Key sources of estimation uncertainty

Impairment of financial assets

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

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

Impairment of non-financial assets (other than goodwill)

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

Impairment of goodwill

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – continued

Key sources of estimation uncertainty – continued

Income taxes

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

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

Fair value of investment properties

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – continued

Key sources of estimation uncertainty – continued

Net realisable value of inventories of properties

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

Provision of financial guarantee contracts

Financial guarantee contracts issued by the Group are initially measured at their fair values and subsequently measured at the higher of (i) the amount of ECL allowance, as determined in accordance with HKFRS 9; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

As at 31 December 2022, the debts of certain borrowers were default in payment. The Directors, with reference to the legal opinion from a PRC lawyer, considered that it is highly probable the creditors will demand the Company and the Group to settle the remaining outstanding amount of the subject debts under the financial guarantees provided by the Group.

As at 31 December 2022, the Group and the Company has recognised a provision of RMB138.9 million which is the best estimate of the Company and the Group on the probable cash outflow of the obligations under the financial guarantee contracts.

6. SEGMENT INFORMATION

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

(1) Financial services - provision of guarantee services, express loan services, consultancy services, finance lease services, financial securities services and assets management (investments in distressed assets, equities and management of funds) in the PRC and Hong Kong;

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

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

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

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 unallocated corporate expenses and unallocated finance costs. Corporate expenses include expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

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

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

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

6. SEGMENT INFORMATION – continued

Segment revenue and results

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

For the year ended 31 December 2022

	Financial services RMB'000	Property development and investment RMB'000	Trading of commodities RMB'000	Automobile e-commerce RMB'000	Total RMB'000
Segment revenue					
Revenue from external customers	**184,776**	**417,625**	**269,531**	**135,790**	**1,007,722**
Segment results	**(98,648)**	**29,094**	**(16,556)**	**10,616**	**(75,494)**
Unallocated corporate expenses					**(10,219)**
Unallocated finance costs					**(44,092)**
Loss before income tax					**(129,805)**

6. SEGMENT INFORMATION – continued

Segment revenue and results – continued

For the year ended 31 December 2021

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

6. SEGMENT INFORMATION – continued

Segment assets and liabilities

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

	2022 RMB'000	2021 RMB'000
Segment assets		
Financial services	**2,317,733**	1,735,658
Property development and investment	**6,373,989**	6,496,700
Trading of commodities	**3,517**	22,356
Automobile e-commerce	**103,929**	47,009
Total segment assets	**8,799,168**	8,301,723
Unallocated		
– Property, plant and equipment	**8,872**	13,650
– Deposits and prepayments	**2,312**	2,820
– Cash and bank balances	**4,475**	1,654
Total assets	**8,814,827**	8,319,847
Segment liabilities		
Financial services	**198,733**	96,561
Property development and investment	**4,901,903**	4,732,403
Trading of commodities	**6,467**	2,318
Automobile e-commerce	**49,770**	2,917
Total segment liabilities	**5,156,873**	4,834,199
Unallocated		
– Accruals and other payables	**53,317**	46,840
– Lease liabilities	**9,305**	14,766
– Other borrowings	**273,851**	359,292
– Corporate bonds	**796,609**	343,358
Total liabilities	**6,289,955**	5,598,455

6. SEGMENT INFORMATION – continued

Other segment information

For the year ended 31 December 2022

	Financial services RMB'000	Property development and investment RMB'000	Trading of commodities RMB'000	Automobile e-commerce RMB'000	Unallocated RMB'000	Total RMB'000
Additions to non-current assets (other than financial assets)	1,048	153,763	458	51	1,246	156,566
Equity accounted for investments in associates	–	360,366	–	–	–	360,366
Depreciation of property, plant and equipment	(1,886)	(5,476)	(1,808)	(6)	(6,505)	(15,681)
Impairment loss on goodwill	(9,997)	–	–	–	–	(9,997)
Write off of property, plant and equipment	–	(734)	–	–	–	(734)
Share of results of associates	–	(9,814)	–	–	–	(9,814)
Gain on disposal of property, plant and equipment	46	161	1	–	–	208
(Loss)/gain on disposal of subsidiaries	(66,018)	7,534	–	–	–	(58,484)
Gain on bargain purchase	–	28,866	–	–	–	28,866
Change in fair value of investment properties	(388)	14,832	–	–	–	14,444
Change in fair value of other financial assets	(6,654)	48,396	–	–	–	41,742
Provision for financial guarantees	(138,068)	–	–	–	–	(138,068)
Reversal of financial guarantees	10,067	12,965	–	–	–	23,032
Write down of inventories	–	(47,341)	–	–	–	(47,341)
Provision of impairment loss on financial assets	(74,991)	(13,316)	–	(1,251)	–	(89,558)
Reversal of impairment loss on financial assets	2,535	5,643	–	–	–	8,178
Bank and other interest income	20,347	2,546	2	2	–	22,897
Finance costs	(2,067)	(16,529)	(9,254)	(1,640)	(44,092)	(73,582)

6. SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31 December 2021

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

6. SEGMENT INFORMATION – continued

Other segment information – continued

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

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

There is no revenue from a customer contributing over 10% of the total revenue of the Group for the years ended 31 December 2022 and 2021.

7. REVENUE AND OTHER INCOME

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

	2022	2021
	RMB'000	RMB'000
Income from automobile e-commerce business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of goods	**106,960**	20,760
Membership fee income	**–**	730
Service income	**28,830**	–
	135,790	21,490

7. REVENUE AND OTHER INCOME – continued

	2022	2021
	RMB'000	RMB'000
Income from assets management business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from sales of properties	**392,380**	905,213
Revenue from other sources		
Rental income and sublease rental income	**22,042**	4,435
Management fee income	**12,002**	8,258
	426,424	917,906

	2022	2021
	RMB'000	RMB'000
Income from trading of commodities		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of commodities	**269,531**	120,958

7. REVENUE AND OTHER INCOME – continued

	2022 RMB'000	2021 RMB'000
Income from financial related services		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from financial consultancy services	**–**	3,302
Income from financial securities services	**1,342**	3,087
Revenue from other sources		
Income from guarantee services	**4,353**	23,673
Interest income from:		
– Entrusted loans	**–**	18
– Money lending	**161,496**	159,360
– Finance lease services	**8,786**	9,938
	175,977	199,378

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition within the scope HKFRS 15		
At a point in time	**787,791**	1,053,320
Transferred over time	**11,252**	730
	799,043	1,054,050

7. REVENUE AND OTHER INCOME – continued

	2022 RMB'000	2021 RMB'000
Other income		
Bank and other interest income	**22,897**	26,875
Gain on disposal of property, plant and equipment	**208**	142
Government grants (Note)	**33,084**	574
Reversal of impairment loss on financial assets	**8,178**	11,990
Reversal of provision on financial guarantees	**23,032**	–
Sales of electronic devices	**–**	6,565
Gain on disposal of an associate	**–**	11,007
Net foreign exchange gain	**1,752**	5,957
Others	**6,338**	3,532
	95,489	66,642

Note:

For the year ended 31 December 2022, the government grants of RMB30,100,000 was from the relevant PRC government authorities in support of the Group's asset management business in the PRC (2021: RMB487,000). The remaining portion of the government grant represented the financial support from the Hong Kong Special Administrative Region Government who set up the Anti-epidemic Fund under the Employment Support Scheme and the relevant PRC government authorities in support of the Group's financial service business in the PRC. There were no unfulfilled conditions to receive the grants.

8. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2022	2021
	RMB'000	RMB'000
Auditor's remuneration		
– audit service	**1,804**	1,530
– non-audit service	**179**	–
	1,983	1,530
Cost of inventories	**677,826**	694,754
Write-down of inventories	**47,341**	29,151
Cost of inventories recognised as expenses	**725,167**	723,905
Depreciation of property, plant and equipment	**15,681**	20,746
Write off of property, plant and equipment	**734**	–
Impairment loss on goodwill	**9,997**	–
Impairment loss on financial assets	**89,558**	25,047
Reversal of impairment loss on financial assets	**(8,178)**	(11,990)
Provision for financial guarantees	**138,068**	23,846
Reversal of financial guarantees	**(23,032)**	–
Direct operating expenses arising from investment property that did not generate rental income during the year	**–**	6,733
Employee's costs (including Directors' remuneration *(note 9)*)		
– Salaries and allowances	**57,224**	53,951
– Pension scheme contributions – Defined contribution plans	**4,081**	1,410
– Other benefits	**5,324**	4,802
	66,629	60,163
Net foreign exchange gains	**(1,752)**	(5,957)
Gain on disposal of property, plant and equipment	**(208)**	(142)

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2022				
Executive directors:				
Mr. Hong Mingxian ("Mr. Hong")[1]	–	215	5	220
Mr. Ng Chi Chung ("Mr. Ng")	–	723	16	739
Dr. Feng Xiaogang	–	513	16	529
	–	1,451	37	1,488
Non-executive directors:				
Mr. Wu Qinghan[1]	26	–	–	26
Mr. Cai Huatan[1]	26	–	–	26
Mr. Kang Fuming[2]	59	–	–	59
Mr. Xu Yiwei[2]	59	–	–	59
	170	–	–	170
Independent non-executive directors:				
Mr. Chan Sing Nun	84	–	–	84
Mr. Lam Kit Lam	84	–	–	84
Mr. Chen Naike	84	–	–	84
	252	–	–	252
Total	422	1,451	37	1,910

1 Resigned with effect from 21 April 2022

2 Appointed with effect from 21 April 2022

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

(a) Directors' remuneration – continued

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

[1] Appointed with effect from 9 December 2021

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included two directors (2021: two) for the year ended 31 December 2022 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 2022 and 2021 are set out below:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**4,214**	4,042
Pension scheme contributions	**80**	80
	4,294	4,122

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

	Number of individuals **2022**	2021
HK$500,001 to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**2**	2
	5	5

(c) During the years ended 31 December 2022 and 2021, no director or any of the highest paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank and other borrowings	**71,978**	78,719
Interest on corporate bonds	**29,603**	19,386
Interest on lease liabilities	**1,217**	1,639
	102,798	99,744
Less: interest capitalised *(Note)*	**(29,216)**	(51,693)
	73,582	48,051

Note: The weighted average capitalisation rate for the year on fund's borrowed is 6.25% (2021: 7.73%) per annum.

11. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax		
Hong Kong Profits Tax	**117**	280
PRC		
– Enterprise income tax ("EIT")	**41,958**	89,315
– LAT	**16,396**	74,086
– Withholding tax	**570**	655
	59,041	164,336
Deferred tax *(note 32)*	**(8,489)**	21,903
	50,552	186,239

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% (2021: 25%) of the estimated assessable profits during the year, except for subsidiaries established and operated in Ganzhou, which are beneficial from a preferential tax policy from the local tax authorities and are entitled to a reduced tax rate of 15%.

11. INCOME TAX EXPENSE – continued

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

Withholding tax was calculated at 7% (2021: 7%) of the interest paid by PRC entities to a non-PRC holding company during the year.

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rate regime, the first HK$2,000,000 of assessable profits of qualifying corporation is taxed at 8.25% and the assessable profits above HK$2,000,000 are taxed at 16.5% for the years ended 31 December 2022 and 2021.

Reconciliation between income tax expense and (loss)/profit before income tax at applicable tax rates is as follows:

	2022 **RMB'000**	2021 RMB'000
(Loss)/profit before income tax	**(129,805)**	624,565
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**(12,469)**	130,332
Tax effect of income not taxable for tax purpose	**(43,629)**	(51,213)
Tax effect of expenses not deductible for tax purpose	**68,623**	21,537
Tax effect of tax losses not recognised	**25,922**	29,453
Utilisation of tax losses previously not recognised	**(762)**	(89)
Provision for LAT	**16,396**	74,086
Tax effect on EIT of LAT payable	**(4,099)**	(18,522)
Withholding tax for interest paid by PRC subsidiaries	**570**	655
Income tax expense	**50,552**	186,239

12. DIVIDENDS

(a) No dividend was proposed during the year ended 31 December 2022 (2021: the final dividend of HK0.5 cent per ordinary share, totaling HK$36,042,000 (equivalent to RMB30,636,000) was proposed, which is subject to the approval of the shareholders at the forthcoming annual general meeting and not recognised as dividend payable in the consolidated financial statements for the year ended 31 December 2021). No interim dividend was declared and paid during the year (2021: nil).

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

	2022 **RMB'000**	2021 RMB'000
Final dividend paid in respect of prior year – HK0.5 cent per ordinary share (2021: HK0.5 cent)	**30,636**	30,636

13. (LOSS)/EARNINGS PER SHARE

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

	2022 **RMB'000**	2021 RMB'000
(Loss)/profit for the year attributable to owners of the Company	**(180,205)**	440,759

	2022 **Number of shares** **('000)**	2021 Number of shares ('000)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**7,208,386**	7,208,386
Basic (loss)/earnings per share (RMB cents)	**(2.50)**	6.11
Dilutive (loss)/earnings per share (RMB cents) (Note)	**(2.50)**	6.11

Note:

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share, as the Group has no dilutive potential ordinary shares for the years ended 31 December 2022 and 2021.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Construction-in-progress	Other properties leased for own use *(note 28)*	Motor vehicles	Furniture, fixtures and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2021	16,079	144,594	33,466	6,196	13,692	214,027
Additions	1,360	136,393	17,032	627	1,346	156,758
Lease modification	–	–	637	–	–	637
Acquisition of subsidiaries *(note 39)*	–	–	–	23	437	460
Disposals	–	–	–	(119)	–	(119)
Disposal of subsidiaries *(note 38)*	(227)	–	(5,363)	(234)	(388)	(6,212)
Written off	–	–	(1,995)	–	(14)	(2,009)
Classified as assets held for sale *(note 40)*	–	–	(1,534)	–	–	(1,534)
At 31 December 2021 and 1 January 2022	**17,212**	**280,987**	**42,243**	**6,493**	**15,073**	**362,008**
Additions	**3,090**	**151,426**	**424**	**417**	**597**	**155,954**
Lease modification	**–**	**–**	**612**	**–**	**–**	**612**
Acquisition of subsidiaries *(note 39)*	**–**	**–**	**922**	**42**	**124**	**1,088**
Disposals	**–**	**–**	**–**	**(4,584)**	**(492)**	**(5,076)**
Disposal of subsidiaries *(note 38)*	**(12,689)**	**–**	**(1,178)**	**(317)**	**(9,109)**	**(23,293)**
Written off	**(4,623)**	**–**	**(25,441)**	**–**	**(954)**	**(31,018)**
Exchange realignment	**6**	**–**	**599**	**36**	**74**	**715**
At 31 December 2022	**2,996**	**432,413**	**18,181**	**2,087**	**5,313**	**460,990**

14. PROPERTY, PLANT AND EQUIPMENT – continued

	Leasehold improvements	Construction-in-progress	Other properties leased for own use *(note 28)*	Motor vehicles	Furniture, fixtures and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:						
At 1 January 2021	10,445	–	18,817	2,306	8,082	39,650
Charge for the year	4,641	–	12,924	1,319	1,862	20,746
Write back on disposals	–	–	–	(102)	–	(102)
Disposal of subsidiaries *(note 38)*	(172)	–	(3,990)	(43)	(199)	(4,404)
Write back on written off	–	–	(1,995)	–	(14)	(2,009)
Classified as assets held for sale *(note 40)*	–	–	(1,200)	–	–	(1,200)
At 31 December 2021 and at 1 January 2022	**14,914**	**–**	**24,556**	**3,480**	**9,731**	**52,681**
Charge for the year	**2,068**	**–**	**10,075**	**1,024**	**2,514**	**15,681**
Write back on disposals	**–**	**–**	**–**	**(3,700)**	**(80)**	**(3,780)**
Disposal of subsidiaries *(note 38)*	**(10,542)**	**–**	**(301)**	**(40)**	**(7,130)**	**(18,013)**
Write back on written off	**(4,623)**	**–**	**(25,441)**	**–**	**(220)**	**(30,284)**
Exchange realignment	**1**	**–**	**117**	**2**	**56**	**176**
At 31 December 2022	**1,818**	**–**	**9,006**	**766**	**4,871**	**16,461**
Net carrying amount:						
At 31 December 2022	**1,178**	**432,413**	**9,175**	**1,321**	**442**	**444,529**
At 31 December 2021	2,298	280,987	17,687	3,013	5,342	309,327

15. INVESTMENT PROPERTIES

	2022	2021
	RMB'000	RMB'000
At 1 January	**756,801**	677,200
Additions	**–**	270,500
Acquisition of subsidiaries *(note 39)*	**338,097**	–
Disposal of subsidiaries *(note 38)*	**(339,499)**	(312,693)
Change in fair value	**14,444**	121,794
At 31 December	**769,843**	756,801

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

The fair values of the investment properties of the Group in the PRC were assessed by Vincorn Consulting and Appraisal Limited, an independent qualified professional valuer, member of the Hong Kong Institute of Surveyors and has appropriate qualification 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, using income approach, by capitalised rental income as shown on the tenancy agreements and assumed that the Group sells the properties on the open market without the benefit or burden of a deferred term contract, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the properties.

15. INVESTMENT PROPERTIES – continued

During the year ended 31 December 2021, the Group received government grant of RMB61,400,000 related to investment properties and such amount is deducted in arriving the carrying amount of the investment properties. No such government grant was received during year ended 31 December 2022.

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:

	2022 **RMB'000**	2021 RMB'000
At 1 January (level 3 recurring fair value)	**756,801**	677,200
Additions	**–**	270,500
Acquisition of subsidiaries	**338,097**	–
Disposal of subsidiaries	**(339,499)**	(312,693)
Change in fair value	**14,444**	121,794
At 31 December (level 3 recurring fair value)	**769,843**	756,801

15. INVESTMENT PROPERTIES – continued

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

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Range of unobservable inputs	
					2022	2021
Commercial buildings, the PRC	3	Direct comparison and income approach	Term yield	The higher the term yield, the lower the fair value	**2.0%**	2.0%
			Expected vacancy rate	The higher the expected vacancy rate, the lower the fair value	**0%**	0%
			Reversionary rate	The higher the reversionary rate, the lower the fair value	**3.3%**	3.3%
Shopping mall, the PRC	3	Direct comparison and income approach	Term yield	The higher the term yield, the lower the fair value	**3.3%**	4.0%
			Expected vacancy rate	The higher the expected vacancy rate, the lower the fair value	**18% to 20%**	0% to 10%
			Reversionary rate	The higher the reversionary rate, the lower the fair value	**5.3%**	5.5%

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 2022, investment properties of approximately RMB674,434,000 (2021: RMB661,004,000) were pledged to secure the Group's other borrowings (note 30) and approximately RMB95,409,000 (2021: RMB95,797,000) were pledged to secure the banking facilities granted to certain customers (note 29(a)(ii)).

16. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Shares of net assets	**360,366**	370,180

Details of the Group's associates are as follows:

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/ voting rights/ profit share
中城城開集團有限公司 (Zhongcheng City Development Group Co., Limited^) ("Zhongcheng")	PRC, financial services, property development and management and commodity trading business in the PRC	49%
廈門創翼商業保理有限公司 (Xiamen Chuang Yi Commercial Factoring Company Limited ^) ("Chuang Yi")	PRC, provision of commercial factoring services in the PRC	– (Note)

^ English name is for identification only.

Note:

During the year ended 31 December 2021, the Group disposed its entire equity interest in the Chuang Yi at cash consideration of RMB20,000,000. Upon the completion of the disposal, Chuang Yi ceased to be an associate of the Group.

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

16. INTERESTS IN ASSOCIATES – continued

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

Zhongcheng

	2022	2021
	RMB'000	RMB'000
Year ended 31 December		
Revenue for the year	**1,737,744**	2,953,862
Loss for the year and total comprehensive income	**(20,028)**	(43,249)

Chuang Yi

	2021
	RMB'000
From 1 January to the date of disposal	
Revenue for the period	415
Profit for the period and total comprehensive income	396

	Zhongcheng	
	2022	2021
	RMB'000	RMB'000
As at 31 December		
Current assets	**907,195**	1,122,711
Non-current assets	**777,335**	404,640
Current liabilities	**(949,090)**	(372,061)
Non-current liabilities	**–**	(399,821)
Net assets	**735,440**	755,469

17. RESTRICTED BANK DEPOSITS

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

As at 31 December 2022, there is RMB1.4 million bank deposits has been frozen for litigation (2021: nil).

As at 31 December 2022 and 2021, the Group's restricted bank deposits were denominated in RMB and kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

18. FINANCE LEASE, LOAN AND ACCOUNTS RECEIVABLE

	2022	2021
	RMB'000	RMB'000
Non-current asset		
Finance lease receivables	**30,075**	60,538
Current assets		
Finance lease receivables	**52,092**	55,921
Loan receivables	**246,093**	881,427
Receivables from guarantee customers	**10,864**	14,528
Accounts receivable	**101,664**	134,720
	410,713	1,086,596

18. FINANCE LEASE, LOAN AND ACCOUNTS RECEIVABLE – continued

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

	2022		2021	
	Minimum lease payments RMB'000	Present value RMB'000	Minimum lease payments RMB'000	Present value RMB'000
Not later than one year	56,878	52,092	62,331	55,921
Later than one year and not later than five years	35,578	30,075	70,895	60,538
	92,456	82,167	133,226	116,459
Unearned finance income	(10,289)	–	(16,767)	–
Present value of minimum lease payments	82,167	82,167	116,459	116,459

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 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 four years.

For accounts receivable, it represented interest receivables from finance lease and loan receivables, proceeds receivables from assets management and service fee receivables. 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.

18. FINANCE LEASE, LOAN AND ACCOUNTS RECEIVABLE – continued

Interest rates on finance lease, loan and accounts receivable 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 accounts receivable charged by the Group are summarised below:

	2022 % per month	2021 % per month
Finance lease receivables	**0.5 to 1.1**	0.5 to 1.1
Loan receivables	**0.8 to 2.1**	1.0 to 5.0

The Group has certain concentration risk on finance lease, loan and accounts receivable as it has four (2021: eight) customers with outstanding balances of approximately RMB361,729,000 (2021: RMB1,048,260,000) as at 31 December 2022.

The Directors consider that the fair values of loan and accounts receivable 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 accounts receivable, excluding receivables from guarantee customers, net of impairment loss, as of each reporting date is as follows:

	2022 RMB'000	2021 RMB'000
0 to 30 days	**16,987**	3,267
31 to 90 days	**–**	3,801
91 to 180 days	**–**	17,296
Over 180 days	**412,937**	1,108,242
	429,924	1,132,606

18. FINANCE LEASE, LOAN AND ACCOUNTS RECEIVABLE – continued

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

	2022	2021
	RMB'000	RMB'000
Not yet past due	**413,082**	1,097,359
Past due 0 to 30 days	**182**	24,226
Past due 31 to 90 days	**546**	3,992
Past due 91-180 days	**2,609**	–
Over 180 days	**13,505**	7,029
	429,924	1,132,606

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

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

	RMB'000
At 1 January 2021	37,728
Impairment loss recognised	14,689
Reversal of impairment loss	(10,103)
Disposal of subsidiaries	(492)
Classified as assets held for sale	(9,992)
At 31 December 2021 and 1 January 2022	**31,830**
Impairment loss recognised	**56,836**
Reversal of impairment loss	**(4,928)**
Disposal of subsidiaries	**(47,860)**
Receivables written off	**(3,438)**
At 31 December 2022	**32,440**

18. FINANCE LEASE, LOAN AND ACCOUNTS RECEIVABLE – continued

The Group holds collaterals over the loan receivables, certain accounts receivable and receivables from guarantee customers. The fair value of the collaterals in respect of such loan and accounts receivable is as follows:

	2022 RMB'000	2021 RMB'000
Real estate	**17,626**	95,849
Movable property	**10,675**	34,632
Equity interests	**339,886**	1,003,169
Others	**3,500**	3,500
	371,687	1,137,150

As at 31 December 2022 and 2021, the finance lease receivables in respect of certain machineries, properties, motor vehicles and other assets are effectively secured by the underlying assets, as the rights to the machineries, properties, motor vehicles and other assets would be reverted to the Group in the event of default payment, and the deposits received from finance lease customers amounted to approximately RMB13,664,000 (2021: RMB13,664,000) (note 26).

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

19. GOODWILL

	2022 RMB'000	2021 RMB'000
At 1 January	**96,031**	83,338
Acquisition of subsidiaries *(note 39)*	**9,159**	12,693
Disposal of subsidiaries *(note 38)*	**(9,159)**	–
Impairment loss	**(9,997)**	–
At 31 December	**86,034**	96,031

As at 31 December 2022, the carrying amounts of goodwill allocated to a CGU of finance leasing of RMB9,899,000 (2021: RMB19,896,000), allocated to CGUs of property development of RMB70,593,000 (2021: RMB70,593,000) and allocated to a CGU of automobile e-commerce business of RMB5,542,000 (2021: RMB5,542,000).

19. GOODWILL – continued

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

The recoverable amount of CGU of finance leasing is determined based on value-in-use calculation which covers a detailed 5-year budget plan plus an extrapolated cash flow projection by applying a long term estimated growth rate of zero (2021: zero), with a pre-tax discount rate of 17.1% (2021: 11.2%).

The recoverable amount of CGU of property development is determined based on value-in-use calculation which covers a detailed 5-year budget plan plus an extrapolated cash flow projection by applying a long term estimated growth rate of zero (2021: zero), with pre-tax discount rates ranged from 13.8% to 25.8% (2021: 11.3%).

The recoverable amount of CGU of automobile e-commerce is determined based on value-in-use calculation which covers a detailed 5-year budget plan plus an extrapolated cash flow projection by applying a long term estimated growth rate of 25% (2021: 10%), with a pre-tax discount rate of 17.4% (2021: 12.5%).

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

During the year ended 31 December 2022, the Group has continued to operate the finance leasing business without any new customer. Due to the declining prospects in finance lease business, the Group assessed the recoverable amount of the CGU of finance leasing and the carrying amount of this CGU is written down to its recoverable amount of RMB9,899,000. An impairment loss of approximately RMB9,997,000 was recognised within "other expenses" in the consolidated statement of comprehensive income.

No impairment of goodwill is necessary for the CGU of property development and automobile e-commerce as it demonstrates sufficient cash flows that justify the carrying value of the goodwill.

20. OTHER FINANCIAL ASSETS

	2022	2021
	RMB'000	RMB'000
Non-current:		
Financial assets measured at FVTPL		
– Distressed assets *(note (a))*	**49,021**	59,619
– Fund investment	**600**	600
– Consideration receivable *(note (b))*	**330,197**	281,801
	379,818	342,020
Current:		
Financial assets measured at FVTPL		
– Consideration receivables *(note 38(b))*	**–**	42,960
– Fund investment	**92,164**	–
Financial assets measured at FVOCI		
– Distressed assets *(note (a))*	**–**	95,898
	92,164	138,858
	471,982	480,878

Notes:

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

(b) The consideration receivable represented the dividend to be received by the purchaser for its shares in Zhongcheng ("Dividend Entitlement"). The Dividend Entitlement, up to RMB387,600,000, to be received by the purchaser for the period commencing from date of sale and purchase agreement up to 31 December 2023, will be distributed to the Group as part of the consideration in this disposal transaction. Any dividend amount in excess of the Dividend Entitlement will then be distributed to the purchaser and the Group according to their respective shareholding in Zhongcheng. In the event that the total amount of dividends received by the Group is less than RMB387,600,000 as at 31 December 2023, the purchaser shall pay the shortfall to the Group by way of cash.

At the 31 December 2022 and 2021, the fair value of the consideration receivable was RMB330,197,000 and RMB281,801,000 respectively. The fair value was estimated by applying the discounted cash flow approach at a discount rate of 8.33% and 11.20% at 31 December 2022 and 2021 respectively.

20. OTHER FINANCIAL ASSETS – continued

Notes: – continued

(c) Fair value measurement of other financial assets

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

	2022 RMB'000	2021 RMB'000
Level 3 recurring fair value		
Distressed assets	**49,021**	155,517
Fund investment	**92,764**	600
Consideration receivables	**330,197**	324,761
	471,982	480,878

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

	2022 RMB'000	2021 RMB'000
Opening balance	**480,878**	448,815
Additions *(Note)*	**88,220**	151,877
Disposals	**(28,560)**	(65,250)
Disposal of subsidiaries *(note 38)*	**(97,644)**	(121,189)
Fair value gain recognised in profit or loss	**41,742**	61,304
Fair value gain recognised in other comprehensive income	**1,746**	5,321
Loss on derecognition recognised in profit or loss	**(14,400)**	–
Closing balance	**471,982**	480,878

Note: During the year ended 31 December 2021, additions of an amount of consideration receivable of approximately RMB76,877,000 was non-cash transaction.

20. OTHER FINANCIAL ASSETS – continued

Notes: – continued

(c) Fair value measurement of other financial assets – continued

The Group's financial assets carried at fair value at 31 December 2022 and 2021 arrived at on the basis of valuations carried out on those dates by 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	Range of unobservable inputs	
	2022 RMB'000	2021 RMB'000					**2022**	2021
Financial assets								
– Distressed assets	**49,021**	155,517	Level 3	Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts	• The higher the recoverable amounts, the higher the fair value	**RMB654,000 to RMB60,786,000**	RMB654,000 to RMB66,330,000
– Fund investment	**600**	600	Level 3		• Year to maturity	• The shorter the year to maturity, the higher the fair value	**1 year to 2 years**	1 year to 2.5 years
					• Discount rates that correspond to the expected risk level	• The higher the discount rates, the lower the fair value.	**9% to 24%**	9% to 24%
Financial assets								
– Consideration receivables	**330,197**	324,761	Level 3	Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts	• The higher the recoverable amounts, the higher the fair value	**RMB387,600,000**	RMB43,784,000 to RMB387,600,000
					• Year to maturity	• The shorter the year to maturity, the higher the fair value	**2 years**	0.25 year to 3 years
					• Discount rates that correspond to the expected risk level	• The higher the discount rates, the lower the fair value.	**8.3%**	11.2% to 11.3%
					• Expected pre-sale performance	• The higher the pre-sale performance, the higher the fair value	**N/A**	RMB549,171,000
– Fund investment	**92,164**	–	Level 3	Market approach	• Discount for lack of marketability	• The higher the marketability discount, the lower the fair value	**15.8%**	N/A

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Non-current assets		
Deposit paid	**2,242**	2,747
Other receivables	**–**	260,000
Consideration receivables *(Note a)*	**809,197**	84,734
	811,439	347,481
Current assets		
Prepaid expenses	**28,225**	39,435
Deposits paid	**72,064**	53,086
Other receivables	**76,159**	111,980
Consideration receivables *(Note a)*	**439,820**	256,604
Amounts due from associates *(Note b)*	**575,433**	12,899
	1,191,701	474,004

Notes:

(a) As at 31 December 2022, the total consideration receivables is RMB1,249,017,000 (2021: RMB341,338,000) and represented by:

– disposal of Differ Group (China) Company Limited and its subsidiaries ("Differ Group (China) Group") of RMB1,007,910,000 (2021: nil) (note 38(a)) that RMB198,713,000 are expected to be settled within one year, RMB377,117,000 are expected to be settled after one year but within two years and RMB432,080,000 are expected to be settled after two years but within five years;

– disposal of Differ Digital Company Limited and its subsidiaries ("Differ Digital Group") of RMB84,747,000 (2021: RMB174,452,000) (note 38(c)) in which RMB84,747,000 is expected to be settled within one year (2021: RMB89,718,000); and

– disposal of Karhoe Company Limited of RMB156,360,000 (2021: RMB153,926,000) in which RMB156,360,000 is expected to be settled within one year (2021: RMB153,926,000). During the year ended 31 December 2022, a supplemental agreement was entered, pursuant to which the Group and the debtor agreed to extend the repayment date to 30 April 2023 and the balance was interest bearing at 13% per annum.

As at 31 December 2021, the consideration receivables included RMB12,960,000 in connection with the disposal of Chuang Yi (note 16). During the year ended 31 December 2022, the Group disposed of this receivables upon the disposal of subsidiaries disclosed in note 38(ii).

(b) As at 31 December 2022 and 2021, the amounts due from associates were unsecured and repayable on demand. Among the balance, RMB491,190,000 (2021: nil) were interest bearing at 10% per annum and RMB84,243,000 (2021: RMB12,899,000) were interest free.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – continued

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

The below table reconciled the impairment loss allowance of the deposits and other receivables for the year:

	RMB'000
At 1 January 2021	2,887
Impairment loss recognised	10,358
Reversal of impairment loss	(1,887)
Disposal of subsidiaries	(637)
At 31 December 2021 and 1 January 2022	**10,721**
Impairment loss recognised	**32,722**
Reversal of impairment loss	**(3,250)**
Disposal of subsidiaries	**(13,240)**
At 31 December 2022	**26,953**

22. INVENTORIES OF PROPERTIES

	2022 RMB'000	2021 RMB'000
Properties held under development	**1,274,987**	1,651,834
Properties held for sale	**2,602,373**	2,158,807
	3,877,360	3,810,641

(a) Properties held under development comprises leasehold interests in land are located in the PRC and have lease terms expiring from 30 to 70 years (2021: 30 to 70 years). Right-of-use assets related to interests in leasehold land where the interest in the land is held for development of inventories are included in the same line item as inventories of properties as that within which the corresponding assets.

As at 31 December 2022, properties held under development amounted to approximately RMB1,103,624,000 (2021: RMB433,630,000) are expected to be recovered within 12 months.

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

(b) As at 31 December 2022, properties held under development of RMB126,890,000 were pledged to secure other borrowings (2021: RMB121,907,000) (note 30). As at 31 December 2022, properties held for sale of RMB1,194,885,000 (2021: RMB1,105,936,000) were pledged to secure bank borrowings (note 30).

During the year ended 31 December 2022, certain bank borrowings which were secured by properties held for sale with carrying amount of RMB1,039,000,000 has been overdue. In January 2023, the Group received a civil judgement from Intermediate People's Court of Xiamen City, Fijian Province. Pursuant to the civil judgement, properties held for sale with carrying amount of RMB1,039,000,000 had been seized.

As at 31 December 2022, properties held for sale of RMB105,171,000 were pledged to secure the banking facilities granted to customers (2021: RMB220,233,000 were pledged to secure the banking facilities granted to associates) (note 29).

22. INVENTORIES OF PROPERTIES – continued

(c) In prior year, the Group received a notification (the "Notification") from Shandong Lid Liquidation Affairs Limited (the "Administrator"), a limited liability company established in the PRC, to be the reforming party to the restructuring plan in respect of Weihai Zhongtian Real Estate Company Limited ("Weihai Zhongtian") in accordance with the Corporate Bankruptcy Law of the PRC under the supervision of the Administrator. Pursuant to the restructuring plan, Weihai Zhongtian has to repay the liabilities to the respective creditors under the supervision of the Administrator. In return, the Group obtained the assets in Weihai Zhongtian which are mainly represented by inventories of properties. As at 31 December 2022, the agreed liabilities of RMB376,713,000 (2021: RMB377,761,000) is included in other payables (note 26) and the carrying amount of the respective inventories of properties that to be realised for the repayment is approximately RMB470,000,000 (2021: RMB470,000,000). Such inventories of properties are restricted for the repayment to the respective creditors under the restructuring plan.

23. CASH AND BANK BALANCES – GENERAL ACCOUNTS

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

As at 31 December 2022, the Group has cash and bank balances denominated in RMB amounting to approximately RMB13,363,000 (2021: RMB89,600,000) kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

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

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

25. ACCOUNTS PAYABLE

	2022 RMB'000	2021 RMB'000
Accounts payable from property development *(Note)*	**388,164**	405,159
Accounts payable from financial services		
– clearing house	**199**	539
– cash client	**7,416**	5,396
	395,779	411,094

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

	2022 RMB'000	2021 RMB'000
Less than 1 month	**155,205**	394,250
1 to 3 months	**2,861**	1,482
More than 3 months but less than 12 months	**1,120**	10,813
More than 12 months	**236,593**	4,549
	395,779	411,094

Note: During the year ended 31 December 2022, the Group was subject to civil complaints from constructors regarding the immediate settlement of overdue accounts payable totaling RMB73,229,000 (2021: nil).

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

	2022	2021
	RMB'000	RMB'000
Current liabilities		
Accruals, other payables and deposits received *(note a)*	**681,186**	601,720
Consideration payable *(note c)*	**–**	48,000
Business and other tax payables	**80,017**	90,983
Deposits received from finance lease customers *(note 18)*	**7,164**	7,164
Deferred income *(note b)*	**–**	1,329
	768,367	749,196
Non-current liabilities		
Other payables *(note a)*	**116,426**	118,552
Deposits received from finance lease customers *(note 18)*	**6,500**	6,500
Deferred income *(note b)*	**100,904**	20,904
	223,830	145,956

Notes:

(a) Among the balances, RMB376,713,000 (2021: RMB377,761,000) represented the payable to the Administrator. Pursuant to note 22 to the consolidated financial statements, the Group received the Notification from the Administrator to be the reforming party to the restructuring plan in respect of Weihai Zhongtian in accordance with the Corporate Bankruptcy Law of the PRC under the supervision of the Administrator.

Pursuant to the restructuring plan, Weihai Zhongtian has to repay the liabilities to the respective creditors under the supervision of the Administrator. In return, the Group obtained the assets in Weihai Zhongtian which are mainly represented by inventories of properties. The basis of the liabilities assumed by the Group was estimated from the realised estimated value of the inventories of properties. As at 31 December 2022, the agreed liabilities of RMB376,713,000 (2021: RMB377,761,000) is included in other payables and the carrying amount of the respective inventories of properties that to be realised for the repayment is approximately RMB470,000,000 (2021: RMB470,000,000) (note 22).

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

Notes – continued

(a) – continued

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

Other payables of RMB260,287,000 is expected to be settled within 1 year from 31 December 2022 while other payables of RMB116,426,000 is expected to be settled after 1 year from 31 December 2022 (2021: RMB259,209,000 is expected to be settled within 1 year from 31 December 2021 while other payables of RMB118,552,000 is expected to be settled after 1 year from 31 December 2021) under the restructuring plan.

(b) Deferred income represents government grant of RMB100,904,000 (2021: RMB20,904,000) received for construction of certain items of construction-in-progress. As at 31 December 2021, RMB1,329,000 represents the financial guarantee service income received in advance from the customers.

(c) The consideration payable in relation to the acquisition of Fast Sunrise Limited and its subsidiaries of RMB48,000,000 as at 31 December 2021 (note 39) has been fully settled during the year ended 31 December 2022.

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

27. CONTRACT LIABILITIES

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

	2022 **RMB'000**	2021 RMB'000
Contract liabilities from customers arising from:		
– Sales of properties	**2,803,173**	2,644,848
– Sales of goods	**1,903**	–
	2,805,076	2,644,848

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 properties and sales of goods.

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

	2022 **RMB'000**	2021 RMB'000
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	**265,965**	838,636

28. LEASES

The Group leases a number of properties in the jurisdictions from which it operates. The leases typically run for a period of 2 months to 5 years (2021: 2 months to 5 years). The lease payments are fixed over the lease term. For those leases of properties with lease terms of 12 months or less, the Group applies the "short-term lease" recognition exemptions for these leases.

28. LEASES – continued

Right-of-use assets

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

	2022	2021
	RMB'000	RMB'000
Other properties leased for own use	**9,175**	17,687
Leasehold land under inventories of properties	**782,283**	911,054
Leasehold land under investment properties	**172,535**	172,535
Leasehold land under construction-in-progress	**115,023**	115,023
	1,079,016	1,216,299

Lease liabilities

The future lease payments are due as follows:

	2022		2021	
	Future lease payments	**Present value**	Future lease payments	Present value
	RMB'000	**RMB'000**	RMB'000	RMB'000
Not later than one year	**8,971**	**8,467**	11,411	10,229
Later than one year and not later than two years	**2,898**	**2,843**	6,875	6,387
Later than two years and not later than five years	**–**	**–**	2,799	2,747
	11,869	**11,310**	21,085	19,363
Future interest expenses	**(559)**	**–**	(1,722)	–
	11,310	**11,310**	19,363	19,363

28. LEASES – continued

Lease liabilities – continued

Analysed as reporting purpose as:

	2022	2021
	RMB'000	RMB'000
Current liabilities	**8,467**	10,229
Non-current liabilities	**2,843**	9,134
	11,310	19,363

The Group had total cash outflows for leases of RMB23,632,000 during the year ended 31 December 2022 (2021: RMB14,796,000).

The followings are the amounts recognise in profit or loss:

	2022	2021
	RMB'000	RMB'000
Depreciation expense of other properties leased for own use *(note 14)*	**10,075**	12,924
Interest on lease liabilities *(note 10)*	**1,217**	1,639
Expenses relating to short-term leases	**1,487**	975

29. FINANCIAL GUARANTEES

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

	2022	2021
	RMB'000	RMB'000
Financial guarantees issued	**138,882**	23,846

Notes:

(i) As at 31 December 2021, the financial guarantee contracts represent guarantees given to banks in connection with facilities granted to the associates. The associates' banking facilities granted by the banks were RMB382,152,000 and was fully utilised by the associates. Among the financial guarantee amount, RMB120,352,000 were secured by properties held for sale of RMB220,233,000 (note 22). As at 31 December 2021, the ECL allowance was RMB23,846,000.

During the year ended 31 December 2022, financial guarantees of RMB202,609,000 has been released and as a result the ECL allowance of RMB23,032,000 was reversed. The remaining balance of RMB179,543,000 was included financial guarantees granted to certain customers (note 29(a)(ii)) upon disposal of subsidiaries disclosed in note 38(ii). As at 31 December 2022, there is no financial guarantee granted to associates.

(ii) As at 31 December 2022, the Group had given financial guarantees to banks for banking facilities granted to certain customers of the Group with maximum amount of approximately RMB453,011,000 (2021: RMB255,000,000).

Among the financial guarantee amount, RMB273,468,000 is related to certain customers with their debts are default in payment. Such banking facilities are secured by (i) properties pledged by certain customers with amount of RMB135,400,000; (ii) investment properties with carrying amount of RMB95,409,000 held by the Group (note 15); (iii) corporate guarantee provided by the Company; (iv) personal guarantee provided by Mr. Hong and Ms. Shi Hongjiao ("Ms. Shi"); and (v) corporate guarantee provided by independent third parties.

In the event of failure to repay the outstanding balances, the creditors have the right to proceed the sale of pledged properties held by certain customers and pledged investment properties of the Group under the banking facilities. The Directors, with reference to the legal opinion from a PRC lawyer, considered that it is highly probably the creditors will demand the Company and the Group for the shortfall of the default amount after taken into consideration of the value of the pledged properties held by certain customers. Accordingly, the remaining outstanding amount of RMB138,068,000 are recognised as financial guarantee liabilities as at 31 December 2022, which was the Directors' best estimate on the probable cash outflow on the obligation of these financial guarantee contracts.

29. FINANCIAL GUARANTEES – continued

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

Notes: – continued

(ii) – continued

For the remaining financial guarantees granted to certain customers of the Group with amount of approximately RMB179,543,000. Among the balances, RMB70,543,000 were secured by properties held for sale of RMB105,171,000 held by the Group and RMB109,000,000 were secured by properties held by certain customer with amount of RMB548,697,000. As at 31 December 2022, the ECL allowance was RMB814,000.

Assets pledged to secure the banking facilities granted to certain customers are disclosed in note 44 to the consolidated financial statements.

Mr. Hong is the sole shareholder of Expert Corporate Limited, the substantial shareholder of the Company, and Ms. Shi is the spouse of Mr. Hong.

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

The Group has arranged mortgage loan facility with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayments. The outstanding guarantees amounted to approximately RMB1,696,867,000 (2021: RMB1,703,137,000) at the reporting date. The guarantees provided by the Group to the banks would be released upon (i) the satisfaction of mortgage loans by the purchasers of properties; or (ii) receiving the real estate owner certificates of the respective properties by the banks from the buyers as security for the mortgage loan facilities granted. No provision for the Group's obligation under the guarantees has been made as the Directors considered that it was not probable that the repayments of the loans would be in default. The Directors also considered that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the buyer default payments to the banks. The Group has not recognised any income in respect of these guarantees as its fair value is considered to be minimal by the Directors.

30. BANK AND OTHER BORROWINGS

	2022 RMB'000	2021 RMB'000
Secured borrowings		
Bank borrowings	**290,614**	250,674
Other borrowings	**356,717**	467,158
	647,331	717,832
Unsecured borrowings		
Other borrowings	**179**	–
	647,510	717,832
Carrying amount repayable:		
Within one year or on demand	**647,510**	558,201
More than one year, but not exceeding two years	**–**	135,631
More than two years, but not exceeding five years	**–**	24,000
	647,510	717,832

As at 31 December 2022, the Group has variable interest-rate bank and other borrowings which carry interest ranging from 4.7% to 6.8% per annum (2021: 4.8% to 15.0% per annum).

As at 31 December 2022, bank borrowings are secured by followings:

(i) approximately RMB250,674,000 were secured by properties held for sale with carrying amount of RMB1,039,000,000, personal guaranteed provided by Mr. Hong and Ms. Shi and corporate guarantee provided by a subsidiary of the Company; and

(ii) approximately RMB39,940,000 were secured by properties held for sale with carrying amount of RMB155,885,000 and corporate guarantee provided by the Company.

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

30. BANK AND OTHER BORROWINGS – continued

As at 31 December 2022, the bank borrowing of approximately RMB250,674,000 has been overdue and repayable on demand. The bank borrowing of RMB250,674,000 was secured by properties held for sale with carrying amount of RMB1,039,000,000 and corporate guarantee from a subsidiary of the Company.

Such event of default resulted in cross-default of certain borrowings and therefore the bank are contractually entitled to request for immediate repayment of the outstanding loan amount of RMB39,940,000 as at 31 December 2022. Subsequent to the reporting period, the outstanding amount of RMB39,940,000 has been fully settled.

As at 31 December 2022, other borrowings are secured by followings:

(i) approximately RMB82,866,000 were secured by properties held under development with carrying amount of RMB126,890,000, investment properties with carrying amount of RMB674,434,000, entire interest of a subsidiary of the Company and corporate guarantees from two subsidiaries of the Company; and

(ii) approximately RMB273,851,000 were secured by personal guarantee from Mr. Hong.

As at 31 December 2021, other borrowings are secured by the following:

(i) approximately RMB107,865,000 were secured by properties held under development with carrying amount of RMB121,907,000, investment properties with carrying amount of RMB661,004,000, entire equity interest of a subsidiary of the Company and corporate guarantees from two subsidiaries of the Company; and

(ii) approximately RMB359,293,000 were secured by personal guarantee from Mr. Hong.

31. CORPORATE BONDS

	2022	2021
	RMB'000	RMB'000
Corporate bonds	**796,609**	343,358
Carrying amount repayable:		
Within one year or on demand	**653,961**	146,370
More than one year, but not exceeding two years	**46,640**	78,838
More than two years, but not exceeding five years	**96,008**	118,150
	796,609	343,358

During the year ended 31 December 2022, the Company issued Hong Kong Dollar ("HK$") denominated corporate bonds with principal amount of HK$705,461,000 (equivalent to RMB620,806,000) (2021: HK$246,258,000 (equivalent to RMB209,319,000)) and repaid corporate bonds of principal amount of HK$204,174,000 (equivalent to RMB179,673,000) (2021: HK$165,808,000 (equivalent to RMB140,937,000)).

The corporate bonds bear interests from 1.0% to 9.0% (2021: 4.0% to 9.0%) per annum. The interests of the corporate bonds are payable quarterly to annually (2021: quarterly to annually) in arrears every year. The corporate bonds will mature on the six months to eight years (2021: six months to eight years) from the issue dates.

As at 31 December 2022, among the balance, corporate bonds of HK$293,839,000 (equivalent to RMB258,578,000) (2021: HK$152,280,000 (equivalent to RMB128,588,000)) are guaranteed by Mr. Hong, corporate bonds of HK$448,829,000 (equivalent to RMB394,970,000) (2021: nil) are guaranteed by Mr. Ng and corporate bonds of HK$1,000,000 (equivalent to RMB880,000) (2021: HK$1,000,000 (equivalent to RMB850,000)) are guaranteed by Ms. Shi.

As at 31 December 2022 and 2021, the Group did not fulfil the requirements to maintain certain financial position ratio as specified in the bond agreements and the bondholders are contractually entitled to request for immediate repayment of the outstanding loan amounts. In this connection, outstanding corporate bonds with total carrying amount of HK$3,000,000 (equivalent to RMB2,640,000) (2021: HK$4,000,000 (equivalent to RMB3,400,000)) were presented as current liabilities at the end of the reporting period.

32. DEFERRED TAX

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

	2022	2021
	RMB'000	RMB'000
Deferred tax assets	**48,997**	36,897
Deferred tax liabilities	**(170,336)**	(167,075)
	(121,339)	(130,178)

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using principle taxation rate of 25% for the year (2021: 25%). The following are the major deferred tax assets and liabilities recognised by the Group and the movements thereon during the year.

	Revaluation of investment properties	**Fair value adjustment on inventories of properties arising from acquisition of subsidiaries**	**Tax losses**	**Fair value adjustments on financial instruments**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	(19,636)	(15,148)	11,896	31,673	8,785
Acquisition of a subsidiary *(note 39)*	–	(123,147)	–	–	(123,147)
Disposal of subsidiaries *(note 38)*	8,520	1,100	(3,533)	–	6,087
(Charged)/credited to profit or loss *(note 11)*	(30,449)	11,685	(8,363)	5,224	(21,903)
At 31 December 2021 and 1 January 2022	**(41,565)**	**(125,510)**	**–**	**36,897**	**(130,178)**
Acquisition of a subsidiary *(note 39)*	**(43,733)**	**(34,308)**	**–**	**–**	**(78,041)**
Disposal of subsidiaries *(note 38)*	**44,083**	**34,308**	**–**	**–**	**78,391**
(Charged)/credited to profit or loss *(note 11)*	**(3,611)**	**–**	**–**	**12,100**	**8,489**
At 31 December 2022	**(44,826)**	**(125,510)**	**–**	**48,997**	**(121,339)**

32. DEFERRED TAX – continued

As at 31 December 2022, 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 RMB1,395,132,000 (2021: RMB1,647,222,000). 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 RMB256,785,000 (2021: RMB209,470,000) as at 31 December 2022. Tax losses of RMB240,650,000 (2021: RMB198,753,000) are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the relevant entities in the Group in which the losses arose. The remaining tax losses of RMB16,135,000 (2021: RMB10,717,000) may be carried forward indefinitely. Deferred tax assets have not been recognised for such losses at the reporting date due to the unpredictability of future profit streams in the relevant subsidiaries in the PRC and/or Hong Kong.

33. SHARE CAPITAL

	Number of ordinary shares	Nominal value of share capital	Equivalent nominal value of share capital
	'000	HK$'000	RMB'000
Authorised:			
Ordinary share of HK$0.0025 each			
At 31 December 2021, 1 January 2022 and 31 December 2022	20,000,000	50,000	39,000
Issued and fully paid:			
At 31 December 2021, 1 January 2022 and 31 December 2022	**7,208,386**	**18,021**	**14,734**

34. RESERVES

Group

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

Share premium

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

Merger and other reserves

As at 31 December 2022 and 2021, the merger reserve of the Group arose as a result of (a) the reorganisation ("Reorganisation") carried amount by the Group to rationalise the Group's structure in preparation for the listing of the Company's share and other business combination under common control; (b) gains/losses arising from changes in Group's interests in subsidiaries that do not result in a loss of control; and (c) the capital contributions by the ultimate controlling shareholder.

Statutory reserve

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

Financial assets revaluation reserve

It represents fair value reserve comprises the cumulative net change in the fair value of financial instruments designated at FVOCI that are held at the end of the reporting period.

Share options reserve

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

34. RESERVES – continued

Company

	Share premium	Contributed surplus (Note)	Translation reserve	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	1,650,607	355,920	9,780	26,143	(454,663)	1,587,787
Loss for the year	–	–	–	–	(48,313)	(48,313)
Total comprehensive income for the year	–	–	–	–	(48,313)	(48,313)
Share option lapsed	–	–	–	(26,143)	26,143	–
Final dividend paid	(30,636)	–	–	–	–	(30,636)
At 31 December 2021 and 1 January 2022	**1,619,971**	**355,920**	**9,780**	**–**	**(476,833)**	**1,508,838**
Loss for the year	**–**	**–**	**–**	**–**	**(205,528)**	**(205,528)**
Other comprehensive income for the year	**–**	**–**	**8,087**	**–**	**–**	**8,087**
Total comprehensive income for the year	**–**	**–**	**8,087**	**–**	**(205,528)**	**(197,441)**
Final dividend paid	**(30,636)**	**–**	**–**	**–**	**–**	**(30,636)**
At 31 December 2022	**1,589,335**	**355,920**	**17,867**	**–**	**(682,361)**	**1,280,761**

Note:

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

35. STATEMENT OF FINANCIAL POSITION OF THE HOLDING COMPANY

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**8,872**	13,650
Interests in subsidiaries	36	**1,263,828**	1,263,828
Deposits		**2,224**	2,730
		1,274,924	1,280,208
Current assets			
Prepayments		**88**	90
Amounts due from subsidiaries		**1,194,999**	1,035,428
Other financial assets		**92,164**	–
Cash and bank balances		**4,475**	1,654
		1,291,726	1,037,172
Current liabilities			
Accruals and other payables		**53,317**	46,840
Amounts due to subsidiaries		**5**	29,552
Lease liabilities		**6,462**	5,779
Financial guarantees		**138,068**	–
Other borrowings		**273,851**	313,661
Corporate bonds		**653,961**	146,370
		1,125,664	542,202
Net current assets		**166,062**	494,970
Total assets less current liabilities		**1,440,986**	1,775,178
Non-current liabilities			
Lease liabilities		**2,843**	8,987
Other borrowings		**–**	45,631
Corporate bonds		**142,648**	196,988
		145,491	251,606
Net assets		**1,295,495**	1,523,572
EQUITY			
Share capital	33	**14,734**	14,734
Reserves	34	**1,280,761**	1,508,838
Total equity		**1,295,495**	1,523,572

On behalf of the Board

Ng Chi Chung
Director

Feng Xiaogang
Director

36. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2022 are as follows:

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Differ Good Asset Development Company Limited (鼎戈資產發展有限公司)	British Virgin Islands ("BVI")	100 ordinary shares of US$1 each	100%	–	Investment holding, Hong Kong ("HK")
Cherries Automobile Company Limited (車厘籽汽車有限公司)	BVI	101 ordinary shares of US$1 each	100%	–	Investment holding, HK
Differ Financial Services Company Limited	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding, HK
Differ Construction Company Limited (鼎造有限公司)	BVI	1 ordinary share of US$1	100%	–	Investment holding, HK
Differ Construction and City Development Company Limited (鼎造城開有限公司)	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding, HK
Differ Hub Company Limited (鼎奐有限公司)	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding, HK
Differ Yield Company Limited (鼎繹有限公司)	BVI	100 ordinary shares of US$1 each	100%	–	Investment holding, HK
Fast Sunrise Limited	BVI	50,000 ordinary shares of US$1 each	–	100%	Investment holding, HK
Differ Construction and City Development Company Limited (鼎造城市開發有限公司)	Cayman Islands	100 ordinary shares of HK$0.01 each	–	100%	Investment holding, HK

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Differ Good Asset Group Company Limited (鼎戈資產集團有限公司)	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Investment holding, HK
Cherries Group Company Limited (車厘籽集團有限公司)	HK	HK$156,000,000	–	100%	Investment holding, HK
Differ Asia Pacific Financial Company Limited (鼎豐亞太金融有限公司)	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Provision of financing services, HK
Differ Financial and Securities Limited (鼎豐金融證券有限公司)	HK	HK$15,176,000	–	100%	Provision of financing services, HK
Differ Asset Management Company Limited	HK	HK$2,500,000	–	100%	Provision of financial services, HK
Differ Construction and Development Group Company Limited (鼎造城開集團有限公司)	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Investment holding, HK
Prize Focus Limited (獎源有限公司)	HK	10,000 ordinary shares of HK$1.00 each	–	100%	Investment holding, HK
Differ Yield Property Group Company Limited (鼎繹置業集團有限公司)	HK	1,000 ordinary shares of HK$1.00 each	–	100%	Investment holding, HK
Cherries (Xiamen) Quality Company Limited^ ("Cherries Quality") (車厘籽(廈門)擔保有限公司)(ii)	PRC	Registered capital of RMB100,000,000	–	100%	Provision of guarantee services, PRC

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Indirectly	Principal activities and place of operation
Xiamen Differ Good Capital Investment Company Limited^ (廈門市鼎戈股權投資有限公司)(i)	PRC	Registered capital of HK$500,000,000	–	100%	Investment holding, PRC
Ganzhou Wen Ding Asset Management Company Limited^ (贛州市問鼎資產管理有限公司)(ii)	PRC	Registered capital of RMB500,000,000	–	100%	Provision of assets management services, PRC
Xiamen Lun Hui Trading Company Limited^ (廈門倫輝貿易有限公司)(ii)	PRC	Registered capital of RMB1,000,000	–	100%	Property holding, PRC
Xiamen Differ Good Asset Management Company Limited^ (廈門市鼎戈資產管理有限公司)(ii)	PRC	Registered capital of RMB500,000,000	–	100%	Provision of assets management services, PRC
Cherries (Xiamen) Finance Lease Limited^ (車厘籽(廈門)融資租賃有限公司)(i)	PRC	Registered capital of US$35,000,000	–	100%	Provision of finance lease services, PRC
Tianjin Cherries Vehicle Technology Limited^ ("Cherries Vehicle") (天津車厘籽汽車科技有限公司)(i)	PRC	Registered capital of HK$10,000,000	–	100%	Investment holding, PRC
Tianjin Free Trade Gancheng Taifeng Technology Limited^ ("Gancheng Taifeng") (天津自貿乾程泰鋒科技有限公司)(ii)(iii)	PRC	Registered capital of RMB50,000,000	–	100%	Provision of automobile e-commerce business, PRC
Xiamen Differ Yield Cultural Tourism Group Company Limited^ (廈門鼎繹文化旅遊集團有限公司)(ii)	PRC	Registered capital of RMB218,500,000	–	100%	Investment holding, PRC

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Jingning Differ Property Company Limited^ (景寧鼎豐置業有限公司)(ii)	PRC	Registered capital of RMB1,000,000	–	100%	Property development, PRC
Xiamen Differ Zone Business Consulting Company Limited^ (廈門市鼎造商務諮詢有限公司)(ii)	PRC	Registered capital of RMB1,000,000	–	100%	Investment holding, PRC
Jingning Tourism Investment Development Limited^ (景寧外舍古鎮旅遊投資發展有限公司)(ii)	PRC	Registered capital of RMB100,001,300	–	100%	Property development, PRC
Nanan Differ Property Company Limited^ (南安鼎豐置業有限公司)(ii)	PRC	Registered capital of RMB1,000,000	–	100%	Property development, PRC
Weihai Zhongtian^ (威海中天房地產有限公司)(ii)	PRC	Registered capital of RMB50,000,000	–	100%	Property development, PRC
Longquan Differ Zone Cultural Tourism Company Limited^ (龍泉市鼎造文化旅遊有限公司)(ii)	PRC	Registered capital of RMB100,000,000	–	100%	Investment holding, PRC
Longquan Differ Hotel Company Limited^ (龍泉鼎豐酒店有限公司)(ii)	PRC	Registered capital of RMB100,000,000	–	100%	Provision of hotel and tourism services and property development and investment, PRC
Xiamen Differ Zone City Development Group Company Limited^ (廈門鼎造城市開發集團有限公司)(i)	PRC	Registered capital of RMB300,000,000	–	100%	Provision of express loan services and trading of commodities, PRC
Qian Cheng Tai Yi (Xiamen) Automotive Technology Co. Ltd^ 乾程泰億(廈門)汽車科技有限公司#(ii)	PRC	Registered capital of RMB10,000,000	–	100%	Dormant, PRC

36. INTERESTS IN SUBSIDIARIES – continued

Name	Place of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Attributable equity interest Directly	Attributable equity interest Indirectly	Principal activities and place of operation
Ganzhou Cherries Network Technology Company Limited^ 贛州車厘籽網路科技有限公司#(ii)	PRC	Registered capital of RMB5,000,000	–	100%	Provision of software development service, PRC
Fujian Cherries Fuka Technology & Smart Mall Company Limited^ ("Cherries Fuka") (福建車厘籽福卡智慧賣場科技有限公司)#(ii)	PRC	Registered capital of RMB20,000,000	–	80%	Trading of good, PRC
Ganzhou Differ Yield Estate Company Limited^ (贛州鼎繹置業有限公司)(i)	PRC	Registered capital of RMB100,000,000	–	100%	Investment holding, PRC
Jinan Differ Zone Business Consulting Company Limited^ (濟南鼎造商務諮詢管理有限公司)(ii)	PRC	Registered capital of RMB10,000,000	–	100%	Dormant, PRC

^ The English names are for identification only

These companies are newly incorporated by the Group this year

(i) Registered as wholly-foreign owned enterprises under the PRC law

(ii) Registered as a limited liability company under the PRC law

(iii) Although the Company does not directly or indirectly hold any of the registered capital of Gancheng Taifeng, the Structured Agreements entered into by the subsidiary of the Company, Cherries Vehicle, Gancheng Taifeng and Gancheng Taifeng's registered shareholders altogether enable the Company to exercise control over Gancheng Taifeng. The Structured Agreements, taken as a whole, permit the financial results of Gancheng Taifeng and economic benefits of its business to flow to Cherries Vehicle. In addition, all the directors and top management in Gancheng Taifeng should be assigned by Cherries Vehicle. Through the Structured Agreements, Cherries Vehicle is able to control Gancheng Taifeng so that Gancheng Taifeng is regarded as a subsidiary of the Company.

37. NON-CONTROLLING INTERESTS ("NCI")

Summarised financial information in relation to the NCI to the Group, before intra-group eliminations, is presented below:

Summarised statement of financial position

	Cherries Fuka (note (a))	
	2022	2021
	RMB'000	RMB'000
Percentage of equity interest held by NCI	**20%**	–
Current		
Assets	**299**	–
Liabilities	**(444)**	–
	(145)	–
Non-current		
Assets	**15**	–
Liabilities	**–**	–
	15	–
Net liabilities	**(130)**	–
Carrying amount of NCI	**(152)**	–

37. NON-CONTROLLING INTERESTS – continued

Summarised statement of comprehensive income

	Differ Halo Group *(note (b))*		Ding Feng Sheng *(note (c))*		Fengda *(note (d))*		Cherries Quality *(note (e))*		Cherries Fuka	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Percentage of equity interest held by NCI	**–**	49%	**–**	50%	**–**	49%	**–**	5.1%	**20%**	–
Revenue	**–**	4,016	**–**	–	**–**	–	**–**	–	**22**	–
Profit/(loss) for the year and total comprehensive income for the year	**–**	1,248	**–**	(6,740)	**–**	671	**–**	(59)	**(760)**	–
Profit/(loss) allocated to NCI	**–**	611	**–**	(3,370)	**–**	329	**–**	(3)	**(152)**	–

Summarised statement of cash flows

	Differ Halo Group		Ding Feng Sheng		Fengda		Cherries Quality		Cherries Fuka	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Net cash generated from/(used in) operating activities	**–**	771	**–**	99,275	**–**	11,856	**–**	5,557	**(778)**	–
Net cash used in investing activities	**–**	–	**–**	(116,092)	**–**	(9,056)	**–**	–	**(15)**	–
Net cash (used in)/generated from financing activities	**–**	(459)	**–**	50,999	**–**	(2,730)	**–**	(5,499)	**797**	–
Net increase in cash and cash equivalents	**–**	312	**–**	34,182	**–**	70	**–**	58	**4**	–

37. NON-CONTROLLING INTERESTS – continued

Notes:

(a) Cherries Fuka, a 80% owned subsidiary incorporated by the Group during the year ended 31 December 2022.

(b) During the year ended 31 December 2021, the Group disposed 51% equity interest in Differ Halo Limited and its subsidiaries ("Differ Halo Group") as detailed in note 38.

(c) During the year ended 31 December 2021, the Group disposed 50% equity interest in Differ Digital Group, including Xiamen Ding Feng Sheng Enterprise Management Co., Ltd ("Ding Feng Sheng"), as detailed in note 38.

(d) During the year ended 31 December 2021, the Group disposed 51% equity interest in Shanghang Fengda Real Estate Co., Ltd ("Fengda") a as detailed in note 38.

(e) During the year ended 31 December 2021, the Group entered into a sale and purchase agreement with a non-controlling interest equity holder to acquire the remaining 5.1% equity interest of Cherries Quality at a consideration of RMB15,000,000. After the acquisition of additional interests in Cherries Quality from the NCI, there was no NCI in Cherries Quality as at 31 December 2021.

38. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2022

(i) On 7 January 2022, the Group entered into a sale and purchase agreement with an associate to dispose of 100% equity interest in Xiamen Differ Good Investment Consulting Company Limited and its subsidiary ("Xiamen Differ Good Group") at consideration of RMB25,000,000. The principal business of the Xiamen Differ Good Group is engaged in financial services in the PRC. The disposal was completed on 10 January 2022 and the Group recognised a gain on disposal of Xiamen Differ Good Group of approximately RMB10,558,000.

(ii) On 23 December 2022, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest in Differ Group (China) Group at consideration of RMB1,067,769,000. The principal business of the Differ Group (China) Group is engaged in financial services, property development and investment and commodities trading business in the PRC. The disposal was completed on 30 December 2022 and the Group recognised a loss on disposal of Differ Group (China) Group of approximately RMB76,576,000.

(iii) On 31 December 2022, the Group entered into a sale and purchase agreement with a related party to dispose of 100% equity interest in Differ Construction and Property Services Company Limited and its subsidiaries ("Differ Property Services Group") at consideration of RMB880. The principal business of the Differ Property Services Group is engaged in property management services in the PRC. The disposal was completed on 31 December 2022 and the Group recognised a gain on disposal of Differ Property Services Group of approximately RMB7,534,000.

38. DISPOSAL OF SUBSIDIARIES – continued

For the year ended 31 December 2022 – continued

	(i) Xiamen Differ Good Group RMB'000	(ii) Differ Group (China) Group *(note a)* RMB'000	(iii) Differ Property Services Group RMB'000
Property, plant and equipment	334	4,955	325
Investment properties	–	339,499	–
Goodwill	–	9,159	–
Other financial assets	–	97,644	–
Inventories of properties	–	209,198	–
Loan and accounts receivable	12,682	757,866	3,188
Prepayments, deposits and other receivables	83,835	324,861	209
Amounts due from the Group	–	–	1,519
Cash and bank balances	55	1,470	946
Accounts payable	–	(35,582)	–
Accruals, other payables and deposits received	(20)	(86,851)	(13,433)
Amounts due to the Group	(74,559)	–	–
Contract liabilities	–	(12,645)	–
Lease liabilities	(405)	(59,819)	(287)
Bank borrowings	–	(318,842)	–
Provision for taxation	(7,480)	(70,907)	–
Deferred tax liabilities	–	(78,391)	–
Net assets/(liabilities) disposed of	14,442	1,081,615	(7,533)
Cash consideration	25,000	1,067,769	1
Deferred consideration adjustment	–	(46,436)	–
Net (assets)/liabilities disposal of	(14,442)	(1,081,615)	7,533
Release of translation reserve	–	(35,612)	–
Release of financial asset revaluation reserve	–	19,318	–
Gain/(loss) on disposal of subsidiaries	10,558	(76,576)	7,534
Net cash inflow/(outflow) arising on disposal:			
Cash consideration	25,000	1,067,769	–
Cash consideration receivable	–	(1,067,769)	(1)
Cash and bank balances disposed of	(55)	(1,470)	(946)
	24,945	(1,470)	(947)

38. DISPOSAL OF SUBSIDIARIES – continued

For the year ended 31 December 2022 – continued

(a) Pursuant to the sale and purchase agreement, the cash consideration in relation to the disposal of Differ Group (China) Group was RMB1,067,769,000. At the disposal completion date (i.e. 30 December 2022) and 31 December 2022, the gross carrying amount of the consideration receivable was RMB1,021,333,000, which was discounted to its present value using discount rate of 10.2%. The amount was not yet received as at 31 December 2022 and was included in other receivables of the consolidated statement of financial position (note 21(a)).

Subsequent to the reporting date, RMB50,000,000 has been settled.

For the year ended 31 December 2021

(iv) On 12 March 2021, the Group entered into a sale and purchase agreement with a NCI to dispose of 51% equity interest in Fengda at consideration of RMB76,877,000. The principal business of the Fengda is engaged in property development in the PRC. The disposal was completed on 19 March 2021 and the Group recognised a gain on disposal of Fengda of approximately RMB14,455,000.

(v) On 28 May 2021, the Group entered into a sale and purchase agreement with an associate to dispose of 100% equity interest in Quanzhou Differ Hub Supply Chain Management Company Limited ("Quanzhou Supply Chain") at consideration of RMB1,000,000. The principal business of the Quanzhou Supply Chain is engaged in commodities trading business in the PRC. The disposal was completed on 11 June 2021 and the Group recognised a gain on disposal of Quanzhou Supply Chain of approximately RMB3,613,000.

(vi) On 2 July 2021, the Group entered into a sale and purchase agreement with a NCI to dispose of 51% equity interest in Differ Halo Group at consideration of RMB3,723,000. The principal business of the Differ Halo Group is engaged in financial services in Hong Kong. The disposal was completed on 2 July 2021 and the Group recognised a loss on disposal of Differ Halo Group of approximately RMB425,000.

(vii) On 23 December 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interest in Differ Digital Group at consideration of RMB175,000,000. The principal business of the Differ Digital Group is engaged in property development in the PRC. The disposal was completed on 24 December 2021 and the Group recognised a gain on disposal of Differ Digital Group of approximately RMB123,040,000.

38. DISPOSAL OF SUBSIDIARIES – continued

For the year ended 31 December 2021 – continued

	(iv) Fengda RMB'000	(v) Quanzhou Supply Chain RMB'000	(vi) Differ Halo Group RMB'000	(vii) Differ Digital Group RMB'000
Property, plant and equipment	90	2	1,430	286
Investment properties	127,900	–	–	184,793
Other financial assets	–	–	–	121,189
Inventories of properties	517,219	–	–	643,345
Other inventories	–	–	296	–
Loan and accounts receivable	–	–	10,678	–
Prepayments, deposits and other receivables	24,024	444,845	20,320	376,709
Amounts due from the Group	–	–	3,723	–
Tax receivables	5,939	–	–	–
Deferred tax assets	2,446	–	–	1,087
Restricted bank deposits	15,940	–	–	89,303
Cash and bank balances	5,097	89	3,307	25,637
Accounts payable	(1,822)	–	–	(15,019)
Accruals, other payables and deposits received	(427,280)	(7)	(16,803)	(380,045)
Amounts due to the Group	–	(398,742)	–	(260,000)
Contract liabilities	(205,804)	–	–	(707,317)
Lease liabilities	–	–	(1,457)	–
Bank borrowings	–	(48,800)	(10,228)	–
Provision for taxation	–	–	(1,894)	–
Deferred tax liabilities	(2,162)	–	–	(7,458)
Net assets/(liabilities) disposed of	61,587	(2,613)	9,372	72,510
Cash consideration	–	1,000	3,723	175,000
Contingent consideration *(Note b)*	76,877	–	–	–
Net (assets)/liabilities disposal of	(61,587)	2,613	(9,372)	(72,510)
Release of translation reserve	–	–	81	–
Non-controlling interests	(835)	–	5,143	20,550
Gain/(loss) on disposal of subsidiaries	14,455	3,613	(425)	123,040
Net cash inflow/(outflow) arising on disposal:				
Cash received *(Note c)*	35,250	1,000	3,723	–
Offset amount due from the Group	–	–	(3,723)	–
Cash and bank balances disposed of	(5,097)	(89)	(3,307)	(25,637)
	30,153	911	(3,307)	(25,637)

38. DISPOSAL OF SUBSIDIARIES – continued

For the year ended 31 December 2021 – continued

(b) The consideration receivable of RMB76,877,000 represented the share of net income derived from the pre-sale of residential properties and car park spaces on the land of Fengda and brand name fee.

At the disposal completion date (i.e. 19 March 2021), the fair value of the consideration receivable was RMB76,877,000 and was estimated by applying the discounted cash flow approach at a discount rate of 11.6%. The consideration receivable was measured at FVTPL and included in "other financial assets" of the consolidated statement of financial position. During the year ended 31 December 2021, RMB35,250,000 has been settled. The remaining consideration receivables of RMB42,960,000 were included in "other financial assets".

(c) The cash consideration of RMB175,000,000 in relation to the disposal of the Differ Digital Group was not yet received as at 31 December 2021. During the year ended 31 December 2022, RMB90,000,000 has been settled and the remaining unsettled balance of RMB84,747,000, net of impairment loss, was included in "other receivables".

39. BUSINESS ACQUISITION

For the year ended 31 December 2022

(i) During the year ended 31 December 2022, the Group entered into a sale and purchase agreement with Zhongcheng to acquire 100% equity interest in Xiamen Differ Hub Supply Chain Technology Limited and its subsidiaries ("Differ Hub Supply Chain") at consideration of RMB30,000,000. The acquisition was completed on 18 April 2022. The Directors believe that the acquisition would enable the Group to broaden and expedite the development of the Group's assets management segment.

(ii) During the year ended 31 December 2022, the Group entered into a sale and purchase agreement with Zhongcheng to acquire 100% equity interest in Xiamen Dingzao Commercial Operation Management Company Limited and Lishui Fu Feng Cultural Tours Company Limited ("Dingzao and Lishui") at consideration of RMB290,000,000. The acquisition consideration was satisfied by offset debt due from Zhongcheng to the Group. The acquisition was completed on 20 July 2022. The principal reason for this acquisition was due to the conflicting views between the Group and Zhongcheng in respect of the commercial positioning and future business development strategies of the Dingzao and Lishui. Further, Zhongcheng did not manage to provide the anticipated resources to the Dingzao and Lishui as originally expected. As such, the parties decided to terminate their cooperation in operating the Dingzao and Lishui, which led to this acquisition.

The fair value of identifiable assets and liabilities assumed as at the respective acquisition completion date were as follows:

	(i) Differ Hub Supply Chain RMB'000	**(ii) Dingzao and Lishui RMB'000**
Property, plant and equipment	**2**	**1,086**
Investment properties	**–**	**338,097**
Inventories of properties	**–**	**209,198**
Loan and accounts receivable	**27,700**	**17,953**
Prepayments, deposits and other receivables	**249,908**	**27,315**
Amounts due from the Group	**112,987**	**122,314**
Cash and bank balances	**85**	**944**
Accounts and bills payable	**(57,750)**	**(35,975)**
Accruals, other payables and deposits received	**(49,922)**	**(57,140)**
Contract liabilities	**–**	**(22,183)**
Bank borrowings	**(262,152)**	**(110,000)**
Lease liabilities	**–**	**(72,150)**
Provision for taxation	**(17)**	**(22,552)**
Deferred tax liabilities	**–**	**(78,041)**
Total identifiable net assets acquired	**20,841**	**318,866**

39. BUSINESS ACQUISITION – continued

For the year ended 31 December 2022 – continued

	(i) Differ Hub Supply Chain RMB'000	(ii) Dingzao and Lishui RMB'000
Satisfied by:		
Fair value of total consideration transferred	**30,000**	**290,000**
Fair value of net identifiable assets acquired	**(20,841)**	**(318,866)**
Goodwill/(gain on bargain purchase)	**9,159**	**(28,866)**
Net cash (outflow)/inflow arising from the acquisition:		
Cash consideration	**(30,000)**	**–**
Cash and bank balances acquired	**85**	**944**
	(29,915)	**944**

The fair value of loan and accounts receivable is approximately RMB45,653,000. The fair value of other receivables is approximately RMB263,545,000. None of the loan and accounts receivable or other receivables was expected to be uncollectible at the date of acquisition.

The revenue in the consolidated statement of comprehensive income for the year ended 31 December 2022 contributed by Differ Hub Supply Chain and Dingzao and Lishui were approximately RMB150,049,000 and RMB8,687,000 respectively. The loss and profit in the consolidated statement of comprehensive income for the year ended 31 December 2022 contributed by Differ Hub Supply Chain and Dingzao and Lishui were approximately by RMB11,719,000 and RMB3,085,000 respectively.

Had Differ Hub Supply Chain and Dingzao and Lishui been consolidated from 1 January 2022, the Group's revenue would been approximately RMB1,331,945,000 and RMB1,019,933,000 respectively and loss for the year would been approximately RMB182,948,000 and RMB176,059,000 respectively. The pro forma information is for illustrative purpose only and is not necessary an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor it intended to be a projection of future results.

The acquisition-related costs of approximately RMB20,000 and RMB135,000 for Differ Hub Supply Chain and Dingzao and Lishui have been charged to other expenses in the consolidated statement of comprehensive income for the year ended 31 December 2022.

The goodwill recognised will not deductible for tax purpose.

39. BUSINESS ACQUISITION – continued

For the year ended 31 December 2021

(iii) During the year ended 31 December 2021, the Group entered into a sale and purchase agreement with Zhongcheng to acquire 100% equity interest in Jingning Outdoor Residence Tour Investment Development Co., Limited ("Outdoor") at consideration of RMB490,000,000. The acquisition consideration was satisfied by: (a) cash consideration of RMB100,001,000 and (b) offset debt of RMB389,999,000 due from Zhongcheng to the Group. The acquisition was completed on 23 June 2021. The Directors believe that the acquisition would enable the Group to broaden and expedite the development of the Group's assets management segment.

(iv) During the year ended 31 December 2021, the Group completed an acquisition of 100% equity interests in Fast Sunrise Limited and its subsidiaries ("Fast Sunrise Group") at cash consideration of RMB53,000,000. The acquisition was completed on 30 September 2021. The Directors believe that the acquisition would enable the Group to explore new business opportunities in the potential operation of online e-commerce platform in the automobile industry.

The fair value of identifiable assets and liabilities assumed as at the respective acquisition completion date were as follows:

	(iii) **Outdoor** RMB'000	**(iv)** **Fast Sunrise Group** RMB'000
Property, plant and equipment	460	–
Inventories of properties	1,712,269	–
Loan and accounts receivable	63,537	–
Prepayments, deposits and other receivables	15,596	48,107
Tax receivables	–	2
Cash and bank balances	587	47
Accounts payable	(5,349)	–
Accruals, other payables and deposits received	(765,774)	(698)
Contract liabilities	(117,676)	–
Bank borrowings	(280,000)	–
Provision for taxation	(17,654)	–
Deferred tax liabilities	(123,147)	–
Total identifiable net assets acquired	482,849	47,458
Satisfied by:		
Fair value of total consideration transferred	490,000	53,000
Fair value of net identifiable assets acquired	(482,849)	(47,458)
Goodwill	7,151	5,542

39. BUSINESS ACQUISITION – continued

For the year ended 31 December 2021 – continued

	(iii) Outdoor RMB'000	(iv) Fast Sunrise Group RMB'000
Net cash outflow arising from the acquisition:		
Cash consideration	(100,001)	(5,000)
Cash and bank balances acquired	587	47
	(99,414)	(4,953)

The fair value of loan and accounts receivable is approximately RMB63,537,000. The gross amount of loan and accounts receivable is approximately RMB66,467,000, of which approximately RMB2,930,000 was expected to be uncollectible at the date of acquisition. The fair value of other receivables is approximately RMB12,540,000 and none of the other receivables was expected to be uncollectible at the date of acquisition.

The revenue in the consolidated statement of comprehensive income for the year ended 31 December 2021 contributed by Outdoor and Fast Sunrise Group were approximately RMB53,580,000 and RMB21,490,000 respectively. The loss in the consolidated statement of comprehensive income for the year ended 31 December 2021 contributed by Outdoor and Fast Sunrise Group were approximately RMB43,679,000 and RMB1,921,000 respectively.

Had Outdoor and Fast Sunrise Group been consolidated from 1 January 2021, the Group's revenue would been approximately RMB1,279,458,000 and RMB1,260,115,000 respectively and profit for the year would been approximately RMB434,617,000 and RMB435,460,000 respectively. The pro forma information is for illustrative purpose only and is not necessary an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor it intended to be a projection of future results.

The acquisition-related costs of approximately RMB102,000 and RMB223,000 for Outdoor and Fast Sunrise Group respectively have been charged to other expenses in the consolidated statement of comprehensive income for the year ended 31 December 2021.

The consideration in relation to the acquisition of Fast Sunrise Group of RMB48,000,000 was not yet settled as at 31 December 2021 and was included in other payables. The balance has been fully settled during the year ended 31 December 2022.

The goodwill recognised will not deductible for tax purpose.

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

During the year ended 31 December 2021, the assets and liabilities of Xiamen Differ Good Group were presented as held-for-sale following the approval of the Group's management to dispose of 100% equity interest in Xiamen Differ Good Group. As at 31 December 2021, Xiamen Differ Good Group has the following assets and liabilities:

	2021 RMB'000
Assets of Xiamen Differ Good Group classified as held-for-sale	
Properties, plant and equipment	334
Loan and accounts receivable	12,682
Prepayments, deposits and other receivables	83,835
Cash and bank balances	55
	96,906
Liabilities of Xiamen Differ Good Group classified as held-for-sale	
Accruals and other payables	20
Lease liabilities	405
Provision for taxation	7,480
	7,905

41. COMMITMENTS

(i) Operating lease commitments

Group as lessor

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

	2022 RMB'000	2021 RMB'000
Within one year	**5,705**	4,889
After one year but within two years	**5,714**	5,079
After two years but within five years	**5,710**	6,166
	17,129	16,134

Leases are negotiated for terms of 3 years (2021: 8 years).

(ii) As at 31 December 2022, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,128,536,000 (2021: RMB1,132,650,000).

(iii) As at 31 December 2022, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to an associate of RMB196,000,000 (2021: nil).

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

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for		
– Property development	**181,449**	677,601
– Property, plant and equipment	**202,157**	167,266

42. 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:

	2022	2021
	RMB'000	RMB'000
Short-term employee benefits	**5,124**	4,111
Pension scheme contributions	**114**	144
	5,238	4,255

42. RELATED PARTY DISCLOSURES – continued

(ii) Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties during the year end 31 December 2022 and 2021:

Company name	Relationship	Type of transaction	2022 RMB'000	2021 RMB'000
Xiamen Differ Hub Supply Chain Technology Company Limited	Associate	Guarantee service income	**397**	1,373
		Costs of trading of commodities	**22,183**	27,387
Outdoor	Associate	Guarantee service income	**–**	3,794
Lishui	Associate	Guarantee service income	**1,622**	3,687
Quanzhou Differ Hub Supply Chain Management Company Limited	Associate	Guarantee service income	**2,334**	2,469
Zhongcheng City Development (Lishui) Supply Chain Company Limited	Associate	Income from sales of properties	**23,103**	–
		Costs of automobile e-commerce business	**24,831**	–
Zhongcheng	Associate	Interest income	**32,976**	–
Zhongcheng City Development Supply Chain Technology Company Limited	Associate	Cost of trading of commodities	**113,791**	–

Note:

(a) The transactions were conducted in accordance with the terms mutually agreed between the Group and associates.

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2022	2021
	RMB'000	RMB'000
Financial assets		
Other financial assets		
– Financial assets at FVTPL	**471,982**	384,980
– Financial assets at FVOCI	**–**	95,898
At amortised costs		
– Finance lease, loan and accounts receivable	**440,788**	1,147,134
– Deposits and other receivables	**1,974,915**	782,050
– Restricted bank deposits	**142,623**	228,054
– Cash and bank balances	**33,889**	105,437
	3,064,197	2,743,553
Financial liabilities		
At amortised costs		
– Accounts payable	**395,779**	411,094
– Accruals, other payables and deposits received	**811,276**	781,936
– Bank and other borrowings	**647,510**	717,832
– Corporate bonds	**796,609**	343,358
Lease liabilities	**11,310**	19,363
Financial guarantees	**138,882**	23,846
	2,801,366	2,297,429

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise other financial assets, finance lease, loan and accounts receivable, deposits and other receivables (including consideration receivables and amounts due from associates), restricted bank deposits, cash and bank balances, accounts payable, accruals, other payables and deposits received, bank and other borrowings, corporate bonds, lease liabilities and financial guarantees. 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 Directors review and agree the policies for managing each of these risks and they are summarised below.

Interest rate risk

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

The interest rates of the above interest-bearing financial assets and financial liabilities of the Group are disclosed in notes 17, 23 and 30 respectively. The following table illustrates the sensitivity of loss/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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk – continued

	2022		2021	
	RMB'000	**RMB'000**	RMB'000	RMB'000
	+0.5%	**–0.5%**	+0.5%	–0.5%
Increase/(decrease) in (loss)/profit after income tax for the year	**901**	**(901)**	(279)	279

Credit risk

The Group's credit risk is primarily attributable to its financial assets measured at amortised cost, debt instruments classified as FVOCI and financial guarantee contracts. The Group's requires the review of individual outstanding amount regularly depending on individual circumstance or market condition.

The Group's impairment requirements are based on an ECL model. The Group applies simplified approach to measure ECL on accounts receivable; general approach on measure ECL on finance lease, loan and interest receivable, deposits, consideration receivables, amounts due from associates and other receivables, restricted bank deposits and bank balances. Under the general approach, financial assets migrate through the following three stages based on the change in risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Life time ECL- not credit-impaired and Stage 3: Lifetime ECL - credit-impaired.

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

All collaterals of finance lease, loan and accounts receivable and consideration receivables were held directly by the Group except for distressed assets classified as other financial assets measured at FVOCI, collateral is held by the non-performing debts' original creditors. Based on the arrangements of the Group and the banks, the banks may apply to the court for enforcement of the loan agreements and sale of the collaterals.

At the reporting date, the Group's exposure under outstanding finance lease, loan and accounts receivable were secured by the collaterals and deposits received from finance lease customers as disclosed in notes 18 and 26.

44. 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 minimise the credit risk of distressed assets, the Group selects counterparties with appropriate creditworthiness and repayment capacity. At the reporting date, the Group's maximum exposure in distressed assets equal to the carrying amount of these assets as disclosed in note 20.

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

Except for the financial guarantees given by the Group as set out in note 29, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 29.

All customers who wish to obtain financial guarantees 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:

	2022 **RMB'000**	2021 RMB'000
Equity interests	**–**	590,000

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

As at 31 December 2022 and 2021, accounts receivable are measured at lifetime ECL.

As at 31 December 2022, except for the balances of RMB728,000 of interest receivables were considered as a significant increase in credit risk since initial recognition but not credit-impaired and the loss allowance of which is measured at lifetime ECL and the balances of RMB26,978,000 of finance lease, loan and accounts receivable were considered as a significant increase in credit risk since initial recognition and credit-impaired and the loss allowance of which is measured at lifetime ECL, the loss allowance for all other financial instruments are measured at an amount equal to 12-month ECL.

As at 31 December 2021, except for the balances of RMB28,218,000 of finance lease and interest receivables were considered as a significant increase in credit risk since initial recognition but not credit-impaired and the loss allowance of which is measured at lifetime ECL and the balances of RMB21,557,000 of finance lease receivable were considered as a significant increase in credit risk since initial recognition and credit-impaired and the loss allowance of which is measured at lifetime ECL, the loss allowance for all other financial instruments are measured at an amount equal to 12-month ECL.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

The following table provides information about the Group's exposure to credit risk and respective ECL allowance as at 31 December 2022 and 2021. The average expected loss rate is derived from the gross carrying amount and loss allowance as at 31 December 2022 and 2021 after taken into accounting of the collaterals, historical default rate and forward looking information when determined the loss allowance.

	Average expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
At 31 December 2022			
Accounts receivable	**3.65%**	**105,516**	**3,852**
Finance lease receivable	**5.50%**	**86,945**	**4,778**
Receivables from guarantee customers	**63.37%**	**29,661**	**18,797**
Loan receivables	**2.00%**	**251,106**	**5,013**
		473,228	**32,440**
Amounts due from associates	**2.25%**	**588,683**	**13,250**
Other receivables	**0.04%**	**76,187**	**28**
Consideration receivables	**1.08%**	**1,262,692**	**13,675**
		1,927,562	**26,953**
Financial guarantees	**6.46%**	**2,149,878**	**138,882**
			198,275

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

	Average expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
At 31 December 2021			
Accounts receivable	3.49%	139,597	4,877
Finance lease receivable	2.40%	119,317	2,858
Receivables from guarantee customers	56.12%	33,106	18,578
Loan receivable	0.62%	886,944	5,517
		1,178,964	31,830
Amounts due from associates	1.16%	13,050	151
Other receivables	1.46%	723,888	10,570
		736,938	10,721
Financial guarantees	1.02%	2,340,289	23,846
			66,397

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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

Movement in the loss allowance account in respect of finance lease, loan and accounts receivable, consideration receivables, amounts due from associates, other receivables and financial guarantees during the year is as follows:

	12-month ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credited-impaired) RMB'000	Total RMB'000
At 1 January 2021	8,721	57	31,837	40,615
Impairment losses recognised				
– finance lease, loan and accounts receivable	2,799	3,120	8,770	14,689
– other receivables	698	–	–	698
– consideration receivables	9,660	–	–	9,660
– financial guarantees	23,846	–	–	23,846
Reversal of impairment loss				
– finance lease, loan and accounts receivable	(627)	(267)	(9,209)	(10,103)
– amounts due from associates	(1,517)	–	–	(1,517)
– other receivables	(370)	–	–	(370)
Disposal of subsidiaries	(1,129)	–	–	(1,129)
Classified as held for sale	–	–	(9,992)	(9,992)
At 31 December 2021 and 1 January 2022	**42,081**	**2,910**	**21,406**	**66,397**
Impairment losses recognised				
– finance lease, loan and accounts receivable	**2,541**	**25**	**54,270**	**56,836**
– other receivables	**6,200**	**–**	**–**	**6,200**
– amounts due from associates	**13,099**	**–**	**–**	**13,099**
– consideration receivables	**13,423**	**–**	**–**	**13,423**
– financial guarantees	**–**	**–**	**138,068**	**138,068**
Reversal of impairment loss				
– finance lease, loan and accounts receivable	**(4,792)**	**(136)**	**–**	**(4,928)**
– other receivables	**(520)**	**–**	**–**	**(520)**
– consideration receivables	**(2,730)**	**–**	**–**	**(2,730)**
– financial guarantees	**(23,032)**	**–**	**–**	**(23,032)**
Transfer to lifetime ECL (credited-impaired)	**(1,946)**	**–**	**1,946**	**–**
Disposal of subsidiaries	**(14,840)**	**–**	**(46,260)**	**(61,100)**
Written off	**–**	**–**	**(3,438)**	**(3,438)**
At 31 December 2022	**29,484**	**2,799**	**165,992**	**198,275**

The origination of new finance lease, loan and accounts receivable, consideration receivables, amounts due from associates, other receivables and financial guarantees net of those settled resulted in an increase in loss allowance of RMB196,416,000 during the year ended 31 December 2022 (2021: increase in loss allowance of RMB36,903,000).

44. 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	Total contractual undiscounted cash flow	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022						
Accounts payable	**395,779**	**395,779**	**395,779**	**–**	**–**	**–**
Accruals, other payables and deposits received	**811,276**	**811,276**	**688,350**	**116,426**	**6,500**	**–**
Bank and other borrowings	**647,510**	**701,656**	**701,656**	**–**	**–**	**–**
Corporate bonds	**796,609**	**846,978**	**689,224**	**55,736**	**102,018**	**–**
Lease liabilities	**11,310**	**11,869**	**8,971**	**2,898**	**–**	**–**
	2,662,484	**2,767,558**	**2,483,980**	**175,060**	**108,518**	**–**
Financial guarantees issued						
Maximum amount guaranteed	**–**	**2,149,878**	**2,149,878**	**–**	**–**	**–**
At 31 December 2021						
Accounts payable	411,094	411,094	411,094	–	–	–
Accruals, other payables and deposits received	781,936	781,939	656,887	118,552	6,500	–
Bank and other borrowings	717,832	793,321	583,023	185,471	24,827	–
Corporate bonds	343,358	372,864	162,264	79,909	130,691	–
Lease liabilities	19,363	21,085	11,411	6,875	2,799	–
	2,273,583	2,380,303	1,824,679	390,807	164,817	–
Financial guarantees issued						
Maximum amount guaranteed	–	2,340,289	2,340,289	–	–	–

44. 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 minimise 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 minimise the legal title risk, the Group closely monitors the related legal processes and regularly communicates with the debtors, lawyers and other contract parties.

Capital management

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

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

44. 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 2022 and 2021 were as follows:

	2022 **RMB'000**	2021 RMB'000
Bank and other borrowings	**647,510**	717,832
Corporate bonds	**796,609**	343,358
	1,444,119	1,061,190
Less: Cash and bank balances - general accounts	**(26,244)**	(99,951)
Net debts	**1,417,875**	961,239
Equity attributable to owners of the Company	**2,525,024**	2,721,392
Net debts to equity ratio	**56.2%**	35.3%

45. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

Reconciliation of liabilities arising from financing activities

	Lease Liabilities RMB'000 *(note 28)*	Bank and other borrowings RMB'000 *(note 30)*	Corporate bonds RMB'000 *(note 31)*	Total RMB'000
At 1 January 2022	**19,363**	**717,832**	**343,358**	**1,080,553**
Changes from financing cash flow:				
Proceeds from bank and other borrowings	**–**	**156,407**	**–**	**156,407**
Proceeds from issue of corporate bonds	**–**	**–**	**620,806**	**620,806**
Repayments of bank and other borrowings	**–**	**(292,721)**	**–**	**(292,721)**
Repayments of corporate bonds	**–**	**–**	**(179,673)**	**(179,673)**
Repayments of lease liabilities	**(22,145)**	**–**	**–**	**(22,145)**
Interest paid	**–**	**(52,038)**	**(12,183)**	**(64,221)**
Total changes from financing cash flows	**(22,145)**	**(188,352)**	**428,950**	**218,453**
Other changes:				
Acquisition of subsidiaries	**72,150**	**372,152**	**–**	**444,302**
Disposal of subsidiaries	**(60,106)**	**(318,842)**	**–**	**(378,948)**
Capitalised borrowing costs	**–**	**20,201**	**9,015**	**29,216**
Interests expenses	**1,217**	**51,777**	**20,588**	**73,582**
Interests accrued	**(627)**	**(19,940)**	**(17,420)**	**(37,987)**
New leases	**1,036**	**–**	**–**	**1,036**
Effect of foreign exchange rate, net	**422**	**12,682**	**12,118**	**25,222**
At 31 December 2022	**11,310**	**647,510**	**796,609**	**1,455,429**

45. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS – continued

	Lease Liabilities RMB'000 *(note 28)*	Bank and other borrowings RMB'000 *(note 30)*	Corporate bonds RMB'000 *(note 31)*	Amounts due to non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	15,835	747,209	274,976	714,041	1,752,061
Changes from financing cash flow:					
Proceeds from bank and other borrowings	–	262,631	–	–	262,631
Proceeds from issue of corporate bonds	–	–	209,319	–	209,319
Repayments of bank and other borrowings	–	(512,981)	–	–	(512,981)
Repayments of corporate bonds	–	–	(140,937)	–	(140,937)
Repayments of lease liabilities	(13,821)	–	–	–	(13,821)
Advance from non-controlling interests	–	–	–	4,278	4,278
Interest paid	–	(67,750)	(16,376)	–	(84,126)
Total changes from financing cash flows	(13,821)	(318,100)	52,006	4,278	(275,637)
Other changes:					
Acquisition of subsidiaries	–	280,000	–	–	280,000
Disposal of subsidiaries	(1,457)	(59,028)	–	(718,319)	(778,804)
Classified as assets held for sale	(405)	–	–	–	(405)
Capitalised borrowing costs	–	43,098	8,595	–	51,693
Interests expenses	1,639	35,621	10,791	–	48,051
Interests accrued	(97)	(10,968)	(3,010)	–	(14,075)
New leases	17,669	–	–	–	17,669
At 31 December 2021	19,363	717,832	343,358	–	1,080,553

46. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 26 November 2013 for the purpose of providing incentives or rewards to any employees of the Company and any other eligible persons for their contribution to the Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted. All share options which were granted under the Share Option Scheme has lapsed during the year ended 31 December 2021. During the year ended 31 December 2022, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme and no outstanding option as at 31 December 2022 and 2021.

The following table discloses movements in the Company's share options during the year ended 31 December 2021:

2021

		Number of share options						
Name or category of participants	**Date of grant**	**At 1 January 2021**	**Granted**	**Exercised**	**Lapsed**	**At 31 December 2021**	**Exercise period** *(Note)*	**Exercise price** HK$
Directors								
Mr. Hong	25 April 2016	6,400,000	–	–	(6,400,000)	–	30 April 2017 to 30 April 2021	0.734
Mr. Ng	25 April 2016	6,400,000	–	–	(6,400,000)	–	30 April 2017 to 30 April 2021	0.734
Employees (in aggregate)	25 April 2016	22,232,000	–	–	(22,232,000)	–	30 April 2017 to 30 April 2021	0.734
Total		**35,032,000**	**–**	**–**	**(35,032,000)**	**–**		

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.

46. SHARE OPTION SCHEME – continued

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 2021	35,032,000	0.734
Lapsed	(35,032,000)	0.734
Outstanding at 31 December 2021, 1 January 2022 and 31 December 2022	–	–

47. CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, save as those disclosed in note 29 and elsewhere in the consolidated financial statements, the Group did not have any significant contingent liabilities.

48. EVENT AFTER THE REPORTING DATE

Save as disclosed elsewhere in the consolidated financial statements, there is no significant event identified by the management subsequent to the reporting period.

PROPERTIES PORTFOLIO

PROPERTIES UNDER DEVELOPMENT/ FOR SALE AS AT 31 DECEMBER 2022

Property name	Address and lot no.	Stage of completion	Expected completion date	Type	Site area (sq.m.)	Total or estimated gross floor area (GFA) at 31 December 2022 (sq.m.)	Group's interest (%)
Differ Humane Mansion 鼎豐書香豪庭	Daying Village, Shuitou Town, Nanan, Fujian Province, PRC 中國福建省泉州南安市 水頭鎮大盈村	Completed	Completed	Residential/ Commercial	23,762[i]	24,820[ii]	100
Differ One City 鼎豐壹城	South of Dongcha Road, East of Huan Cheng East Road and North of Longquanxi, Longquan City, Zhejiang Province, PRC 中國浙江省龍泉市 東茶路以南 環城東路以東 龍泉溪以北	Construction in progress	by the end of 2023	Residential/ Commercial	145,688[i]	71,177[iii]	100
Differ Sky Peak 鼎豐天峯	Junction of Mishan Road and Zhengqi Road, Wendeng District, Weihai, Shandong Province, PRC 中國山東省威海市文登區米山路及 正氣路交界處	Construction in progress	by the end of 2024	Residential/ Commercial	41,639[i]	58,815[ii]	100
She People Ancient City 畲鄉古城	Northern side of Renmin North Road and the eastern side of Waishe Road, Waishe Zone, Jingning Town, Lishui City, Zhejiang Province, PRC 中國浙江省麗水市景寧縣城外舍社區 人民北路以北及外舍路以東	Completed	Completed	Commercial	173,934	144,997[ii]	100

Notes:

(i) This site area covers all phases of development.

(ii) This represents saleable GFA of unsold/undelivered completed units.

(iii) This represents estimated GFA of unsold/undelivered completed units (excluding hotel and shopping mall portion) under present planning.

PROPERTIES PORTFOLIO

PROPERTIES HELD FOR INVESTMENT AS AT 31 DECEMBER 2022

Property name	Address and lot no.	Type	Total GFA (sq.m.)	Lease term expiry date
Differ One City (shopping mall portion) 鼎豐壹城的商場	South of Dongcha Road, East of Huan Cheng East Road and North of Longquanxi, Longquan City, Zhejiang Province, PRC 中國浙江省龍泉市東茶路以南環城東路以東龍泉溪以北	Commercial	85,574	24 January 2060
Other properties	Units 201-1 to 201-9, No. 10 Hubin West Road, Siming District, Xiamen, Fujian Province, PRC 中國福建省廈門市思明區湖濱西路10號201-1至201-9單元	Commercial	4,620	1 April 2035