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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)

COMMENCEMENT OF DISTRESSED ASSET MANAGEMENT BUSINESS

References are made to the announcements of Differ Group Holding Company Limited (the “**Company**”) dated 18 November 2014 (the “**First Announcement**”) and 8 December 2014 (the “**Second Announcement**”) in relation to the clarification to press articles and business update. Capitalised terms used in this announcement shall have the same meanings as those defined in the First Announcement and the Second Announcement.

As disclosed in the Second Announcement, the Board had resolved that a preliminary study regarding the New Businesses be carried out. On 5 January 2015, a meeting of the Board was convened to discuss the results of the preliminary study. During the Board meeting, the Board resolved the following:

(i) Commencement of distressed asset management business

The Board noted that there are ample supply of distressed assets in Fujian Province as a result of the increasing needs of commercial banks to dispose of distressed assets, the ongoing balance sheet de-leveraging and the financial restructuring undertaken by city and rural commercial banks and credit cooperatives, the increase in packaged sale of distressed assets by financial institutions at a discount, etc. The Board also considers that the Group’s experiences in undertaking approval and due diligence procedures when granting loans to its customers in its ordinary and usual course of business (such as assessing the quality and value of the collateral and guarantees, the source of funds for repayments, the business conditions and creditworthiness of the borrowers and guarantors, etc.) give the Group an advantage in assessing the quality and value of the distressed assets. The Board further considers that the Group’s existing client base and its network of cooperating banks in Fujian Province give the Group an advantage in locating buyers and sellers of distressed assets.

Based on the foregoing, the Board considers that engaging in the distressed asset management business in Fujian Province poses an opportunity for the Group to diversify its source of income and to increase Shareholders' values. The Board is therefore of the view that it is in the interest of the Company and the Shareholders as a whole to commence the distressed asset management business in Fujian Province.

Accordingly, the Board directed that a distressed asset management business division be established with immediate effect. The Board appointed Mr. Hong Mingxian, the chairman of the Board and an executive Director, as the head of the distressed asset management business division.

(ii) Business model

The Board resolved that the Group's distressed asset management business shall be operated under the following business model:

- (a) The Group will actively seek opportunities to acquire distressed assets (such as non-performing loans receivables or other distressed debts) from banks or other entities in Fujian Province at attractive prices. In determining whether to acquire certain distressed assets and the amount of the acquisition price, the Group will perform due diligence in order to assess the quality of the assets, the suitable methods of disposal, the estimated recovery amount in the disposal, the projected disposal period, the cost of capital and the return on investment. Due diligence steps to be performed by the Group shall generally include visiting the lending bank, the debtor, the guarantor and other related parties, inspecting the collateral, assessing the value of the collateral, reviewing information available from the lending bank such as the debtor's credit reference, and checking other information on the debtor, the guarantor and the collateral available at competent authorities such as the administration for industry and commerce, tax authorities, real estate administration, land administration authorities and the court. After acquiring the distressed assets, the Group will assume the pre-existing rights and obligations between the banks and the debtors.
- (b) On the other hand, the Group's distressed asset management business division will formulate disposal plans based on the Group's targets on profit, cash flow, cost and return on investment as well as the circumstances pertaining to each individual distressed asset. The Group's primary objective in asset disposal shall be to swiftly dispose of the assets and to minimize management and disposal costs. Provided that there are no significant external liabilities owed by the debtor and the guarantor, the primary method of disposal shall be through negotiated sales to third-party purchasers after bundling or breaking down the assets into suitable packages in order to cater for market demand and to increase the value

of the asset package. The Group may also seek to achieve recovery through litigation by, for example, enforcing the collaterals through contractual agreement with the debtor or through court order. Where the debtor is experiencing temporary liquidity difficulties and has the potential of improving the situation, the Group may also agree to a restructuring of the existing debt without extending additional credit to the debtor by offering various restructuring measures such as altering and re-confirming the arrangements and contractual rights with the debtor in relation to the repayment schedule, repayment amount, repayment method, collateral, guarantee, etc. The Group may then achieve exit through the repayment from the debtors or by selling the loan receivables to third-party purchasers. If, after its investigation, the Group finds that there are significant external liabilities owed by the debtor and guarantor, the Group shall seek to acquire the distressed assets at the most reasonable price based on prior valuation of the relevant collateral. A disposal progress schedule and disposal plan shall be developed by the Group's distressed asset management business division. The Group shall then seek to achieve recovery through litigation by enforcing the collateral in accordance with its schedule and plan, in an attempt to maximize the profit by recovering the acquisition cost of the distressed asset within a reasonable period of time after taking into account the enforcement of the collateral and the relevant taxes.

(iii) Business scale and funding

The Board resolved that the acquisition of distressed assets and the operation of the distressed asset management business shall be financed entirely by the Group's internal resources. The Board further resolved that the total value (in terms of acquisition cost) of all acquired distressed assets at any point in time shall not exceed 15% of the total consolidated assets value of the Group, in order to limit the Group's potential exposure in connection with the distressed asset management business while achieving diversified sources of income and profits for the Group and increasing Shareholders' value.

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

Hong Kong, 5 January 2015

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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.

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