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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 on Main Board: 6878)**

**(Stock Code on GEM Board: 8056)**

## **TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Financial adviser**



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

On 5 March 2015, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, the 1,000,000,000 Shares in issue on the Main Board by way of transfer of listing from GEM to the Main Board.

The approval-in-principle has been granted by the Stock Exchange on 24 June 2015 for the Shares to be listed on the Main Board and de-listed from GEM. The last day of dealings in the Shares on GEM (Stock code: 8056) will be Friday, 3 July 2015. Dealings in the Shares on the Main Board (Stock code: 6878) will commence at 9:00 a.m. on Monday, 6 July 2015. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

Reference is made to the announcement issued by the Company dated 5 March 2015 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to the relevant provisions of the GEM Listing Rules and Main Board Listing Rules.

## **TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD**

On 5 March 2015, an application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in, the 1,000,000,000 Shares in issue on the Main Board by way of transfer of listing from GEM to the Main Board. The approval-in-principle has been granted by the Stock Exchange on 24 June 2015 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

## **REASONS FOR THE TRANSFER OF LISTING**

The Company has been listed on GEM since 9 December 2013. The Group is a provider of short to medium-term financing and financing-related solutions in Fujian Province and is principally engaged in the provision of (i) financing guarantee services, (ii) pawn loans, (iii) financial consultation services, (iv) entrusted loans, (v) finance lease services and (vi) distressed asset management business.

The Board believes that the Transfer of Listing will enhance the profile of the Group and increase the trading liquidity of the Shares. The Board also considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group.

As at the date of this announcement, the Board has no immediate plans to change the nature of the business of the Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by the Company.

## **DEALINGS IN THE SHARES ON THE MAIN BOARD**

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 9 December 2013, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8056) will be Friday, 3 July 2015. Dealings in the Shares on the Main Board (Stock code: 6878) will commence at 9:00 a.m. on Monday, 6 July 2015.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lot of 5,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

### **SHARE OPTION SCHEME**

The Share Option Scheme was adopted by the Company on 26 November 2013. The Share Option Scheme will remain effective following the Transfer of Listing and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

Pursuant to the Share Option Scheme, the Board may, at its discretion, grant options to eligible participants (being Directors and employees of the Group) entitling them to subscribe for Shares. The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 100,000,000 Shares. As at the date of this announcement, no share option has been granted. The listing of the Shares to be issued pursuant to the Share Option Scheme will also be transferred to the Main Board.

### **PUBLIC FLOAT**

The Directors confirm that 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

### **COMPETING BUSINESS**

As at the date of this announcement, none of the Directors or controlling Shareholders or their respective associates has any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09(10) of the Main Board Listing Rules.

## GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 5 May 2015 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by laws or regulations of Cayman Islands or the Articles of the Company to be held; or
- (c) the date on which such authority is revoked or varied by an ordinary resolution of Shareholders in general meeting.

## PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within 2 months and 3 months from the end of the relevant periods or financial year ends respectively.

## BIOGRAPHICAL INFORMATION OF DIRECTORS

The Company discloses below the biographical information of each Director:

### Executive Directors

**Mr. HONG Mingxian** (洪明顯), aged 40, was appointed as an executive Director on 4 December 2012. Mr. Hong is the chairman of the Company and the spouse of Ms. Shi Hongjiao (one of the controlling shareholders of the Company). Mr. Hong is responsible for the overall strategic formulation, management and planning of the Group. Mr. Hong attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in July 2004. Mr. Hong is a founder chairman of Capital Association of Fujian Chamber of Commerce (福建省閩商資本聯合會), the founding chairman of Xiamen City Quanzhou Chamber of Commerce (廈門市泉州商會), the honorary chairman of Fujian Youth Entrepreneurship Promotion Association (福建青年創業促進會), the vice chairman of Xiamen City Siming District Federation of Industry and Commerce (Chamber of Commerce) (廈門市思明區工商聯(商會)) and the managing vice chairman of Economic Promotion Association for Overseas Chinese with Hometown in Xiamen (廈門市僑鄉經濟促進會). Mr. Hong has about 8 years' experience in corporate management before he joined the Group in September 2008. From August 2007 and September 2009, Mr. Hong worked at a property development company based in Jiangsu Province, PRC and last held the position of executive director.

As at the date of this announcement, Mr. Hong, being the spouse of Ms. Shi, is deemed to be interested in the 450,000,000 Shares under the SFO. Save as disclosed above, Mr. Hong does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Hong (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the service contract entered into between the Company and Mr. Hong, Mr. Hong was appointed for a term of three years commencing on 26 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Hong is entitled to a director's fee of HK\$450,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. NG Chi Chung** (吳志忠), aged 42, was appointed as an executive Director on 26 November 2013. Mr. Ng is the chief executive officer of the Company. Mr. Ng is responsible for the overall business development and management of the Group. Mr. Ng attended and completed a long distance learning course in economic management organized by Beijing Economic Management Open Institute (北京經濟管理函授學院) in January 2008. Mr. Ng has previously worked at various companies in Hong Kong and Shishi, Fujian Province, and has over 10 years' experience in corporate management. From 2002 to 2008, Mr. Ng was a member of the senior management of a vehicle trading company based in Shishi. Mr. Ng joined the Group in September 2008.

As at the date of this announcement, Mr. Ng does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Ng has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the service contract entered into between the Company and Mr. Ng, Mr. Ng was appointed for a term of three years commencing on 26 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Ng is entitled to a director's fee of HK\$375,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. CAI Huatan (蔡華談)**, aged 55, was appointed as an executive Director on 26 November 2013. Mr. Cai is the compliance officer of the Company. He is also responsible for overall expanding strategy formulation of the Group. Mr. Cai graduated from a postgraduate programme in economic law from the Law School of Sichuan University (四川大學) in 1996. Before he joined the Group in September 2008, Mr. Cai has approximately 30 years of experience in management and public administration. From 1980 to 2005, Mr. Cai worked for various departments of the governments of Shishi and Quanzhou.

As at the date of this announcement, Mr. Cai is deemed to be interested in the 300,000,000 Shares under the SFO. Save as disclosed above, Mr. Cai does not have any interest in the Shares within the meaning of Part XV of the SFO. Mr. Cai is a brother-in-law of Mr. Cai Jianfeng, a non-executive Director, and the father-in-law of Mr. Cai Xiacheng, the chief operations officer of the Group.

Save as disclosed above, Mr. Cai (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the service contract entered into between the Company and Mr. Cai, Mr. Cai was appointed for a term of three years commencing on 26 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Cai is entitled to a director's fee of HK\$300,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

### **Non-executive Directors**

**Mr. CAI Jianfeng (蔡劍鋒)**, aged 48, was appointed as a non-executive director on 26 November 2013. Mr. Cai Jianfeng has over 15 years of experience in the manufacturing industry. He has been a vice-chairman of Shishi Lingxiu General Chamber of Commerce (石獅市靈秀商會) since 2005. Mr. Cai Jianfeng is also a member of the Chinese People Political Consultative Committee of Shishi City (石獅市政治協商會議). Mr. Cai Jianfeng is a brother-in-law of Mr. Cai Huatan.

As at the date of this announcement, Mr. Cai Jianfeng does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Cai Jianfeng (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the service contract entered into between the Company and Mr. Cai Jianfeng, Mr. Cai Jianfeng was appointed for a term of three years commencing on 26 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Cai Jianfeng is entitled to a director's fee of HK\$96,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. WU Qinghan (吳清函)**, aged 51, was appointed as a non-executive director on 26 November 2013. Mr. Wu has over 25 years of experience in trading and manufacturing. He has been the chairman of a manufacturing company in Shishi since 2000. He has been the chairman of Shishi Lingxiu General Chamber of Commerce (石獅市靈秀商會) since 2005. Mr. Wu was a director of a group company from April 2010 to May 2012 and a director of another group company from July 2009 to January 2013.

As at the date of this announcement, Mr. Wu does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Wu (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the service contract entered into between the Company and Mr. Wu, Mr. Wu was appointed for a term of three years commencing on 26 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Wu is entitled to a director's fee of HK\$96,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

### **Independent non-executive Directors**

**Mr. ZENG Haisheng** (曾海聲), aged 56, was appointed as an independent non-executive director on 26 November 2013. Mr. Zeng graduated from a postgraduate programme in economic law from the Law School of Sichuan University (四川大學) in October 1996. Since 2006, Mr. Zeng has been the chairman of an investment company in Xiamen.

Mr. Zeng is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

As at the date of this announcement, Mr. Zeng does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Zeng (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the letter of appointment entered into between the Company and Mr. Zeng, Mr. Zeng was appointed for a term of three years commencing on 26 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Zeng is entitled to a director's fee of HK\$96,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. Tsang Hin Man Terence** (曾憲文), aged 53, was appointed as an independent non-executive Director on 26 November 2013. Mr. Tsang was admitted as a solicitor in Hong Kong since 1993 and he is currently the sole proprietor of Tsang & Co., H.M.. Mr. Tsang obtained a bachelor's degree in science from the University College London, the University of London in 1986. He also holds a bachelor's degree in law from the Polytechnic of Central London (now known as the University of Westminster) London. Other than his directorship in the Company, Mr. Tsang is currently an independent non-executive director of Lee & Man Handbags Holding Limited (Stock code: 1488) and China Investment and Finance Group Limited (Stock code: 1226). He is also a non-executive director of Winto Group (Holdings) Limited (Stock code: 8238).

Mr. Tsang is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

As at the date of this announcement, Mr. Tsang does not have any interest in the Shares within the meaning of Part XV of the SFO.



Save as disclosed above, Mr. Tsang (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the letter of appointment entered into between the Company and Mr. Tsang, Mr. Tsang was appointed for a term of three years commencing on 26 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Tsang is entitled to a director's fee of HK\$96,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. CHAN Sing Nun (陳星能)**, aged 40, 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 14 years' experience in auditing, accounting and financial management. Mr. Chan currently is a director of an audit firm in Hong Kong.

Mr. Chan is the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

As at the date of this announcement, Mr. Chan does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Chan (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the letter of appointment entered into between the Company and Mr. Chan, Mr. Chan was appointed for a term of three years commencing on 26 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Chan is entitled to a director's fee of HK\$96,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

## **COMPLIANCE OF THE GROUP'S BUSINESSES**

The PRC Legal Adviser is of the opinion that the Group's businesses have been in all material respects in compliance with the relevant laws and regulations in the PRC since the Company's listing in December 2013.

### **DRAFT AMOEL AND ENTRUSTED LOAN BUSINESS**

#### **The Draft AMOEL**

On 16 January 2015, the CBRC published the Draft AMOEL for public comments, which is aimed to tighten the supervision of entrusted loans.

One of the Group's principal business activities is the provision of entrusted loans. For each of the three years ended 31 December 2012, 2013 and 2014, revenue generated from the Group's entrusted loan business amounted to approximately RMB22.4 million, RMB22.0 million and RMB39.1 million respectively, representing approximately 39.6%, 28.9% and 33.1% of the Group total revenue in the respective years.

Although the Draft AMOEL mainly regulates the operation of entrusted loan business by commercial banks, it may have potential impacts on entrusted loan providers like the Group in the following aspects:

- First, banks are prohibited from issuing entrusted loans using five categories of funds: (i) all kinds of special funds with specific uses as stipulated by the State; (ii) funds from bank lending; (iii) funds raised from bond issue; (iv) funds raised from other persons or entities; and (v) funds from other sources that cannot be identified. Entrusted loan providers are required to provide the banks with relevant documents and proofs to demonstrate the legal sources of the funds. Those (i) who have outstanding bank facilities; (ii) who have provided entrusted loans in excess of their normal income and financial strength; and (iii) who are involved in other creditor-debtor relationships such as private lending and external guarantees may be subject to more prudent examination by the banks.
- Second, the Draft AMOEL provides that entrusted loans issued by commercial banks shall not be used for the following purposes: (i) manufacturing, operating or investing in products and projects that are explicitly prohibited by the State; (ii) investing in bonds, futures, financial derivatives, financial products and equity capital; (iii) registered capital payment, verification or increase; and (iv) other purposes explicitly prohibited by the State. Banks shall require the entrusted loan providers to ensure the use of entrusted loans to be in compliance with the Draft AMOEL, and to supervise the use of entrusted loans by the borrowers.

## **Entrusted loan portfolio of the Group and potential impact of the Draft AMOEL**

As at 31 December 2014, the Group had 9 outstanding entrusted loan contracts with a total entrusted loan receivables amount of RMB196.0 million, of which RMB75.0 million was attributable to 3 entrusted loan contracts renewed during the year ended 31 December 2014.

As advised by the Group, all the entrusted loans currently provided by the Group are used for working capitals turnover of the entrusted loan customers, which is in compliance with the Draft AMOEL. With regard to source of funds, the Group's entrusted loan business is mainly carried out by Differ VC, who derives its funds from shareholder's capital contribution and advance from other companies in the Group. It is unclear whether advance from other companies in the Group should be regarded as "funds raised from other persons or entities" as prohibited by the Draft AMOEL. Since the Draft AMOEL still needs to go through the process of public comments, revision and deliberation, it is unlikely to ascertain when and how the Draft AMOEL will be officially promulgated. Even if the Draft AMOEL is promulgated in its current form, the Group is able to adjust its source of funds for entrusted loans in accordance with the Draft AMOEL through ways such as increase of Differ VC's registered capital and paid-up capital. Therefore, the Draft AMOEL will not have any material effect on the Group's entrusted loan business.

### **Renewal of entrusted loans**

The Group's entrusted loan customers may apply to the Group for the renewal of an outstanding entrusted loan from time to time. A customer who wishes to renew an outstanding loan is required to submit a written application to the Group before the due date of the outstanding loan, and such application is subject to the approval by the Group. The Group does not require its customers to make full repayment of the outstanding loan principal prior to renewal.

The Group's customer may also apply to the Group for another new loans when it has an outstanding loan with the Group. Such application will be processed as if it is a new application and the Group will go through all necessary approval procedures that apply to a loan application from a new customer. If such application is approved, the customer is not required to make full repayment of the outstanding loan principal prior to drawing down the new loan.

## **DRAFT FIL AND STRUCTURED AGREEMENTS**

### **Differ Pawn and the Structured Agreements**

As disclosed in the Prospectus, the Group's pawn loan business is carried out by Differ Pawn. Under the current PRC laws and regulations, no approval has been granted and no licence has been issued by the MOC or provincial commerce authority to any foreign invested enterprise for carrying out pawn loan business since no relevant rules and regulations has been announced by the relevant PRC authorities so far.

Given that Differ Pawn is currently a domestic company and has already obtained the Pawn Operation Permit, the PRC Legal Adviser made a telephone enquiry with the chief (科長) of the Local Finance Department of Quanzhou Finance Bureau (泉州市金融工作局地方金融科, which is the local government authority responsible for the regulation and supervision of Differ Pawn as advised by the PRC Legal Adviser) on 13 May 2015 to confirm whether Differ Pawn can obtain a Pawn Operation Permit if it is a foreign-invested enterprise. The chief orally confirmed that Differ Pawn may not obtain a Pawn Operation Permit if it is a foreign-invested enterprise.

Differ Holding, as a foreign-invested enterprise, has also attempted to apply with the Xiamen Huli District Bureau of Commerce (廈門市湖里區商務局, which is the local government authority responsible for the management of foreign-invested enterprises as advised by the PRC Legal Adviser) for the establishment of a pawnshop. Xiamen Huli District Bureau of Commerce (廈門市湖里區商務局) provided a written reply on 13 May 2015 stating that (i) Differ Holding's application has been received; and (ii) however, since rules and regulations governing the investment by foreign investors (including investors from Hong Kong, Macau and Taiwan) in pawn loan business have not been promulgated by the relevant authorities, and foreign-invested enterprises cannot be issued the Pawn Operation Permit, Differ Holding's application is not admitted. The PRC Legal Adviser further verbally enquired with the Xiamen Finance Office (廈門市金融工作辦公室, which is the local authority responsible for the regulation and supervision of general pawn loan businesses in Xiamen as advised by the PRC Legal Adviser) on 13 May 2015. The official thereof also confirmed that no Pawn Operation Permit has ever been issued to any foreign-invested enterprise for conducting pawn loan business in Xiamen, and Differ Holding is not able to obtain a Pawn Operation Permit at this stage.

In order for the Group to control and manage the business of Differ Pawn in the PRC, the Structured Agreements were entered into, under which all the business, financial and operating activities of Differ Pawn are managed by Differ Holding and all economic benefits and risks arising from the business, financial and operating activities of Differ Pawn are transferred to Differ Holding by means of management and consultation fees payable by Differ Pawn to Differ Holding.

The Directors confirm that the Structured Agreements are in full compliance with the Listing Decision HKEx-LD43-3 published by the Stock Exchange. The Directors further confirm that there has been no change made to the Structured Agreements since the Company's listing on GEM on 9 December 2013.

The revenue generated by the Group's pawn loan business, through Differ Pawn, amounted to approximately RMB6.0 million, RMB12.7 million and RMB14.8 million for the year ended 31 December 2012, 2013 and 2014 respectively, representing approximately 10.7%, 16.7% and 12.5% of the total revenue of the Group for the respective years.

The PRC Legal Adviser confirm that there has been no change in the regulatory framework applicable to the Group's pawn loan business since the Company's listing on GEM on 9 December 2013.

### **The Draft FIL**

On 19 January 2015, the MOC published the Draft FIL on its official website to solicit public comments, which, if enacted, will bring radical changes to the existing foreign investment regime in China. The Draft FIL contains 170 articles and 11 chapters, covering: (1) General Provisions; (2) Foreign Investors and Foreign Investment; (3) Administration of Entry Clearance; (4) National Security Review; (5) Information Reporting; (6) Investment Promotion; (7) Investment Protection; (8) Coordination and Settlement of Complaints; (9) Supervision and Examination; (10) Legal Liability; and (11) Miscellaneous Provisions.

Major changes introduced by the Draft FIL are summarized as follows:

- i. **The definitions of Foreign Investor and Foreign Investment.** The Draft FIL defines a foreign investor not only based on its place of incorporation, but also by using the standard of "actual control", i.e. domestic enterprises under the control of foreign investors will also be treated as foreign investors. At the same time, the definition of "foreign investment" is not limited to greenfield investment or establishment of legal entities, but extends to mergers and acquisitions, real property transactions, financing for more than one year, concessions for the exploration and development of natural resources, concessions for the construction and operation of infrastructures, contractual/fiduciary control and other investment methods.
- ii. **Administration of Entry Clearance.** The Draft FIL abandons the case-by-case approval system currently in place, and adopts instead a limited foreign investment entry clearance system (i.e. the "negative list" approach). The negative list will only comprise two categories: the prohibited category and the restricted category. Advance approval will no longer be required for most foreign investments, and only investments in restricted sectors and certain large investments will be subject to entry clearance. The main focus of entry clearance review will be the identity of the foreign investor and the impact of the foreign investment on national security, energy resources, technology innovation, environmental protection, employment and other matters of public interests, rather than the internal governance structure of the foreign-invested enterprise and the transaction documents.

- iii. **National Security Review.** The Draft FIL incorporates the national security review as a separate chapter, which elevates the national security review from departmental regulations to official law. Based on the existing joint ministerial mechanism for national security review, the Draft FIL further expands the scope of national security review and provides for more specific procedures and coercive measures in its application. The national security review enjoys judicial immunity to the effect that the decisions of the review cannot be appealed or subject to administrative review.
- iv. **Information Reporting System.** While the proactive administrative oversight and control would be relaxed for most foreign investment, the Draft FIL establishes a comprehensive information reporting system for all foreign investments without regard to sectors. The Information reporting system includes the investment implementation report, the investment amendment report, the annual report and the quarterly report, each with different requirements and contents. The penalties for non-compliance with the information reporting obligations are severe, and the persons directly responsible may also be criminally liable.
- v. **Consolidation of Foreign Investment Laws.** The Draft FIL integrates the application of laws on separately regulated foreign invested enterprises, and makes it clear that existing foreign invested enterprises would have three years to transit to the generally applicable governance requirements under the Company Law and the Partnership Enterprise Law, etc.

### **Potential impact of the Draft FIL on the Group**

The Draft FIL introduces for the first time the concept of “actual control” from the foreign investment perspective, which means that whether a company is considered as a foreign invested or domestic company depends on its actual controller. According to the Draft FIL, one of the standards for identifying “control” is the possession of decisive power to influence the management, finance, personnel or technology of a company through contractual, trust or other arrangements. The Draft FIL also specifies that foreign investments include situations where foreign investors obtain control or interests in PRC domestic companies through contractual or trust arrangements, and domestic companies under the control of foreign investors will be treated as foreign investors.

Accordingly, under a VIE Structure similar to the Structured Agreements, if the actual controller is of Chinese (mainland) nationality, then the relevant domestic company shall be treated as a Chinese invested company and, therefore, the foreign investment regime stipulated by the Draft FIL will not apply and the VIE Structure may be considered as legitimate. Conversely, if the actual controller is a foreign entity or national, then the domestic company will be treated as a foreign invested company, and may be subject to the entry clearance, national security review, and information reporting requirements. Since the actual controllers of the Group, namely Ms. Shi and Mr. Cai, are not of Chinese (mainland) nationality, Differ Pawn shall be treated as a foreign invested company and be subject to the foreign investment requirements if the Draft FIL is formally passed.

However, whether Differ Pawn can continue with its operations under the Structured Agreements if the Draft FIL becomes law is still contingent on the “negative list” to be promulgated. As disclosed in the Prospectus and up to the date of this announcement, the pawn loan industry falls within the permitted category for foreign investment rather than restricted or prohibited category under the Catalogue for the Guidance of Foreign Investment Industries as last amended in March 2015. Article 71 of the Pawning Measures also provides that rules and regulations governing the investment by foreign investors in pawn loan business in the PRC shall be separately promulgated by the MOC and other relevant authorities. However, the PRC Legal Adviser has advised that based on its knowledge as well as its enquiry made on 23 and 24 April 2015 with the MOC, no such rules and regulations have been promulgated so far and in practice no approval has been granted and no licence has been issued to any foreign invested enterprise for carrying out pawn loan business.

The Group adopted the VIE Structure only because in practice no approval has been granted and no licence has been issued to any foreign invested enterprise for carrying out pawn loan business since no such rules and regulations has been announced by any authorities so far, rather than to circumvent statutory foreign investment restriction in the PRC. The PRC Legal Adviser reviewed the draft FIL and advised that, based on its knowledge and understanding of the foreign investment policies in the PRC and the fact that the pawn loan industry falls within the permitted category for foreign investment rather than restricted or prohibited category under the Catalogue for the Guidance of Foreign Investment Industries since the Catalogue for the Guidance of Foreign Investment Industries was first promulgated in 1995 and up to the date of this announcement, there is a minor possibility that the pawn loan industry will fall into or move to the “negative list”, and therefore, there is a very low risk that the Group’s VIE Structure will be considered as illegal if the Draft FIL is formally passed.

Moreover, pursuant to the legislative procedures in the PRC, it is still unlikely to ascertain when the Draft FIL will become law and a new foreign investment regime will be established. The comments from the public and the input from various governmental agencies may affect the shape and direction of the Draft FIL generally. Therefore, it is too early to clearly predict the destiny of VIE Structure and the impact of the Draft FIL on the Group’s pawn loan operations.

Nevertheless, if the Structured Agreements are adjudicated to be in violation of any applicable PRC laws, rules or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including revoking the business and operating licences of Differ Pawn, imposing economic penalties, confiscating illegal incomes, imposing conditions or requirements with which the Group have to comply, requiring the Group to cease operations in the pawn loan industry and restructure the relevant ownership structure, taking other regulatory or enforcement actions that could adversely affect the pawn loan business of the Group. Nevertheless, as mentioned above, the Group’s pawn loan business generated revenue of approximately RMB6.0 million,

RMB12.7 million and RMB14.8 million to the Group for the year ended 31 December 2012, 2013 and 2014 respectively, representing only approximately 10.7%, 16.7% and 12.5% of the total revenue of the Group for the respective years. As such, the Directors consider that if the Group is unable to continue its pawn loan business, the impact on the Group's overall business and financial position and prospects will be immaterial.

### **Suggested approaches to deal with existing VIE Structure**

Accompanying the Draft FIL, the MOC also released the Explanation of the Draft FIL (the "Explanation") on its official website on 19 January 2015, in which the MOC sets forth three suggested approaches to deal with existing foreign investments by way of VIE Structure, provided that such foreign investments still fall under the prohibited or restricted category for foreign investment after the Draft FIL comes into force.

#### *Approach I – Reporting*

The foreign-invested enterprises that implement VIE Structure shall report to the competent foreign investment authority of the State Council that they are actually controlled by PRC investors. Following such reporting, these foreign-invested enterprises can keep their VIE Structure and the relevant entities can continue with their operations.

#### *Approach II – Confirmation*

The foreign-invested enterprises that implement VIE Structure shall apply to the competent foreign investment authority of the State Council for recognition as to whether they are actually controlled by PRC investors. If the authority determines that they are actually controlled by PRC investors, then these foreign-invested enterprises can keep their VIE Structure and the relevant entities can continue with their operations.

#### *Approach III – Approval*

The foreign-invested enterprises that implement VIE Structure shall apply to the competent foreign investment authority of the State Council for approval. The authority, together with other relevant government bodies, will consider many factors, one of which is actual controller, when deciding whether or not to grant the approval.

It is unknown at this time which one of the above approaches, or any other approaches, will ultimately be adopted by the MOC. Yet whatever approach is adopted, it will only apply in the case of foreign investment in the prohibited or restricted areas. As mentioned above, there is a minor possibility that the pawn loan industry will fall under the prohibited or restricted category for foreign investment. As such, the PRC Legal Adviser is of the opinion that there is a low possibility that Differ Pawn will have to report to or obtain any confirmation or approval from the relevant authority under the aforesaid approaches. Therefore, there is a low risk that the Company would be requested to dispose of its interest in its pawn loan business pursuant to the Draft FIL.



In the regular press conference of MOC held on 28 April 2015, the spokesman Shen Danyang also expressed that VIE Structure is a widely concerned topic, and the MOC will carefully study the opinions and suggestions from the public and cautiously deal with this issue. Since the Draft FIL still needs to be reviewed by the State Council and the National People's Congress, during which necessary revisions will be made to the Draft FIL, it is still too early to judge if the foreign investment in some certain area using the VIE Structure is legal.

### **Measures to maintain control over the economic benefits of Differ Pawn**

The following measures are in place for the Group to maintain control over and economic benefits of Differ Pawn:

1. Under the Equity Pledge Agreements, the registered shareholders of Differ Pawn have granted to Differ Holding a first priority security interest over all their respective direct equity interest in Differ Pawn for guaranteeing the performance of the obligations of Differ Pawn and of the registered shareholders of Differ Pawn under the Exclusive Management and Consulting Services Agreement and the Exclusive Option and Equity Custodian Agreements, and such obligations include, among others, payment of management and consultation fees for the management and consultation service, interests, compensation etc.
2. Under the Exclusive Management and Consulting Services Agreement and the Power of Attorney, all of the directors, general manager and senior management of Differ Pawn (except for those elected by the employee representatives) are nominated or selected by Differ Holding, and Differ Holding (including its successors) or its nominee(s) is authorised to exercise all the shareholders' rights in Differ Pawn. Through its control over the directors, general manager and senior management of Differ Pawn and its exercise of all the shareholders' rights in Differ Pawn, Differ Holding is able to ensure due implementation of the Structured Agreements.
3. Each of the ultimate shareholders of the registered shareholders of Differ Pawn have further executed a confirmation letter respectively on 3 July 2013 stating that, they have no objection to the provisions and validity of the Structured Agreements, and they will cause the registered shareholders of Differ Pawn to duly perform their obligations under the Structured Agreements and not to amend or terminate the same for any reason (except as explicitly agreed by Differ Holding in writing). They also undertake not to initiate any legal actions against the Company, its subsidiaries and shareholders in relation to the Structured Agreements, not to dispose of their respective equity interest in the respective registered shareholders of Differ Pawn during the term of the Structured Agreements (except as explicitly agreed by Differ Holding in writing), and not to commence any bankruptcy, liquidation or dissolution procedures against the registered shareholders of Differ Pawn or lead to the revocation of the business licences thereof. In the event of any violation of the aforesaid confirmations and undertakings given by them, they shall compensate all the losses actually incurred by Differ Holding.

In addition, as disclosed in the Prospectus, the Group will unwind the Structured Agreements as soon as the relevant PRC regulations and rules allow the Group to operate its pawn loan business without the Structured Agreements. Pursuant to a confirmation letter dated 26 November 2013, the registered shareholders of Differ Pawn have undertaken that, subject to the relevant laws and regulations, they will return to Differ Holding or its nominee(s) any consideration they receive in the event that Differ Holding or its nominee(s) acquires the equity interest in Differ Pawn when unwinding the Structured Agreements.

## FINANCIAL INFORMATION OF THE GROUP

The table below sets forth the selected information of the Group's consolidated financial statements for the three years ended 31 December 2014 and the three months ended 31 March 2014 and 2015:

	Year ended 31 December			Three months ended 31 March	
	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2014 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
<b>Revenue</b>					
Interest income					
– Pawn loan services	6,016	12,741	14,814	3,635	4,155
– Entrusted loan services	22,365	22,003	39,087	6,732	9,902
Consultancy service income	19,094	19,718	37,163	1,982	9,223
Income from guarantee services					
– Financial guarantee services	7,493	14,807	15,741	3,980	4,005
– Other guarantee services	956	141	–	–	–
Income from finance lease service	492	6,656	11,286	2,699	3,279
<b>Total revenue</b>	<u>56,416</u>	<u>76,066</u>	<u>118,091</u>	<u>19,028</u>	<u>30,564</u>
<b>Profit attributable to the owners of the Company</b>	<u>31,238</u>	<u>40,236</u>	<u>73,013</u>	<u>10,405</u>	<u>17,002</u>
<b>Net profit margin</b>	<u>55.4%</u>	<u>52.9%</u>	<u>61.8%</u>	<u>54.7%</u>	<u>55.6%</u>

## Revenue

The Group's revenue of approximately RMB76.1 million for the financial year ended 31 December 2013 represented a growth of approximately 34.8% as compared to the revenue of approximately RMB56.4 million for the financial year ended 31 December 2012. Such increase was mainly attributable to the increased revenue generated from the Group's pawn loan services, guarantee services and finance lease services as the Directors believed that the Group benefited from the restrictive credit environment in the PRC resulted from the tight credit policy adopted in the PRC since 2012. It was reported that banks in the PRC had curtailed lending to SMEs and tend to grant loans only to large and established corporations with good reputation and credit records, thereby resulting in increased difficulties for SMEs to obtain financing from banks. Such SMEs may have therefore turned to pursue alternative financing channels, including the Group's guarantee services, pawn loans, entrusted loans, financial consultation and finance lease.

For the financial year ended 31 December 2014, the Group's revenue was approximately RMB118.1 million, representing an increase of approximately 55.2% as compared to the revenue of approximately RMB76.1 million for the financial year ended 31 December 2013. Such increase was principally attributed to the growth in the revenue generated from the Group's financial consultation services and entrusted loans services. During the year, many SMEs continued to face difficulties in obtaining loans from traditional banks in the PRC due to the tight credit policy adopted in the PRC. The Group targeted quality SMEs customers by providing convenient and effective financing solutions to support their business growth, which presented the Group with business opportunities. In addition, the net proceeds received by the Company in relation to the Company's listing in December 2013 increased the Group's available capital for its lending activities, thereby generating additional interest income for the Group.

For the three months ended 31 March 2015, the revenue of the Group was approximately RMB30.6 million, representing an increase of approximately 60.6% as compared to the revenue of the three months ended 31 March 2014 of approximately RMB19.0 million. The increase was mainly attributable to the continued strong demands from SMEs for the Group's short to medium-term financing and financing-related solutions as well as the additional revenue generated from the use of the listing proceeds received by the Company for the Group's lending activities.

## **Profit**

The Group's profit attributable to the owners of the Company amounted to approximately RMB31.2 million, RMB40.2 million and RMB73.0 million for each of the three years ended 31 December 2012, 2013 and 2014 respectively, representing an increase of approximately 28.8% in 2013 compared to 2012 and an increase of approximately 81.5% in 2014 compared to 2013. Such increases were primarily attributable to the significant increase in the Group's revenue as explained above. In addition, the increase in 2014 was also contributed by the absence of listing expenses, which was incurred in both 2012 and 2013.

For the three months ended 31 March 2015, the Group's profit attributable to the owners of the Company amounted to approximately RMB17.0 million, representing an increase of approximately 63.4% as compared to the revenue of the three months ended 31 March 2014 of approximately RMB10.4 million. Such increase was primarily attributable to the significant increase in the Group's revenue as explained above.

## **Net profit margin**

The net profit margin of the Group were approximately 55.4%, 52.9%, 61.8% and 55.6% for each of the three financial years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 respectively.

The difference in the Group's net profit margin in 2012 and 2013 was mainly due to the amount of listing expenses recognised in the respective years. While a portion of the listing expenses was recognised in 2012, the majority of the listing expenses was recognised in 2013, resulting in the slightly lower net profit margin in 2013 as compared to that in 2012.

The net profit margin increased substantially in 2014 as compared to that in 2013 mainly due to the absence of listing expenses in 2014.

The net profit margins for the three months ended 31 March 2014 and 2015 were approximately 54.7% and 55.6% respectively, which remained relatively stable.

## Average loan-to-value ratios

The table below sets out information in respect of the average loan-to-value ratio of the Group as at 31 December 2012, 2013 and 2014 and 31 March 2015:

	As at 31 December			As at 31 March
	2012	2013	2014	2015
<b>Average loan-to-value ratio</b>				
Financial guarantees	39.9%	50.7%	51.1%	53.4%
Pawn loan	71.6%	57.6%	32.8%	32.5%
Entrusted loan	57.7%	63.6%	49.6%	38.6%

The average loan-to-value ratio is calculated by dividing the outstanding balance of loans receivables or guarantee amount of each type of guarantee/loan by the value of corresponding collaterals in relation to that type of guarantee/loan.

The Group accepts different types of collateral for its entrusted loans, guarantee services and pawn loans businesses. The Group has set a target loan-to-value ratio for different types of collateral for its risk management purposes. For instance, the Group's target loan-to-value ratio is 75% for real estate collateral, 75% for movable property (including inventories, machineries, motor vehicles, antiques and gold) and 50% for property rights (including non-listed equity rights and mining rights). The Group considers each application on a case-by-case basis after taking into account all relevant factors, including but not limited to the source of repayment as well as the personal, business and financial background and conditions of the borrower and/or the guarantor and/or counter-guarantor, in addition to the natures, types, quality and value of the collateral.

The fluctuations in the Group average loan-to-value ratios from year to year were therefore mainly attributable to the differences in all relevant circumstances pertaining to different loans or guarantees granted by the Group in different years, including but not limited to those mentioned above such as the collateral, the borrower, the guarantor and/or the counter-guarantor.

## CUSTOMERS

For the three years ended 31 December 2014 and the three months ended 31 March 2015, the Group's customer base comprised mostly SMEs and individuals in Fujian Province with short to medium-term financing needs. The Group's customers are mainly engaged in manufacturing, trading, property development, and service industries.

The following tables set out the background information of the Group's top five customers:

*For the year ended 31 December 2012*

Rank	Customer	Services provided by the Group to the customer	Principal business activities	Registered capital	Principal place of business	Business relationship since	Revenue derived from the customer for the year	
							RMB'000	%
1	Customer A (which refers to three companies collectively that are related to each other)	Entrusted loan and financial consultation services	Property development	RMB40.94 million (in aggregate of the three companies)	Xiamen, Fujian Province	2012	9,918	17.6
2	Customer B	Entrusted loan and financial consultation services	Wholesale and retail of commodity and construction materials	RMB23.5 million	Xiamen, Fujian Province, the PRC	2012	4,597	8.1
3	Customer C (which refers to two companies collectively that are related to each other)	Entrusted loan and financial consultation services	Property development and trading of construction materials	RMB40 million (in aggregate of the two companies)	Quanzhou, Fujian Province	2010	3,402	6.0
4	Customer D (which refers to two companies collectively that are related to each other)	Entrusted loan	Development of resort area and wholesale of mineral products	RMB100.5 million (in aggregate of the two companies)	Datian, Fujian Province	2011	2,901	5.1
5	Customer E	Financial consultation services	Property development	RMB130 million	Jinjiang, Fujian Province	2011	2,310	4.1

*For the year ended 31 December 2013*

<b>Rank</b>	<b>Customer</b>	<b>Services provided by the Group to the customer</b>	<b>Principal business activities</b>	<b>Registered capital</b>	<b>Principal place of business</b>	<b>Business relationship since</b>	<b>Revenue derived from the customer for the year</b>	
							<i>RMB'000</i>	<i>%</i>
1	Customer A (which refers to three companies collectively that are related to each other)	Entrusted loan and financial consultation services	Property development	RMB40.94 million (in aggregate of the three companies)	Xiamen, Fujian Province	2012	11,963	15.7
2	Customer B	Entrusted loan and financial consultation services	Wholesale and retail of commodity and construction materials	RMB23.5 million	Xiamen, Fujian Province, the PRC	2012	6,439	8.5
3	Customer F	Entrusted loan and financial consultation services	Property development and property management	RMB50 million	Quanzhou, Fujian Province	2013	5,111	6.7
4	Customer G	Financial consultation service	Property development	RMB20.2 million	Xiamen, Fujian Province	2013	4,858	6.4
5	Customer D (which refers to two companies collectively that are related to each other)	Entrusted loan	Development of resort area and wholesale of mineral products	RMB100.5 million (in aggregate of the two companies)	Datian, Fujian Province	2011	2,736	3.6

*For the year ended 31 December 2014*

<b>Rank</b>	<b>Customer</b>	<b>Services provided by the Group to the customer</b>	<b>Principal business activities</b>	<b>Registered capital</b>	<b>Principal place of business</b>	<b>Business relationship since</b>	<b>Revenue derived from the customer for the year</b> <i>RMB'000</i>	<b>%</b>
1	Customer A (which refers to three companies collectively that are related to each other)	Entrusted loan and financial consultation services	Property development	RMB40.94 million (in aggregate of the three companies)	Xiamen, Fujian Province	2012	8,670	7.3
2	Customer H	Entrusted loan and financial consultation services	Trading of construction materials	RMB10 million	Xiamen, Fujian Province, the PRC	2014	8,098	6.9
3	Customer D (which refers to two companies collectively that are related to each other)	Entrusted loan	Development of resort area and wholesale of mineral products	RMB100.5 million (in aggregate of the two companies)	Datian, Fujian Province	2011	7,756	6.6
4	Customer I	Entrusted loan and financial consultation services	Engaging in textile industry	RMB5 million	Xiamen, Fujian Province	2014	7,340	6.2
5	Customer J	Financial consultation services	Engaging in textile industry	HK\$335 million	Shishi, Fujian Province	2014	6,958	5.9



*For the three months ended 31 March 2015*

Rank	Customer	Services provided by the Group to the customer	Principal business activities	Registered capital	Principal place of business	Business relationship since	Revenue derived from the customer for the period	
							RMB'000 (Unaudited)	% (Unaudited)
1	Customer K	Financial consultation services	Property development	RMB130 million	Jinjiang, Fujian Province	2015	7,500	24.5
2	Customer A (which refers to three companies collectively that are related to each other)	Entrusted loan and financial consultation services	Property development	RMB40.94 million (in aggregate of the three companies)	Xiamen, Fujian Province	2012	2,700	8.8
3	Customer H	Entrusted loan and financial consultation services	Trading of construction materials	RMB10 million	Xiamen, Fujian Province	2014	1,980	6.5
4	Customer L	Entrusted loan	Engaging in textile industry	RMB3 million	Shishi, Fujian Province	2014	1,548	5.1
5	Customer M	Finance lease	Engaging in transportation and engineering business	HK\$22.86 million	Jinjiang, Fujian Province	2014	1,437	4.7

## COLLATERAL

For the three years ended 31 December 2014 and the three months ended 31 March 2015, the Group accepted various types of collateral from its customers. Such collateral can be generally classified into three categories, namely, real estate, movable property (including inventories, machineries, motor vehicles, antiques and gold), and property rights (including non-listed equity rights and mining rights).

The fair value of the collaterals in respect of the Group's pawn loan and entrusted loan and associated interest receivables are as follows:

Collateral type	2012		As at 31 December 2013		2014		As at 31 March 2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	% (Unaudited)
Real estate	190,427	74.8	226,968	89.7	315,489	58.7	374,428	68.5
Movable property	55,300	21.7	6,500	2.6	–	–	8,760	1.6
Property rights	8,873	3.5	19,500	7.7	222,415	41.3	163,613	29.9
	<u>254,600</u>	<u>100.0</u>	<u>252,968</u>	<u>100.0</u>	<u>537,904</u>	<u>100.0</u>	<u>546,801</u>	<u>100.0</u>

The proportion of the Group's different types of collaterals as at the end of each financial year/period depends on the types of collaterals offered by the Group's customers to be pledged to the Group for loan applications. For instance, the fair value of property rights collaterals in respect of pawn loans and entrusted loans increased significantly in 2014 because more customers with property rights collaterals applied for loans from the Group, which also led to the decrease in the proportion of real estate collaterals in 2014 despite the increase in the absolute amount of fair value of real estate collaterals accepted by the Group for pawn loans and entrusted loans. During the three years ended 31 December 2014 and the three months ended 31 March 2015, the Group remained focused on lending to quality SMEs and individuals in Fujian Province with short to medium-term financing needs where such borrower customers are mainly engaged in manufacturing, trading, property development, and service industries. While the characteristics of the Group's customer base remained largely the same throughout the three years ended 31 December 2014 and the three months ended 31 March 2015, different customers may possess or may wish to offer different types of collateral to be pledged to the Group for loan applications, resulting in the fluctuation in the proportion of the Group's different types of collaterals as at the end of each financial year/period.

## LOAN AND ACCOUNT RECEIVABLES

For the three years ended 31 December 2014, the Group has not experienced any default in repayments from customers or foreclosed any collaterals. However, during each of the three years ended 31 December 2012, 2013 and 2014, the Group encountered nil, nil and 2 overdue cases from its customers respectively. In those overdue cases, the Group has eventually recovered the full amount of loan principals, accrued interests and penalties from the relevant customers. As such, no provision for impairment was required to be made to the financial statements of the Group.

The Group's total current and non-current loan and account receivables amounted to approximately RMB363.7 million as at 31 December 2014. Loan and account receivables comprised (i) principals of pawn loans, (ii) principals of entrusted loans, (iii) principals of finance leases and (iv) account receivables of interest and the consultation fee and guarantee fee receivables (if any). Pawn loan, entrusted loan and finance lease principal receivables are recognised immediately when the loans are drawn down. Interest receivables are accrued with reference to the principal outstanding at the effective interest rate applicable. Consultation fee receivables are recognised when the services are rendered.

The following table sets out a breakdown of the Group's loan and account receivables as at 31 December 2014 and the subsequent settlement up to 31 March 2015:

	<b>Receivables balance as at 31 December 2014</b>	<b>Subsequent settlement of receivables balance as at 31 December 2014 up to 31 March 2015</b>	
		<i>RMB'000</i>	<i>RMB'000    % settled</i>
<b>Current assets</b>			
Pawn loan receivables, gross and net ( <i>note</i> )	46,850	6,600	14.1
Entrusted loan receivables, gross and net ( <i>note</i> )	196,000	80,000	40.8
Finance lease receivables, gross and net ( <i>note</i> )	68,247	11,987	17.6
Account receivables, gross and net ( <i>note</i> )	2,974	2,464	82.9
	<u>314,071</u>	<u>101,051</u>	<u>32.2</u>
<b>Non-current assets</b>			
Finance lease receivables, gross and net ( <i>note</i> )	<u>49,647</u>	<u>–</u>	<u>–</u>

*Note:* In accordance with Hong Kong Financing Reporting Standards, an entity should disclose an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period. “Gross” represented the principal amount of loans and lease receivables, while “net” represented the amount of loans and lease receivables after provision for impairment. Since the Directors are of the opinion that no provision for impairment is necessary, the gross and net balances of loan and lease receivables are the same, and are presented as “gross and net” accordingly.

## **DISTRESSED ASSET MANAGEMENT BUSINESS**

### **Commencement of distressed asset management business**

References are made to the announcements of the Company dated 18 November 2014, 8 December 2014 and 5 January 2015 in relation to, among other things, the Group’s distressed asset management business.

The Group commenced its distressed asset management business in January 2015. The Group actively seeks 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. After acquiring the distressed assets, the Group will assume the pre-existing rights and obligations between the banks and the debtors and will then formulate plans to achieve recovery 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.

### **Distressed assets acquired since commencement of the business**

Since the commencement of the Group’s distressed asset management business in January 2015 and up to the date of this announcement, the Group has acquired 2 distressed assets, details of which are as follows:

1. The first acquisition was made in January 2015. Such acquisition constituted a discloseable transaction for the Company under the GEM Listing Rules, details of which was set out in the Company’s announcement dated 8 January 2015. The distressed asset acquired was all rights in relation to the enforcement of the pledge of a piece of collateral (being an industrial property located in Fujian Province) in connection with certain non-performing debts owed by an independent third party to a local branch of a PRC bank. The distressed asset was acquired by the Group for a consideration of RMB35 million. Based on the Group’s internal assessment having regard to the quality of the collateral and the recent market transactions of similar properties in the vicinity of the collateral, the market value of the collateral is estimated to be approximately RMB45 million, which is also the amount expected to be recovered by the Group after successfully completing all legal procedures in relation to the enforcement of the pledge of the collateral.

2. The second acquisition was made in January 2015, which did not constitute a notifiable transaction for the Company under the GEM Listing Rules and has therefore not been previously announced. The distressed asset acquired was all rights in relation to the enforcement of the pledge of a piece of collateral (being an industrial property located in Fujian Province) in connection with certain non-performing debts owed by an independent third party to a local branch of a PRC bank. The distressed asset was acquired by the Group for a consideration of RMB15 million. Based on the Group's internal assessment having regard to the quality of the collateral and the recent market transactions of similar properties in the vicinity of the collateral, the market value of the collateral is estimated to be approximately RMB20 million, which is also the amount expected to be recovered by the Group after successfully completing all legal procedures in relation to the enforcement of the pledge of the collateral.

Since the commencement of the Group's distressed asset management business in January 2015 and up to the date of this announcement, the Group has not made any acquisition of distressed assets other than disclosed above, nor has the Group disposed of any of the above acquired distressed assets yet.

### **Risk exposure and measures for internal control and risk management**

The Board considers that the primary risks associated with the Group's distressed asset management business include (a) material deviation in the Group's internal assessment of the quality and value of the distressed assets from their actual quality and value; and (b) unforeseen difficulties in the recovery process.

#### *(a) Internal assessment of the quality and value of distressed assets*

The Group may perform different due diligence steps on different types of distressed assets as considered necessary and applicable for each specific type of distressed asset. In general, when determining whether to acquire certain distressed assets and the amount of the acquisition price, the Group may perform a combination of the various due diligence steps in order to assess the quality of such 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. Such due diligence steps to be performed by the Group shall generally include, where applicable, 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 relevant 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.

Since the commencement of the Group's distressed asset management business, the Group has been focusing on purchasing one type of distressed assets, namely, the rights in relation to the enforcement of the pledge of property collateral in connection with non-performing debts owed by a debtor to a bank where the bank has applied to the relevant PRC court for the auction or sale of the collateral but the order from the PRC court had yet to be handed down. For such type of distressed assets, the primary risks faced by the Group are (i) the failure to obtain favourable court order to dispose of the collateral through auction or sale; and (ii) the failure to dispose of the collateral through auction or sale at a desirable price after obtaining the relevant court order.

The aforesaid risks may be caused by a range of unforeseen difficulties or circumstances during the recovery process. In relation to risk (i) mentioned above, such unforeseen difficulties or circumstances include but not limited to the following:

- when the court is not satisfied that there is sufficient evidence to prove that the debtor owes the debts to the banks or that the debtor is in default; and
- when the court is not satisfied that the collateral is properly pledged to the bank or that the bank has the legal right to enforce the pledge.

In relation to risk (ii) mentioned above, such unforeseen difficulties or circumstances include but not limited to the following:

- when the value of the collateral decreases significantly before the disposal due to factors such as physical damage or destruction by fire, earthquake or natural disasters or other unforeseen reasons; and
- when the property markets in Fujian Province experiences a material adverse change causing prices of or demand for properties in Fujian Province to significantly decrease before the disposal of the collateral.

To mitigate and manage the aforesaid risks, the Group would perform the following due diligence when determining whether to purchase such distressed asset and the amount of purchase price:

- the Group's in-house qualified lawyers are responsible for reviewing all relevant legal documents in order to assess the merits of the legal action initiated by the bank and to assess the legality, validity and enforceability of the pledge of the relevant collateral;
- a physical inspection of the collateral will be performed to assess its general condition and quality;

- valuation of the collateral will be performed on a conservative basis based on a direct comparison approach by collecting recent market transaction data available on the internet from websites providing such data concerning properties similar to the collateral in its vicinity and taking into account the liquidity of similar properties and any findings from the Group's physical inspection;
- after arriving at a conservative market valuation of the collateral, the Group will apply an appropriate discount to come up with the maximum price that it would be willing to purchase the distressed asset in order to take into account the risks of any of the unforeseen difficulties and circumstances mentioned above, where such discount shall be determined on a case-by-case basis with regard to the Group's overall assessment of the likelihood of such risks given the totality of all circumstances pertaining to the case as revealed during the due diligence process undertaken by the Group.

*(b) Recovery process*

In respect of the two distressed assets acquired by the Group, the relevant banks will continue to handle all relevant legal procedures in connection with the application to the PRC court for the auction or sale of the collateral. After obtaining the court order to auction or sell the collateral, the relevant banks will execute the court order, dispose of the collateral through auction or sale, and forward the relevant sales proceeds to the Group. Based on the Directors' industry knowledge, the Directors estimate that the time required for the obtaining of the court order and the completion of the relevant auction or sale may, in the absence of any unforeseen difficulties, normally take 3 to 12 months. Please refer to the preceding paragraphs for the nature of any unforeseen difficulties that the Group may encounter during the recovery process.

*(c) Other measures to limit the Group's exposure*

The Group has established a policy to regulate and standardize the operations and practices of the distressed asset management business. The key requirements of the policy include that any distressed assets transactions must be supported by proper research, due diligence on the necessary legal documents and the assets, acceptable valuation methods, and that the distressed assets must be disposed of in appropriate manners. The Group has required that the decision of entering into a distressed asset transaction must be based on collective approval. The Group has required the representatives of different units and departments, including its business unit, risk management department, legal department, finance department and an executive Director to comment on and approve the transaction and the terms of the related acquisition agreement.

The Group has required its financial controller to monitor and report the nature and size of the acquisitions and/or the disposal of distressed assets. The financial controller has the duty of informing the Board for further approval when the transactions are material or sensitive and preparing any required public announcement on a timely basis. The financial controller is also required to continuously report to the Board on the latest status of the distressed assets and the total value of distressed assets through the submission of updates to the Board members on a monthly basis.

The Company will also comply with all relevant requirements under the GEM Listing Rules (or, after the Transfer of Listing, the Main Board Listing Rules) as well as other applicable rules and regulations for every distressed asset transaction.

In addition, as one of the measures to limit the Group's potential exposure in connection with the distressed asset management business, the Board 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, which was also disclosed in the Company's announcement dated 5 January 2015.

#### **Recommendations made by the Group's independent internal control reviewer**

In March 2015, the Company engaged an independent internal control reviewer to perform an internal control review concerning the Group's distressed asset management business. The independent internal control reviewer has made the following two recommendations:

- (i) The Company should engage an independent and qualified valuer to perform a formal valuation assessment of the distressed assets, as a second opinion, on a regularly basis or for substantially large transactions.
- (ii) The Board should continue to identify and monitor the legal and operation risks brought forward from the pending legal situation in relation to its distressed assets. The Board is advised to report those risks and the related mitigation approach in the interim/annual report.

The Company has agreed with the above recommendations by the independent internal control reviewer and has amended its policy for distressed asset management business to reflect the above.



### **Expansion plan, investment amount and source of funding**

The Group intends to continue to seek opportunities to acquire distressed assets from banks or other entities in Fujian Province at attractive prices. As disclosed in the Company's announcement dated 5 January 2015, 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.

### **Regulatory regime**

In the PRC, the acquisition of non-performing loans of state-owned banks, and the management and disposal of the distressed assets from such acquisition are mainly conducted by special financial assets management companies. The financial assets management companies are usually wholly state-owned non-bank financial institutions, and their establishment and operations are subject to extensive laws and regulations, such as the Regulations on Financial Asset Management Companies (金融資產管理公司條例) promulgated by the State Council on 10 November 2000 etc. Pursuant to those laws and regulations, financial assets management companies shall have a registered capital of RMB 10 billion, and obtain a Financial License granted by the CBRC. Private enterprises engaging in the management and disposal of distressed assets from commercial banks is a relatively new phenomenon.

Since the two distressed assets transactions entered into by the Group did not relate to non-performing loans of state-owned banks and the Group currently only intends to acquire and dispose of distressed assets from non-state-owned banks and other entities, the Group is not required to meet the qualifications for financial assets management companies. The Group's distressed asset management business shall be conducted in accordance with the general civil laws of the PRC, including the General Principles of the Civil Law (民法通則), the Contract Law (合同法), the Guarantee Law (擔保法), the Property Law (物權法), the Civil Procedure Law (民事訴訟法), etc.

### **Expertise and resources**

The Board considers that the Group's experience 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.

In addition, the Board noted that distressed assets mostly originate from commercial banks due to 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. On the other hand, buyers of distressed assets and/or the underlying collaterals (which, in respect of the 2 distressed assets acquired by the Group, involved properties) usually include personal, corporate, institutional and other types of investors with investment needs or with demands for the collateral or property for business or personal uses. The Group's existing client base includes many enterprises and businesses whose owners may have such personal investment needs or such demands for business or personal uses. As such, the Board 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.

### **Potential impact on the existing business**

Each purchase of distressed asset requires financial resources, which could otherwise be used in the Group's other businesses, such as for lending to the Group's customers as entrusted loans or by way of finance lease. Any substantial amount of purchases of distressed assets (especially when coupled with prolonged recovery process) could reduce the financial resources available for the Group's other existing businesses.

Nevertheless, as mentioned above, the Board 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. Given such capped scale of the Group's distressed asset management business, the Directors are of the view that the distressed assets management business does not have any material negative impact on the other existing businesses of the Group.

## **POTENTIAL NEW BUSINESSES**

### **Preliminary studies**

As disclosed in the Company's announcement dated 8 December 2014, the Company has been conducting preliminary studies on several Potential New Businesses as described in the following paragraphs. As of the date of this announcement, such preliminary studies are still in progress and no decisions have been made and no views have been formed by the Board as to (i) whether or not to commence any of such Potential New Businesses; (ii) the expansion plan; (iii) the investment amount and source of funding; (iv) the associated risk exposure and management; (v) the expertise and resources required and to be employed; and (vi) any potential impact on the Group's other existing businesses if the Group is to commence any of such Potential New Businesses.

- (a) **Money lending business in Hong Kong.** As disclosed in the Company's announcement dated 18 November 2014, Differ Hong Kong made an application for a money lender's licence in Hong Kong in August 2014. Such application has been granted by the Licencing Court on 18 November 2014. Such application was made solely for the purpose of providing the flexibility for the Group to readily expand into the Hong Kong money lending industry in the future should it consider appropriate and in the interest of the Company and the Shareholders. For the avoidance of doubt, up to the date of this announcement, the Board has yet to decide whether the Group shall commence such business nor the business scale of such business if commenced. The business model of the Hong Kong money lending business contemplated by the Group may involve the potential establishment of a money lending operations in Hong Kong targeting borrowers in Hong Kong so as to generate interest income.
- (b) **Peer-to-peer (or P2P) loans business.** The business model of the P2P loans business contemplated by the Group may involve the creation and operation of an online platform by the Group for the public to conduct peer-to-peer lending activities. Peer-to-peer lending refers to the lending of money by one individual to another unrelated individual through an independent online platform, without going through traditional financial intermediaries such as banks or other financial institutions. Based on the Company's understanding, P2P loans platforms in the market may generate income by providing a range of services, including but not limited to: (i) operation and maintenance of an online platform to enable the matching of borrowers and lenders and to enable multiple lenders to invest in a loan; (ii) development of credit checking tools for loan approvals and pricing; (iii) verification of borrower identity, bank account, employment and income information; (iv) processing payments from borrowers and forwarding those payments to the lenders; and (v) loan monitoring and collection from borrowers who are delinquent or in default.
- (c) **Internet microfinance business.** The business model of the internet microfinance business contemplated by the Group may involve the granting of micro-loans to borrowers for interest income, where borrowers would be able to apply for micro-loans through an online platform operated by the Group. The principal idea of such potential new business is to provide an additional and convenient channel for borrowers to apply for loans from the Group, while at the same time broaden the Group's clientele and generate additional interest income for the Group apart from that derived from the Group's other existing financing businesses.

If the Board decides to commence any of the Potential New Businesses after the completion of the aforesaid preliminary studies, the Company will make a further announcement to disclose the relevant details, including but not limited to the intended business model, expansion plan, investment amount, source of funding, risk exposure, internal control and risk management measures, expertise and resources required and to be employed, and any potential impacts on the existing businesses as indicated from the findings of the aforesaid preliminary studies.

As of the date of this announcement, the preliminary studies in relation to the Potential New Businesses are still in progress and no decisions have been made by the Board as to whether or not to commence any of the Potential New Businesses.

### **Regulatory regime**

The following is an overview of the regulatory regime in relation to the Potential New Businesses based on legal opinions obtained by the Company from its legal advisers:

#### *(a) Money lending business in Hong Kong*

The Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) states that no person shall conduct business as a money lender without a licence, at any place other than the premises specified in such licence or otherwise than in accordance with the conditions of a licence. Every licence shall authorise the person and/or entity named therein to conduct business as a money lender for a period of 12 months from the day it is granted. Licences are not generally transferable and licensees may apply for the renewal of a licence within three months prior to the expiration of its licence. The licensing of money lenders and regulation of money lending transactions are governed by the Money Lenders Ordinance and the Money Lenders Regulations (Chapter 163A of the laws of Hong Kong).

The governing authorities of the money lending industry in Hong Kong include:

- **Licensing court** (the “**Licensing Court**”) — responsible for determination of applications for and granting of money lenders licences;
- **The Registrar of Money Lenders** (the role is presently performed by the Registrar of Companies) — responsible for processing applications for money lenders licences, endorsement on licences and maintaining a register of money lenders for inspection by members of the public; and
- **Commissioner of Police** (the “**Commissioner**”) — responsible for carrying out investigation in respect of applications for and endorsements on money lenders licences, complaints against money lenders and enforcement of the Money Lenders Ordinance

### *Grant or renewal of Money Lenders Licences by the Licensing Court*

Under section 11 of the Money Lenders Ordinance, the Licensing Court will not grant a Money Lenders Licence to an applicant who is convicted of an offence under the Money Lenders Ordinance and whom there is in force an order made by a court disqualifying such person from holding a Money Lenders Licence. The Licensing Court shall not grant or renew a Money Lenders Licence, if the application has been subject to an objection by the Registrar or the Commissioner or any other person who has served notice of his intention to object, or any other person who is granted leave by the Licensing Court to make such objection unless the Licensing Court is satisfied that:

- (i) the applicant is a fit and proper person to carry on business as a money lender, or, in case the applicant is a company, then the person who, is in control of the company, is a fit and proper person to be conducting the money lending business;
- (ii) any person responsible (or proposed to be responsible) for the management of the applicant's business, or, in case the applicant is a company, any director, secretary or officer of the company, is a fit and proper person to be conducting the money lending business;
- (iii) the applicant's name under which the Money Lenders Licence is applied for is not misleading or otherwise undesirable;
- (iv) the premises to be used in the applicant's money lending business are suitable for conducting the money lending business;
- (v) the applicant has complied with the relevant provisions and regulations relating to the application; and
- (vi) in all the circumstances the grant of such licence is not contrary to public interest.

The Licensing Court may impose any condition as it deems fit in the licence.

### *Grounds for suspension or revocation of Money Lenders Licence*

The Registrar or the Commissioner may apply to the Licensing Court, and the Licensing Court may make an order suspending or revoking any Money Lenders Licence granted by the Licensing Court if it is of the opinion that:

- (i) the licensee has seriously breached any condition specified on the Money Lenders Licence or has not been able to satisfy any other conditions relating to his money lending business; or

- (ii) the licensee has ceased to become a fit and proper person to conduct money lending business; or
- (iii) the premises specified in the Money Lenders Licence have become unsuitable for conducting the money lending business; or
- (iv) the business of the licensee has been carried on at any time or on any occasion since the date on which the licence was granted by recourse to use of any methods, or in any manner, contrary to the public interest.

*Relevant statutes, other relevant laws and regulations*

*(I) Money Lenders Ordinance*

The Money Lenders Ordinance imposes a number of regulations on the transactions and arrangements which may be conducted by a licenced money lender. These include, but are not limited to, the matters set out below:

- Any agreement entered into by a money lender for the repayment of money, the payment of interest on money so lent and any security given in respect of such agreement or loan shall be unenforceable unless a note or written memorandum of the agreement (containing the information specified in the Money Lenders Ordinance) is signed personally by the borrower within 7 days after making of the agreement and a copy of such note or memorandum is given to the borrower at the time of signing.
- Borrowers are entitled at any time, by notice in writing to the money lender, to make early repayment of all amount payable as principal under any loan agreement together with interest computed up to the date of such payment.
- Any agreement made for the loan of money by a money lender shall be illegal if it provides directly or indirectly for (a) the payment of compound interest; (b) prohibiting the repayment of the loan by instalments; or (c) the rate or amount of interest being increased by reason of any default in the payment of sums due under the agreement.
- It is a criminal offence to lend or offer to lend money at an effective rate of interest which exceeds 60% per annum.
- Any agreement for the payment by the borrower to the money lender of any sum for or on account of costs, charges or expense (other than stamp duties or similar duties) incidental to or relating to the negotiations for or the granting of the loan or proposed loan or the guaranteeing or securing of the repayment thereof is illegal.

- It is also illegal for any money lender to charge, recover or receive any sum as for or on account of any such costs, charges or expenses (other than stamp duties or similar charges) or to demand or receive any remuneration or reward from a borrower for or in connection with procuring, negotiating or obtaining any loan made or guaranteeing or securing the repayment of a loan.

(II) *Money Lenders Regulations*

The Money Lenders Regulations is the subsidiary legislation of the Money Lenders Ordinance. It primarily governs the administrative aspects and certain procedures for application and renewal of Money Lender Licences such as regulating the procedures, formats and the fees for the application and renewal of Money Lender Licences.

(b) *P2P loans business*

In contrast with the rapid boom of P2P lending market, lawmaking in China's financing sector is left far behind. To date, there are no laws and regulations specially promulgated in relation to the entry into and operation of P2P lending business. In April 2014, an official from the CBRC, the regulatory authority of the P2P lending industry, pointed out four bottom-lines for P2P lending: first, P2P company shall only serve as a intermediary platform; second, the platform itself shall not provide any guarantee or collateral; third, the platform is prevented from raising funds to establish capital pools; fourth, the platform shall not illegally absorb public funds. It is said that the CBRC is preparing to tighten the regulatory environment for the fast growing P2P lending industry. According to several news reports, rules have been drafted and are being distributed for review by various industry experts and platform operators, which may include capital requirements and leverage management.

In addition to industry regulation, online P2P lending also involves internet information provision and therefore is subject to the regulations on value-added telecommunication business in the PRC. According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) promulgated by the State Council on 25 September 2000 and amended on 8 January 2011, "Internet information services" refer to services of providing internet information to online users, and are categorized as either commercial services and non-commercial services. Commercial service providers shall obtain an internet content provider license (i.e. ICP license) from the relevant authority before engaging in the provision of any commercial internet information in the PRC. At the same time, current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in value-added telecommunication business, including internet information provision. Specifically, foreign investors' ultimate ownership in an entity providing value-added telecommunication services in the PRC shall not exceed 50%.

(c) *Internet microfinance business*

The internet microfinance business contemplated by the Group is subject to national and local regulations applicable to microfinance industry. At state level, the CBRC and the PBOC jointly issued the Guiding Opinions on the Pilot Operation of Microfinance Companies (中國銀行業監督管理委員會、中國人民銀行關於小額貸款公司試點的指導意見, “Guiding Opinions”) on 4 May 2008, which specified, among other things, the incorporation, registered capital, funding sources, use of funds and regulatory requirements of microfinance companies. According to the Guiding Opinions, any provincial government that is able to assign a department (such as the financial work offices) to take charge of the supervision and administration of microfinance companies may formulate pilot rules and measures in relation to the incorporation of microfinance companies in the province. As a result, there is no nationwide regulatory authority for the microfinance industry at present and the relevant authorities at provincial level are responsible for the supervision and administration of microfinance companies within the province.

At local level, the relevant authorities in Fujian Province have also issued various regulatory policies and measures to promote and supervise the development of microfinance companies, including the Opinions of the General Office of People’s Government of Fujian Province on Further Promoting the Development of Microfinance Companies (福建省人民政府辦公廳關於進壹步促進小額貸款公司發展的意見) issued on 30 June 2011, the Interim Measures of Fujian Province for the Administration of Microfinance Companies (福建省小額貸款公司暫行管理辦法) issued by the General Office of People’s Government of Fujian Province on 10 March 2012, and the Interim Measures of Xiamen Municipality for the Administration of Microfinance Companies (廈門市小額貸款公司暫行管理辦法) issued by the People’s Government of Xiamen on 28 December 2012. The local regulations have relaxed the restrictions on the microfinance companies set out in the Guiding Opinions in several aspects, such as the shareholding ratio of the largest shareholder, the maximum amount of bank loans and the pilot of wholly foreign owned microfinance companies. The Group shall apply to and obtain approval from the relevant authorities at provincial level in accordance with the requirements of applicable local regulations before engaging in the internet microfinance business. It is noteworthy that internet microfinance is different from ordinary microfinance business in that, due to the nature of internet platform, internet microfinance may not be subject to the geographic restrictions in conducting business that are applicable to ordinary microfinance companies. Therefore, till now there are only a small number of companies having obtained the approval to carry on the internet microfinance business.

Internet microfinance business may also involve internet information provision and be subject to the regulations on value-added telecommunication business in the PRC as discussed above.



## **NO MATERIAL ADVERSE CHANGE**

The Directors confirm that subsequent to 31 December 2014 up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no trends or developments which may have a material adverse impact on the Group's business operations or financial performance.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for viewing on the respective websites of the Company at <http://www.dfh.cn> and of the Stock Exchange at <http://www.hkexnews.hk>:

- (a) the Directors' report and annual report of the Company for the year ended 31 December 2014;
- (b) the first quarterly report of the Company for the three months ended 31 March 2015;
- (c) the third quarterly report of the Company for the nine months ended 30 September 2014;
- (d) the interim report of the Company for the six months ended 30 June 2014;
- (e) the memorandum and articles of associations of the Company;
- (f) the circular of the Company dated 28 March 2014 in relation to the proposals involving general mandates to issue new Shares and repurchase its own Shares, and re-election of Directors;
- (g) the circular of the Company dated 5 March 2015 in relation to the proposals involving general mandates to issue new Shares and repurchase its own Shares, and re-election of Directors; and
- (h) a copy of each of the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

## **DEFINITIONS**

In this announcement, the following terms shall have the meanings set opposite them unless the context requests otherwise:

“Articles” or “Articles of Association”	the articles of association of the Company adopted on 26 November 2013 and as amended from time to time
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“associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission of the PRC (中國銀行業監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Differ Group Holding Company Limited, a company incorporated in the Cayman Islands and the Shares of which are listed on GEM
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules and unless the context requires otherwise, refer to collectively, Ms. Shi, Mr. Cai, Expert Corporate Limited and Ever Ultimate Limited
“Director(s)”	the director(s) of the Company
“Differ Holding”	鼎豐集團(中國)有限公司(Differ Group (China) Company Limited), which is a wholly foreign-owned enterprise established in the PRC on 12 April 2010 and an indirect wholly-owned subsidiary of the Company. Differ Holding is principally engaged in the entrusted loan business and the financial consultation business of the Group
“Differ Hong Kong”	Differ Financial Holdings Limited (鼎豐金融控股有限公司), which was incorporated in Hong Kong on 22 September 2011 and is an intermediate holding company of the Group
“Differ Pawn”	福建鼎豐典當有限公司(Fujian Differ Pawn Company Limited), which is a limited liability company established in the PRC on 15 May 2002 and is managed and controlled by the Group through the Structured Agreements. Differ Pawn is principally engaged in the pawn loan business of the Group
“Draft AMOEL”	the draft administrative measures on entrusted loans of commercial banks (商業銀行委託貸款管理辦法) published by the CBRC on 16 January 2015

“Draft FIL”	the discussion draft of the proposed new foreign investment law published by the MOC on 19 January 2015
“Equity Pledge Agreements”	one of the Structured Agreements, details of which are set out in the section headed “Structured Agreements” in the Prospectus
“Exclusive Management and Consulting Services Agreement”	one of the Structured Agreements, details of which are set out in the section headed “Structured Agreements” in the Prospectus
“Exclusive Option and Equity Custodian Agreement”	one of the Structured Agreements, details of which are set out in the section headed “Structured Agreements” in the Prospectus
“Fujian Province”	福建省(Fujian Province), a province on the southeast coast of the PRC
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOC”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MPS”	Ministry of Public Security of the PRC (中華人民共和國公安部)

“Mr. Cai”	Mr. Cai Huatan (蔡華談), an executive Director and one of the controlling shareholders of the Company
“Mr. Hong”	Mr. Hong Mingxian (洪明顯), the chairman of the Company, an executive Director and the spouse of Ms. Shi
“Ms. Shi”	Ms. Shi Hongjiao (施鴻嬌), one of the controlling shareholders of the Company and the spouse of Mr. Hong
“Pawning Measures”	the Measures for the Administration of Pawning (典當管理辦法), which was jointly issued by the MOC and MPS on 9 February 2005 and came into effect on 1 April 2005
“Pawn Operation Permit”	典當經營許可證(Pawn Business Operation Permit) which is a permit required for the operation of a pawn loan business in the PRC pursuant to the Pawning Measures
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“Potential New Businesses”	collectively, the money lending business in Hong Kong, the peer-to-peer (or P2P) loans business, and the internet microfinance business, as currently being studied and contemplated by the Group, details of which are set out in the section headed “Potential New Businesses” in this announcement
“Power of Attorney”	one of the Structured Agreements, details of which are set out in the section headed “Structured Agreements” in the Prospectus
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Adviser”	Tian Yuan Law Firm (天元律師事務所), the legal advisers to the Company as to PRC law
“Prospectus”	the prospectus of the Company dated 3 December 2013

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 26 November 2013
“SME(s)”	small and medium enterprise(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Agreements”	a series of agreements, namely, the Exclusive Management and Consulting Services Agreement, the Equity Pledge Agreements, the Exclusive Option and Equity Custodian Agreement and the Power of Attorney, which collectively enable the Group to manage and control Differ Pawn, details of which are set out in the section headed “Structured Agreements” in the Prospectus
“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board
“VIE Structure”	a type of corporate structure involving contractual arrangements similar to the Structured Agreements, as commonly referred to as a variable interest entity structure
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, 25 June 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.*

*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).*