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## **DIFFER GROUP HOLDING COMPANY LIMITED**

### **鼎豐集團控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8056)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of Differ Group Holding Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## **FINANCIAL HIGHLIGHTS**

- Turnover for the year ended 31 December 2013 was approximately RMB76,066,000 (2012: RMB56,416,000), representing an increase of approximately 34.8% as compared with the previous year.
- Profit attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB40,236,000 (2012: RMB31,238,000), representing a increase of approximately 28.8% as compared with the previous year.
- Earnings per share of the Company for the year ended 31 December 2013 was approximately RMB5.25 cents (2012: RMB4.17 cents).
- The Directors do not recommend the payment of any dividend for the year ended 31 December 2013.

## ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2013 together with the comparative figures for the corresponding period in 2012.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2013*

	<i>Notes</i>	<b>2013</b> <b>RMB'000</b>	2012 <i>RMB'000</i>
Revenue	4	<b>76,066</b>	56,416
Other income	4	<b>5,260</b>	3,224
Employee benefit expenses		<b>(7,739)</b>	(5,287)
Depreciation and amortisation expenses		<b>(2,006)</b>	(1,817)
Operating lease expenses		<b>(326)</b>	(313)
Other expenses		<b>(15,056)</b>	(10,050)
Finance costs		<b>–</b>	(526)
<b>Profit before income tax</b>	6	<b>56,199</b>	41,647
Income tax expense	7	<b>(15,963)</b>	(10,409)
<b>Profit for the year attributable to the owners of the Company</b>		<b>40,236</b>	31,238
<b>Other comprehensive income attributable to the owners of the Company that may be reclassified to profit or loss in subsequent periods</b>			
– Exchange differences on translating foreign operation		<b>311</b>	221
<b>Total comprehensive income for the year attributable to the owners of the Company</b>		<b>40,547</b>	31,459
<b>Earnings per share – Basic and diluted</b> <i>(RMB cents)</i>	9	<b>5.25</b>	4.17

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2013*

	<i>Notes</i>	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>11,593</b>	13,044
Prepaid land lease		<b>7,733</b>	8,140
Restricted bank deposits		<b>6,550</b>	–
Loan and account receivables	10	<b>37,736</b>	3,130
		<u><b>63,612</b></u>	<u>24,314</u>
<b>Current assets</b>			
Loan and account receivables	10	<b>185,365</b>	158,538
Prepayments and other receivables		<b>1,534</b>	12,306
Amount due from a related company		–	5,812
Amount due from a director		–	6,822
Restricted bank deposits		<b>117,590</b>	96,112
Cash and bank balances		<b>181,055</b>	48,996
		<u><b>485,544</b></u>	<u>328,586</u>
<b>Current liabilities</b>			
Accruals, other payables, receipt in advance and deferred income		<b>16,310</b>	10,164
Amount due to shareholders		–	19,875
Provision for taxation		<b>9,556</b>	10,481
		<u><b>25,866</b></u>	<u>40,520</u>
<b>Net current assets</b>		<u><b>459,678</b></u>	<u>288,066</u>
<b>Total assets less current liabilities</b>		<u><b>523,290</b></u>	<u>312,380</u>
<b>Non-current liabilities</b>			
Deposits received and deferred income		<u><b>15,479</b></u>	<u>–</u>
<b>Net assets</b>		<u><b>507,811</b></u>	<u>312,380</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	<b>7,800</b>	–
Reserves		<b>500,011</b>	312,380
<b>Total equity</b>		<u><b>507,811</b></u>	<u>312,380</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2013*

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2012	-	-	32,000	228,000	939	-	11,982	272,921
Profit for the year	-	-	-	-	-	-	31,238	31,238
Other comprehensive income for the year	-	-	-	-	-	221	-	221
Total comprehensive income for the year	-	-	-	-	-	221	31,238	31,459
Transfer to statutory reserve	-	-	-	-	2,909	-	(2,909)	-
Deregistration of a subsidiary Arising from reorganisation ("Reorganisation") (note 2(d))	-	-	(30,000)	-	-	-	-	(30,000)
Arising from Reorganisation (note 2(e))	-	-	228,000	(228,000)	-	-	-	-
Capital injection to a subsidiary (note 2(g))	-	-	30,000	-	-	-	-	30,000
	-	-	8,000	-	-	-	-	8,000
At 31 December 2012 and 1 January 2013	-	-	268,000	-	3,848	221	40,311	312,380
Profit for the year	-	-	-	-	-	-	40,236	40,236
Other comprehensive income for the year	-	-	-	-	-	311	-	311
Total comprehensive income for the year	-	-	-	-	-	311	40,236	40,547
Transfer to statutory reserve	-	-	-	-	3,554	-	(3,554)	-
Issue of ordinary shares by placing (note 11(e))	1,950	150,150	-	-	-	-	-	152,100
Share issue costs	-	(6,785)	-	-	-	-	-	(6,785)
Share capitalisation (note 11(f))	5,850	(5,850)	-	-	-	-	-	-
Capital contribution from the owners	-	-	19,562	-	-	-	-	19,562
Arising from Reorganisation (note 2(g))	-	-	(10,000)	-	-	-	-	(10,000)
Arising from Reorganisation (note 2(i))	-	-	-	7	-	-	-	7
At 31 December 2013	<u>7,800</u>	<u>137,515</u>	<u>277,562</u>	<u>7</u>	<u>7,402</u>	<u>532</u>	<u>76,993</u>	<u>507,811</u>

## NOTES

### 1. CORPORATE AND GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. The Company's shares have been listed on the GEM of the Stock Exchange since 9 December 2013.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Group is located at 23rd Floor, Tower 11, 166 Tapu East Road, Xiamen, the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are provision of guarantee, pawn loan, financial consultation, entrusted loan and finance lease services in the PRC.

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

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

### 2. THE REORGANISATION AND BASIS OF PRESENTATION

The companies comprising the Group underwent a Reorganisation to rationalise the Group's structure in preparation for the listing of the shares of the Company on the Stock Exchange. The Reorganisation involved the followings:

(a) **Establishment of Differ Holding (Xiamen) Company Limited ("Differ Holding") (now known as Differ Group (Xiamen) Company Limited) and Xiamen Differ Venture Capital Company Limited ("Differ VC")**

Differ Holding was established on 12 April 2010 as an investing vehicle of Differ Guarantee Company Limited ("Differ Guarantee") and it was effectively held by Ms. Shi Hongjiao ("Ms. Shi"), spouse of Mr. Hong Mingxian ("Mr. Hong"), a director of the Company, and Mr. Cai Huatan ("Mr. Cai"), a director of the Company.

Differ VC was established on 5 May 2010 by Differ Holding and Mr Hong. On 27 May 2010, the equity interest of Mr. Hong in Differ VC was transferred to Differ Holding.

(b) **Acquisition of Differ Guarantee by Differ Holding**

On 11 July 2010, Differ Holding acquired directly or indirectly the entire equity interest in Differ Guarantee from its then shareholders.

**(c) Establishment of Differ Financial Holdings Limited (“Differ Hong Kong”)**

Differ Hong Kong was incorporated in Hong Kong on 22 September 2011 by Thrive Expand Limited (“Thrive Expand”), a company owned as to 60% by Expert Corporate Limited (which in turn was wholly owned by Ms. Shi) and as to 40% by Ever Ultimate Limited (which in turn was wholly owned by Mr. Cai), with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each.

**(d) Acquisition of Differ Holding by Differ Hong Kong**

On 15 June 2012, Differ Hong Kong acquired Differ Holding at a cash consideration of RMB228,000,000, which was equivalent to the register capital of Differ Holding. The fund to effect the acquisition of Differ Holding was contributed by the shareholders of Differ Holding and this contribution of RMB228,000,000 was used to settle the consideration of such acquisition. As the shareholders of Differ Holding already obtained back their cash contribution through completion of disposal of their interest in Differ Holding to Differ Hong Kong, the transaction did not result in any financial liabilities of the Group and the contribution was regarded as capital reserve of the Group.

**(e) Structured Agreements with Fujian Differ Pawn Company Limited (“Differ Pawn”)**

Before 7 May 2012, Differ Pawn’s registered capital was RMB10,000,000 which was owned as to 67.5% by Differ Guarantee and as to 32.5% by Fujian Differ Venture Capital Company Limited (“Fujian VC”), both of which were subsidiaries of the Group.

On 7 May 2012, Fujian VC ceased to be a company within the Group when a change in its shareholding structure took place. In order for the Group to retain management and control of Differ Pawn since 7 May 2012, the first set of structured agreements were entered into by Differ Holding, Differ Pawn, Differ Guarantee and Fujian VC (“Previous Structured Agreements”). Under the Previous Structured Agreements, all economic benefits and risks arising from the business, financial and operating activities of Differ Pawn were transferred to Differ Holding.

On 16 July 2012, the 67.5% equity interest in Differ Pawn of Differ Guarantee was transferred to Fujian Aidu Industry and Trade Company Limited (“Aidu”). At the date of transfer, Aidu was owned as to 60% by Mr. Hong and as to 40% by Ms. Cai Danni (“Ms. Cai”), Mr. Cai’s daughter. Following such transfer, the Previous Structured Agreements were terminated on 16 July 2012, and simultaneously replaced by the second set of Structured Agreements entered into by Differ Holding, Differ Pawn, Aidu and Fujian VC (“Structured Agreements”).

After the abovementioned share transfers of Differ Pawn, the new shareholders, namely Fujian VC and Aidu, agreed to increase the registered capital of Differ Pawn from RMB10,000,000 to RMB30,000,000. As a result of the increase in registered capital, the Group accounted for the amount of registered capital of Differ Pawn of RMB30,000,000 as capital injection from owners.

Further details of the Structured Agreements are set out in the section headed “Structured Agreements” of the prospectus (the “Prospectus”) of the Company dated 3 December 2013.

The Structured Agreements altogether enable the Company to exercise control over Differ Pawn. The Structured Agreements, taken as a whole, permit the financial results of Differ Pawn and economic benefits of its business to flow to Differ Holding. In addition, all the directors and top management in Differ Pawn should be assigned by Differ Holding. Through the Structured Agreements, Differ Holding is exposed to variable returns from its involvement with Differ Pawn and has the ability to affect those returns through its power over Differ Pawn.

**(f) Establishment of RongXin Company Limited (“RongXin”) and the Company**

On 6 November 2012, RongXin was incorporated in the British Virgin Island with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 6 November 2012, 600 shares and 400 shares of RongXin credited as fully paid at par were issued and allotted to Ms. Shi and Mr. Cai respectively.

On 4 December 2012, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, the Company issued and allotted in nil paid one share to the subscriber, which was transferred to Ms. Shi at nil consideration on the same date. The Company also issued and allotted in nil paid another 599 shares and 400 shares to Ms. Shi and Mr. Cai respectively.

**(g) Acquisition of Xiamen Differ Import and Export Development Company Limited (“Differ Import & Export”)**

Differ Import & Export was established as a limited liability company in the PRC on 22 December 2011 with initial registered capital of RMB2,000,000 which was owned as to 60% by Mr. Hong and as to 40% by Ms. Cai. On 14 March 2012, Mr. Hong and Ms. Cai agreed to increase the registered capital of Differ Import & Export from RMB2,000,000 to RMB10,000,000. The registered capital of RMB2,000,000 and RMB8,000,000 paid by Mr. Hong during the years ended 31 December 2011 and 2012 were regarded as capital reserve of the Group.

On 1 February 2013, Differ Guarantee acquired the entire interest of Differ Import & Export at a consideration of RMB10,000,000. After the share transfers, Differ Guarantee agreed to increase the registered capital of Differ Import & Export from RMB10,000,000 to RMB30,000,000.

The consideration paid by the Group of RMB10,000,000 was accounted for as deemed distribution to Mr. Hong and Ms. Cai pursuant to Reorganisation.

**(h) Acquisition of Differ Hong Kong by RongXin**

On 20 November 2013, RongXin acquired entire issued share capital of Differ Hong Kong from Thrive Expand.

**(i) Acquisition of RongXin by the Company**

On 26 November 2013, the Company acquired the entire issued share capital of RongXin from Ms. Shi and Mr. Cai.



Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

The Group is regarded as a continuing entity resulting from the Reorganisation since the insertions of certain new holding companies at the top of Differ Guarantee have not resulted in any change in economic substance. Accordingly, the consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented and the current group structure had always been in existence.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2012 and 2013 include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the years, or since their respective dates of incorporation or establishment, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2012 and 2013 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates.

### **3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS**

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures <sup>1</sup>
HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle <sup>3</sup>
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

The Directors of the Company 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 Directors of the Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors of the Company have preliminarily concluded that the initial application of these new and amended HKFRSs is not expected to have a material impact on the Group's financial statements.

#### 4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents income from the Group's principal activities, net of value-added tax. Revenue and other income recognised during the year are as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Revenue		
Interest income		
– Pawn loan services	12,741	6,016
– Entrusted loan services	22,003	22,365
Consultancy service income	19,718	19,094
Income from guarantee services		
– Financial guarantee services	14,807	7,493
– Other guarantee services	141	956
Income from finance lease services	6,656	492
	<u>76,066</u>	<u>56,416</u>
Other income		
Bank interest income	1,292	1,377
Gain on disposal of property, plant and equipment	–	6
Government grants*	3,917	1,680
Net foreign exchange gain	–	125
Others	51	36
	<u>5,260</u>	<u>3,224</u>

\* The Group received grants from the relevant PRC government authorities in support of the Group's financial guarantee business in the PRC. There are no unfulfilled conditions to receive the grants.

#### 5. SEGMENT INFORMATION

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

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is mainly sourced from the PRC. The total revenue is disclosed in note 4.

The Group's customer base is diversified and includes only the following customer with whom transactions have exceeded 10% of the Group's revenue:

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
Customer A	<b>11,963</b>	9,918

#### 6. PROFIT BEFORE INCOME TAX

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

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
Auditor's remuneration	<b>298</b>	63
Depreciation of property, plant and equipment	<b>1,599</b>	1,425
Amortisation of prepaid land lease	<b>407</b>	392
Employee benefit expenses (including Directors' remuneration)		
Salaries	<b>6,597</b>	4,889
Pension scheme contributions – Defined contribution plans	<b>270</b>	175
Other benefits	<b>872</b>	223
	<b>7,739</b>	5,287
Listing expenses	<b>7,143</b>	2,816
Net foreign exchange loss	<b>12</b>	–
Operating lease charges in respect of properties	<b>326</b>	313
Gain on disposal of property, plant and equipment	<b>–</b>	(6)

#### 7. INCOME TAX EXPENSE

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
Current tax – PRC	<b>15,963</b>	10,409

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.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil).

Enterprise income tax arising from subsidiaries operated in the PRC for the year was calculated at 25% (2012: 25%) of the estimated assessable profits during the year.

## 8. DIVIDENDS

No dividend has been declared by the Company during the year (2012: Nil).

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB40,236,000 (2012: RMB31,238,000) and 765,753,000 (2012: 750,000,000) weighted average number of ordinary shares in issue during the year.

The number of shares used to calculate the basic earnings per share for the year ended 31 December 2012 represents the number of shares of the Company immediately prior to the listing of the Company's shares on the Stock Exchange as if the shares had been in issue throughout the year ended 31 December 2012.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2013 includes the weighted average of approximately 15,753,000 shares issued upon the placing of the Company's shares in December 2013, in addition to the aforementioned 750,000,000 ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2012.

Diluted earnings per share is the same as the basic earnings per share because the Group had no potential ordinary shares during the years.

## 10. LOAN AND ACCOUNT RECEIVABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
<b>Non-current assets</b>		
Finance lease receivables, gross and net	<u>37,736</u>	<u>3,130</u>
<b>Current assets</b>		
Pawn loan receivables, gross and net	41,600	33,250
Entrusted loan receivables, gross and net	115,000	120,000
Finance lease receivables, gross and net	27,178	4,048
Account receivables, gross and net	<u>1,587</u>	<u>1,240</u>
	<u>185,365</u>	<u>158,538</u>

For pawn loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, with options to renew the loan granted for a period of up to 180 days. The maturity date for each loan contract is not more than 180 days.

For entrusted loan receivables, they represented loans from the Group to customers through banks in the PRC. In an entrusted loan arrangement, the bank entered into loan agreements with the customers. The customers repaid the loan to the bank and then the bank returned the principal and accrued interest to the Group. While the bank exercises supervision over and receives repayment from the borrower, the bank does not assume any risk of default in repayment by the borrower. The maturity date for each loan contract is normally not more than 360 days.

For finance lease receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The maturity date for each loan contract is normally not more than 3 years.

For account receivables, it represented interest receivables from pawn loans, entrusted loans and finance lease and financial consultancy fee receivable. 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.

Based on the loan commencement date set out in the relevant contracts, ageing analysis of the Group's loan and account receivables as of each reporting date is as follows:

	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
0 to 30 days	<b>4,087</b>	48,790
31 to 90 days	<b>75,618</b>	72,300
91 to 180 days	<b>92,100</b>	40,578
Over 180 days	<b>51,296</b>	–
	<b>223,101</b>	161,668

## 11. SHARE CAPITAL

	2013		2012	
	Number of ordinary shares '000	Amount HK'000	Number of ordinary shares '000	Amount HK'000
<b>Authorised:</b>				
Ordinary share of HK\$0.01 each				
At 1 January 2013 or date of incorporation ( <i>note (a)</i> )	<b>38,000</b>	<b>380</b>	38,000	380
Increase of share capital ( <i>note (b)</i> )	<b>4,962,000</b>	<b>49,620</b>	–	–
	<b>5,000,000</b>	<b>50,000</b>	38,000	380
<b>Issued and fully paid:</b>				
Ordinary share of HK\$0.01 each				
At 1 January 2013 or date of incorporation ( <i>note (c)</i> )	<b>1</b>	–	1	–
Issue of ordinary shares for Reorganisation ( <i>note (d)</i> )	–	–	–	–
Issue of ordinary shares by placing ( <i>note (e)</i> )	<b>250,000</b>	<b>2,500</b>	–	–
Shares capitalisation ( <i>note (f)</i> )	<b>749,999</b>	<b>7,500</b>	–	–
	<b>1,000,000</b>	<b>10,000</b>	1	–

The issued and fully paid share capital of the Company is equivalent to approximately RMB7,800,000 as at 31 December 2013.

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

- (a) The Company was incorporated on 4 December 2012 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each.
- (b) On 26 November 2013, pursuant to the written resolutions passed by the shareholders of the Company, the authorised share capital was increased to HK\$50,000,000 by the creation of an additional of 4,962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.
- (c) On 4 December 2012, 1 ordinary share was issued at nil paid to the subscriber and transferred to Ms. Shi on the same date. Another 599 shares and 400 shares were issued at nil paid to Ms. Shi and Mr. Cai respectively on the same date.
- (d) On 26 November 2013, additional 100 ordinary shares were issued pursuant to the Reorganisation.
- (e) In connection with the placing, an aggregate of 250,000,000 new ordinary shares of the Company of HK\$0.01 each were issued at a price of HK\$0.78 per share on 9 December 2013.
- (f) Pursuant to the written resolutions of all shareholders passed on 26 November 2013, the Directors were authorised to capitalise the amount of HK\$7,499,989 (equivalent to approximately RMB5,850,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 749,998,900 shares for allotment and issue to holders of shares whose names appear on the register of members of the Company at the close of business on 26 November 2013 (or as they may direct) in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in the Company following the placing and so that the shares allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued shares and the Directors were authorised to give effect to such capitalisation.

## 12. MAXIMUM EXPOSURE UNDER THE FINANCIAL GUARANTEE CONTRACTS

The Group maximum exposure under the financial guarantee contracts is disclosed as below:

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
<b>Financial guarantee issued</b>		
Maximum amount guaranteed	<b>503,678</b>	408,310

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:

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
Real estate	<b>186,285</b>	378,286
Inventories	<b>684,368</b>	393,963
Machinery	<b>117,891</b>	74,591
Motor vehicles	<b>2,448</b>	9,431
Property rights	<b>2,050</b>	167,599
	<b>993,042</b>	1,023,870

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

As an integrated financing service provider, the Group mainly provide short to medium-term financing and financing-related solutions in Fujian Province. During the year ended 31 December 2013, the revenue was mainly derived from the provision of (i) guarantee services, (ii) pawn loan services, (iii) financial consultation services, (iv) entrusted loan services and (v) finance lease services to our customers.

### FINANCIAL REVIEW

#### *Revenue*

The revenue increased from approximately RMB56.4 million for the year ended 31 December 2012 to approximately RMB76.1 million for the year ended 31 December 2013, representing an increase of approximately RMB19.7 million or 34.8%. The increase was attributable to the net effect of the following reasons:

#### *Guarantee services*

We mainly provided the financing guarantee services during the years ended 31 December 2012 and 2013. Our Group's guarantee service income increased by 76.9% from approximately RMB8.4 million for the year ended 31 December 2012 to approximately RMB14.9 million for the year ended 31 December 2013. Our Group continued to expand our financing guarantee services in our home market in Fujian Province. The increase in income from our guarantee services was mainly attributable to the following reasons:

- (i) the number of financing guarantee contracts with revenue contribution increased from 113 for the year ended 31 December 2012 to 170 for the year ended 31 December 2013; and
- (ii) the total guaranteed amount of new contracts increased from approximately RMB403.4 million for the year ended 31 December 2012 to RMB521.2 million for the year ended 31 December 2013.

#### *Pawn loan services*

Our Group's pawn loan service income increased by 111.8% from approximately RMB6.0 million for the year ended 31 December 2012 to approximately RMB12.7 million for the year ended 31 December 2013. Although we have refrained from granting any new motor vehicle pawn loan since June 2012, we have further developed our movable property pawn loans business by accepting other collateral such as gold and antiques. In addition, the maximum pawn loan amount to a single customer increased from approximately RMB2.5 million to RMB7.5 million due to the increase in registered capital of Differ Pawn in July 2012.



The increase in pawn loan service income was mainly attributable to the following reasons:

- (i) the number of pawn loan contracts with revenue contribution increased from 51 for the year ended 31 December 2012 to 54 for the year ended 31 December 2013; and
- (ii) the total amount of pawn loans granted of new contracts increased from approximately RMB70.3 million for the year ended 31 December 2012 to RMB95.6 million for the year ended 31 December 2013.

#### *Financial consultation services*

The financial consultation service income of our Group slightly increased from approximately RMB19.1 million for the year ended 31 December 2012 to RMB19.7 million for the year ended 31 December 2013. The increase in financial consultation services income was mainly due to the increase in the number of financial consultation services, which charged our customers based on certain percentage of the amount of financing obtained as a result of our consultation, from 14 for the year ended 31 December 2012 to 16 for the year ended 31 December 2013. As the Group expanded the financial consultation business, the number of new clients referred to us by third parties also increased during that period.

#### *Entrusted loan services*

Our Group's entrusted loan service income slightly decreased by 1.6% from approximately RMB22.4 million for the year ended 31 December 2012 to RMB22.0 million for the year ended 31 December 2013. The decrease of entrusted loan service income was mainly attributable to the following reasons:

- (i) the number of entrusted loan contracts with revenue contribution decreased from 20 for the year ended 31 December 2012 to 17 for the year ended 31 December 2013; and
- (ii) the total amount of entrusted loans granted of new contracts decreased from approximately RMB400 million for the year ended 31 December 2012 to RMB319 million for the year ended 31 December 2013.

#### *Finance lease services*

For the years ended 31 December 2012 and 2013, our Group's finance lease service income was approximately RMB0.5 million and RMB6.7 million respectively. For the year ended 31 December 2013, we have eight finance lease transactions with revenue contribution as compared with only one transaction for the corresponding period of last year. We purchased certain manufacturing machineries from our customers or suppliers designated by our customers and leased such machineries back to our customers for a lease period from 24 months to 36 months for a monthly rental payment.

### *Other income*

Other income increased from approximately RMB3.2 million for the year ended 31 December 2012 to approximately RMB5.3 million for the year ended 31 December 2013, representing an increase of approximately RMB2.1 million or 63.2%. Our Group's other income mainly represented the bank interest income and the government grant. The increase in other income was mainly due to the fact that we have received the government grant in relation to our guarantee business of approximately RMB3.9 million during the year ended 31 December 2013 but only approximately RMB1.7 million government grant received during the year ended 31 December 2012.

### *Employee benefit expenses*

The employee benefit expenses increased from approximately RMB5.3 million for the year ended 31 December 2012 to approximately RMB7.7 million for the year ended 31 December 2013, representing an increase of approximately RMB2.4 million or 46.4%. Our Group's employee benefit expenses mainly comprised staff salaries, Directors' emoluments and other benefits. The increase in employee benefit expenses was mainly attributable to the increase in Directors' emoluments and other staff salaries as our Group hired more staff for business expansion and listing.

### *Other expenses*

The other expenses increased from approximately RMB10.1 million for the year ended 31 December 2012 to approximately RMB15.1 million for the year ended 31 December 2013, representing an increase of approximately RMB5.0 million or 49.8%. The increase in other expenses was mainly attributable to increase in travelling and entertainment expenses which was in line with our business expansion. In addition, the listing expenses increased from approximately RMB2.8 million for the year ended 31 December 2012 to RMB7.1 million for the year ended 31 December 2013.

### *Finance costs*

For the year ended 31 December 2012 and 2013, our Group's finance costs were approximately RMB0.5 million and nil respectively. Since the bank loans have been fully repaid during 2012, there was no financial cost for the year ended 31 December 2013.

### *Profit for the year attributable to the owners of the Company*

Our Group's profit for the year was approximately RMB40.2 million for the year ended 31 December 2013, representing an increase of approximately RMB9.0 million, or 28.8%, from approximately RMB31.2 million for the year ended 31 December 2012.

## **OUTLOOK**

In recent years, the PRC has been adopting a tight credit policy which increases the difficulties in obtaining financing by SMEs from banks. Under the prevailing restrictive credit environment, it has been reported that banks in the PRC has curtailed lending to SMEs and tended to grant loans only to large and established corporations with good reputation and good credit records. It has therefore become more difficult for SMEs to obtain bank loans. As a result, our Directors believe that some of the SMEs might have turned to pursue alternative financing channels, including the Group's guarantee, pawn loans, entrusted loans, financial consultation and finance lease services which are the principal services of the Group. In addition, we expect the PRC economic situation will continue to grow in 2014. We will continue monitoring the ongoing market development of our existing businesses and we will consider exploring other new businesses of short to medium-term financing and financing-related solutions.

In conclusion, the Board has an optimistic view on the Group's business and believes that, both of the revenue and profit will grow faster in 2014.

## **ADVANCE TO AN ENTITY**

Pursuant to Rule 17.15 of the GEM Listing Rules, a general disclosure obligations arises where an advance to an entity from the Group exceeds 8% of the total assets of the Group. As at 31 December 2013, the Group's total assets were approximately RMB549.2 million. Pursuant to Rule 17.22 of the GEM Listing Rules, details of advances as defined under Rule 17.15 of the GEM Listing Rules which remained outstanding as at 31 December 2013 were as follow:

- (a) the entrusted loan agreement dated 22 July 2013 (the "Entrusted Loan Agreement A") was granted by Differ VC, an indirect wholly-owned subsidiary of the Company to 廈門九天豪傑實業有限公司 (Xiamen Jiu Tian Hao Jie Industrial Limited) (the "Customer") through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB33,000,000 for the purpose of lending the same to the Customer for a period from 22 July 2013 to 21 January 2014.
- (b) in addition, the entrusted loan agreement dated 7 November 2013 (the "Entrusted Loan Agreement B") was granted by Differ VC to the Customer through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB17,000,000 for the purpose of lending the same to the Customer for a period from 7 November 2013 to 6 February 2014.
- (c) the aggregate principal amount of Entrusted Loan Agreement A and Entrusted Loan Agreement B was RMB50,000,000.

The principal terms of Entrusted Loan Agreement A and Entrusted Loan Agreement B are as follows:

Aggregate principal amount: RMB50 million.

Interest rate: 1.8% per month.

Loan period: as mentioned above.

Repayment: the Customer shall repay the interests on a monthly basis and the principal amount at the end of the loan period.

Security and guarantees:

- (i) the pledge of a piece of residential land in the PRC which is valued by an independent valuer at approximately RMB80,369,000;
- (ii) personal guarantees of two individuals who are related to the Customer; and
- (iii) corporate guarantee of three companies which are related to the Customer and are principally engaged in real estate development in the PRC.

## **CONTINGENT LIABILITIES**

As at 31 December 2013, the Group did not have any material contingent liabilities (2012: Nil).

## **CAPITAL COMMITMENT**

As at 31 December 2013, the Group did not have any capital commitments contracted but not provided for in the financial statements (2012: Nil).

## **FOREIGN EXCHANGE RISK MANAGEMENT**

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

## **TREASURY POLICIES**

The Group continuously monitors our current and expected liquidity requirements as well as our cash and receivables in order to ensure that we maintain sufficient liquidity to meet our liquidity requirements. In particular, we monitor the ageing of our loan and account receivables as well as the maturity profile of our financial liabilities under the guarantees provided to our customers.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

Save as disclosed in the Prospectus, there was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2013.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

## **HUMAN RESOURCES**

As at 31 December 2013, the Group had a total of 105 employees (2012: 71). The staff costs (included Directors' emoluments) were approximately RMB7.7 million for the year ended 31 December 2013 (2012: RMB5.3 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

During the year ended 31 December 2013, the Company has not granted any share options to its employees or Directors under the share option scheme of the Company adopted on 26 November 2013. The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme. The Group also maintains the Mandatory Provident Fund Scheme and insurance for its employees in Hong Kong.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed under "Comparison of Business Objectives with Actual Business Progress" in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2013.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2013, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB298.6 million (2012: 145.1 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was nil as at 31 December 2013 (2012: Nil). The current ratio is 18.8 times as at 31 December 2013 (2012: 8.1 times). During the year, the Group did not use any financial instruments for hedging purpose.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

**Business objectives for the period from 25 November 2013 to 31 December 2013 as stated in the Prospectus**

**Actual business progress for the period from 25 November 2013 to 31 December 2013**

*1. Further development of our finance lease business*

- |                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>– N/A</li></ul> | <ul style="list-style-type: none"><li>– The Company was listed on GEM of the Stock Exchange on 9 December 2013. The Group originally expected the capital injection to Differ Lease will be completed in early 2014 as the expected approval time by relevant PRC authority was uncertain. Finally, the capital injection to Differ Lease has been completed in late December 2013 and we have contributed the share capital of Differ Lease by making use of proceeds from the Placing.</li></ul> |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

*2. Strengthening of our entrusted loan business*

- |                                                                                                                                                   |                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>– Expand our entrusted loan business by injection addition funds into Differ Holding or Differ VC</li></ul> | <ul style="list-style-type: none"><li>– As at 31 December 2013, the Group obtained the approval from the relevant PRC authority for capital injection to Differ Holding. The Group has also granted entrusted loans to customers by making use of proceeds from the Placing.</li></ul> |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

*3. Enhancement of our guarantee services*

- |                                                                                                                                         |                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>– Increase our restricted bank deposits so as to increase the guarantee limits in banks</li></ul> | <ul style="list-style-type: none"><li>– The Group is negotiating with banks to increase guarantee limits.</li></ul> |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|

## USE OF PROCEEDS

The business objectives, future plans and planned use of proceeds as stated in the Prospectus (the updated amount of net proceeds is presented on the allotment results announcement dated 6 December 2013 (the “Announcement”)) were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the IPO proceeds were applied based on the actual development of our business and financial industry. During the period from 25 November 2013 to 31 December 2013, the net IPO proceeds from the Placing had been applied as follows:

	<b>Planned use of proceeds as stated in the Announcement from 25 November 2013 to 31 December 2013</b>	<b>Actual use of proceeds from 25 November 2013 to 31 December 2013</b>
	<i>HK\$' million</i>	<i>HK\$' million</i>
1. Further development of our finance lease business	–	78.0
2. Strengthening of our entrusted loan business	34.3	25.6
3. Enhance of guarantee services	11.4	–

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The issued shares of the Company were listed on GEM of the Stock Exchange on 9 December 2013. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities after listing.

## CORPORATE GOVERNANCE

The Company is committed to establishing good corporate governance practices, procedures and fulfilling its responsibilities to its shareholders, protecting and enhancing shareholders’ value. The Company’s corporate governance practices are based on the principles and code provision as set out in the Code on Corporate Governance Practices (the “CG code”) in Appendix 15 to the GEM Listing Rules.

Throughout the period from the listing of the Company’s shares on the GEM of the Stock Exchange on 9 December 2013 (the “Listing Date”) to 31 December 2013, the Company had complied with the CG Code with the exception from the deviation from the code provisions A.1.8 as explained below:

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

### **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings. 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 2013.

### **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

During the year and up to the date of this announcement, none of the Directors who are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

### **AUDIT COMMITTEE**

The audit committee of the Company currently comprises three independent non-executive Directors, namely Mr. Chan Sing Nun (chairman), Mr. Tsang Hin Man Terence and Mr. Zeng Haisheng (members), who have reviewed the financial statements and annual results of the Group for the year ended 31 December 2013.

### **REVIEW OF FINANCIAL INFORMATION**

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2013 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.



## **CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

With effect from 31 March 2014, the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited (the “Branch Share Registrar”), will change its address from 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong to:

Level 22, Hopewell Centre  
183 Queen’s Road East  
Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

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

Hong Kong, 19 March 2014

*As at the date of this announcement, the executive Directors are Mr. HONG Mingxian, Mr. NG Chi Chung and Mr. CAI Huatan; the non-executive Directors are Mr. CAI Jianfeng and Mr. WU Qinghan; and the independent non-executive Directors are Mr CHAN Sing Nun, Mr. TSANG Hin Man Terence and Mr. ZENG Haisheng.*

*This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least seven days from the day of its posting. This announcement will also be published on the Company’s website at [www.dfh.cn](http://www.dfh.cn).*