THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand the circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

DIFFER GROUP HOLDING COMPANY LIMITED
鼎豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 6878)

MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
ENTIRE EQUITY INTEREST IN
AND THE SALE LOAN OF
JIASHI DEVELOPMENT LIMITED

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A notice convening the EGM to be convened at 19/F, Prosperity Tower, 39 Queen's Road Central, Cental, Hong Kong on Tuesday, 20 October 2015 at 9:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

30 September 2015

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares and the Sale Loan pursuant to the Agreement
"Agreement"	the conditional sale and purchase agreement dated 24 August 2015 (as amended and supplemented by a supplemental deed dated 25 August 2015 and a second supplemental deed dated 17 September 2015 respectively) entered into among the Purchaser, the Vendor and the Guarantor relating to the sale and purchase of the Sale Shares and Sale Loan
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors from time to time
"Business Day"	a day on which licensed banks in Hong Kong are open for normal banking business throughout their normal business hours (excluding Saturday, Sunday or public holiday)
"BVI"	the British Virgin Islands
"Company"	Differ Group Holding Company Limited (stock code: 6878), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Completion Date"	within three Business Days after the fulfillment or waiver of the conditions precedent set out in the Agreement, or such later date as may be agreed between the Vendor and the Purchaser
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration of RMB103,979,000 (equivalent to approximately HK$126,803,658.54) payable by the Purchaser to the Vendor pursuant to the Agreement
"Consideration Shares"	a total of 37 new shares in the Purchaser, representing 37% of the entire issued share capital of the Purchaser as enlarged by the Consideration Shares, to be allotted and issued by the Purchaser to the Vendor (or its nominee(s)) at Completion to satisfy part of the Consideration

"Conversion Share(s)"	the new Share(s) to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds subject to the terms and conditions of the Convertible Bonds
"Conversion Price"	HK$4.502 per Conversion Share
"Convertible Bonds"	the convertible bonds in the principal amount of HK$76,545,121.95 to be issued by the Company to the Vendor (or its nominee(s)) at Completion to satisfy part of the Consideration
"Differ Lease"	廈門市鼎豐融資租賃有限公司 (Xiamen Differ Financial Leasing Company Limited#), which is a wholly foreign-owned enterprise established in the PRC on 19 April 2012 and an indirect wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company, from time to time
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, the Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares)
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Full Star"	Full Star International Development Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Target Company
"Group"	the Company and its subsidiaries, from time to time
"Guarantor"	Mr. Su Xingzhao, being the 60% shareholder of the Vendor
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"Jiashi Xiamen"	嘉實(廈門)融資租賃有限公司 (Jiashi (Xiamen) Finance Lease Limited#), a company established in the PRC in 2008, an indirect wholly-owned subsidiary of the Target Company, the major subsidiary of the Target Group engaged in finance lease business

"Latest Practicable Date"	25 September 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maturity Date"	the date falling on the third anniversary of the date of issue of the Convertible Bonds
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Differ Financial Limited (鼎豐金融有限公司), a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company, and the purchaser to the Agreement
"Purchaser Group"	the Purchaser and its subsidiaries, which are principally engaged in finance lease business
"Sale Loan"	all obligations, liabilities and debts owing by the Target Company to the Vendor on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion which as at the Latest Practicable Date, amounted to approximately RMB128,297,080
"Sale Shares"	101 shares of US$1.00 each, being the entire issued share capital of the Target Company as at the date of the Agreement which are legally and beneficially owned by the Vendor
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s) from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Jiashi Development Limited, a company incorporated in the BVI with limited liability which is wholly owned by the Vendor and is the target under the Acquisition
"Target Group"	the Target Company and its subsidiaries

"Vendor"	Jiashi Company Limited, a company incorporated with limited liability in the BVI, the vendor to the Agreement
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar(s), the lawful currency of the United States of America
"%"	per cent.

For the purpose of this circular, the conversion of RMB into HK$ is based on the exchange rate of HK$1:RMB0.82. No representation is made that any amounts in RMB and HK$ can be or could have been converted at the above exchange rate or any other rates.

In this circular, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.

DIFFER GROUP HOLDING COMPANY LIMITED
鼎豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 6878)

Executive Directors:
Mr. HONG Mingxian *(Chairman)*
Mr. NG Chi Chung *(Chief executive officer)*
Mr. CAI Huatan *(Honorary Chairman)*

Non-executive Directors:
Mr. CAI Jianfeng
Mr. WU Qinghan

Independent Non-executive Directors:
Mr. CHAN Sing Nun
Mr. TSANG Hin Man Terence
Mr. ZENG Haisheng

Registered office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 1602
Euro Trade Centre
13-14 Connaught Road Central
Central, Hong Kong

30 September 2015

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RESPECT OF THE ACQUISITION OF ENTIRE EQUITY INTEREST IN AND THE SALE LOAN OF JIASHI DEVELOPMENT LIMITED

INTRODUCTION

On 24 August 2015, the Company announced that the Purchaser, the Vendor and the Guarantor entered into the Agreement (as amended and supplemented by a supplemental deed dated 25 August 2015 and a second supplemental deed dated 17 September 2015 respectively) for the sale and purchase of the Sale Shares and the Sale Loan at the consideration of RMB103,979,000 (equivalent to approximately HK$126,803,658.54), which will be settled by the Purchaser by allotting and issuing the Consideration Shares and procuring the Company to issue the Convertible Bonds to the Vendor at Completion.

The purposes of this circular are to provide you with (i) further information regarding the Acquisition; (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) general information of the Enlarged Group; and (vi) the notice to convene the EGM.

THE AGREEMENT

Date: 24 August 2015 (as amended and supplemented by a supplemental deed dated 25 August 2015 and a second supplemental deed dated 17 September 2015 respectively)

Parties:

Purchaser: Differ Financial Limited (鼎豐金融有限公司), a wholly-owned subsidiary of the Company

Vendor: Jiashi Company Limited

Guarantor: Mr. Su Xingzhao

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is owned as to 60% and 40% by Mr. Su Xingzhao and Mr. Liu Defang respectively, and each of the Vendor, its ultimate beneficial owners, the Guarantor and their respective associates is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the (i) Sale Shares, representing the entire issued share capital of the Target Company as at Latest Practicable Date, and (ii) the Sale Loan, representing all obligations, liabilities and debts owing by the Target Company to the Vendor on or at any time prior to Completion. As at the Latest Practicable Date, the Sale Loan was amounted to approximately RMB128,297,080.

Consideration

The aggregate Consideration for the Sale Shares and Sale Loan is RMB103,979,000 (equivalent to approximately HK$126,803,658.54) and shall be settled by the Purchaser on the Completion Date in the following manner:

(i) as to RMB41,212,000 (equivalent to approximately HK$50,258,536.59) shall be satisfied by the Purchaser by allotting and issuing 37 Consideration Shares, credited as fully paid, to the Vendor (or its nominee(s)); and

(ii) RMB62,767,000 (equivalent to approximately HK$76,545,121.95) shall be satisfied by the Purchaser by procuring the Company to issue the Convertible Bonds in the principal amount of HK$76,545,121.95 to the Vendor (or its nominee(s)).

The Consideration was determined after arm's length negotiations between the parties to the Agreement, after taking into account a number of factors including the business growth, prospects and profitability of the Target Group and the Purchaser Group respectively and based on (i) the sum of 63% of (a) the unaudited net asset value of the Target Group of approximately RMB105.8 million as at 31 March 2015, (b) deduction of potential tax effect of 10% withholding tax of retained profits of the Target Group of RMB2.8 million and (c) the capitalisation of the shareholder's loan due by Full Star to the Target Company of the amount of HK$78 million (the "**Intra Group Loan**") prior to the entering into of the Agreement; and (ii) the sum of 37% of the unaudited consolidated net asset value of Differ Lease as at 30 June 2015 of approximately RMB111.4 million and the market value of the Conversion Shares at the Conversion Price.

The basis of Consideration with reference to the net asset value of the Target Group and the net asset value of the Purchaser Group is determined between the Purchaser and the Vendor after arm's length negotiation. During the course of the negotiation, the parties had considered using either the net asset value or historical track record (i.e. profits) of the Target Group as the basis for determining the Consideration. The parties to the Agreement took the view that as the Vendor is selling the entire issued share capital of the Target Group in exchange for 37% shareholding in the Purchaser (as enlarged by the 37 Consideration Shares) and the Convertible Bonds, such transaction is to be analogue to formation of an enlarged joint venture (the "**Enlarged Joint Venture**"), which comprises both the finance lease businesses of the Target Group and the Purchaser Group. The parties considers that using the net asset value as the basis of Consideration is more accurately reflecting the value of the assets injected by the respective parties to the Enlarged Joint Venture. On the other hand, if the historical track record (i.e. profits) of the Target Group or the Purchaser Group is used for determining the Consideration, it will contain a lot of uncertainties for projecting future earning power of the Enlarged Joint Venture given that the Acquisition will provide synergy effect on the earning power of the Enlarged Joint Venture which will be substantially different from the historical track record of either the Target Group or the Purchaser Group.

When the Purchaser and the Vendor determined the Consideration, the parties to the Agreement had neither taken into account of the historical track period (i.e. profits) of the Target Group nor the price to earnings ratio (the "**P/E ratio**") of the Target Group.

Without prejudice to the aforesaid, the Company considers that the implied P/E ratio of 23.5 times is fair and reasonable when compares with other comparable companies (the "**Comparable Companies**") with the business natures similar to the Target Group. Given that the Company has no information on the P/E ratios of private companies, the Board has used the P/E ratios of those listed companies as the Comparable Companies, namely China Success Finance Group Holdings Limited ("**China Success**") (Stock code: 3623), China Aircraft Leasing Group Holdings Limited ("**China Aircraft**") (Stock code: 1848), Sino Credit Holding Limited ("**Sino Credit**") (Stock code: 628), Infinity Financing Group (Holdings) Limited ("**Infinity**") (Stock code: 1152) and the Company for the P/E ratio comparison purpose. However, it should be noted that the business component, scale of operations, market and future prospects of the Target Group are not exactly the same as those of the Comparable Companies and as such, the Comparable Companies should be used to provide a general reference only.

P/E ratio	China Success	China Aircraft	Sino Credit	Infinity	the Company
(as at 15 September 2015)	41.35	13.47	N/A (net loss)	N/A (net loss)	46.64

The P/E ratios of the Comparable Companies are ranging from 13.47 to 46.64. The P/E ratio of the Target Group falls in the range and below the average and the medium.

Having taken into account the strengths of the Target Group, especially (1) the extensive finance lease experience in tourism, distant marine fisheries industries and car leasing, (2) good relationships with financial institutions and banks; and (3) the Company can extend its customer base and financing channel through the Acquisition, the Directors believe that the implied P/E ratio is fair and reasonable and in the interest of the Company and its Shareholder as a whole.

In view of the above, the Directors consider that the Consideration is fair and reasonable and the Agreement is on normal commercial terms and is fair and reasonable, and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares

Upon completion of the Acquisition, the Purchaser shall issue a total of 37 Consideration Shares to the Vendor (or its nominee(s)), representing approximately 58.73% of the issued share capital of the Purchaser as at the Latest Practicable Date, and 37% of the entire issued share capital of the Purchaser as enlarged by the Consideration Shares upon Completion. Based on the net asset value of the Purchaser Group as at 30 June 2015 of approximately RMB111.4 million, the 37 Consideration Shares shall account for RMB41,212,000 (equivalent to approximately HK$50,258,536.59) of the total Consideration payable by the Purchaser to the Vendor. Upon Completion of the Acquisition, the Purchaser will continue to be a non wholly-owned subsidiary of the Company.

The Convertible Bonds

Upon completion of the Acquisition, the Company shall issue the Convertible Bonds in the principal amount of HK$76,545,121.95 to the Vendor (or its nominee(s)), which shall account for RMB62,767,000 (equivalent to approximately HK$76,545,121.95) of the total Consideration payable by the Purchaser to the Vendor.

Set out below are the principal terms of the Convertible Bonds.

Principal terms of the Convertible Bonds

Issuer	:	the Company
Principal amount	:	HK$76,545,121.95
Interest	:	the Convertible Bonds shall not carry any interest

Maturity	:	the third anniversary of the date of issue of the Convertible Bonds
Conversion Shares	:	up to 17,002,470 Shares, representing: (i) approximately 1.70% of the existing issued share capital of the Company; and (ii) approximately 1.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares, assuming that there would be no other Shares to be allotted and issued
Conversion period	:	the period commencing from the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to the Maturity Date
Conversion rights	:	subject to the conversion restrictions mentioned below, the holder(s) of the Convertible Bonds will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Shares at the Conversion Price at any time during the conversion period
Conversion Price	:	HK$4.502 per Conversion Share, subject to adjustment upon consolidation or subdivision of Shares; for the avoidance of doubt, there will be no adjustment to the Conversion Price other than as a result of consolidation or subdivision of Shares
Ranking	:	the Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue
Voting rights	:	the Convertible Bonds shall not carry any voting rights
Listing	:	no application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange; application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares
Conversion restrictions	:	(i) the holder(s) of the Convertible Bonds shall not exercise any conversion rights attaching to the Convertible Bonds to such an extent that results or will result in the Company being unable to meet the public float requirements under the Listing Rules (ii) the Company have the discretion to redeem the Convertible Bonds in cash, or subject to compliance with the public float requirements in (i) above, to request the holder(s) of the Convertible Bonds to convert the Convertible Bonds, on or before the Maturity Date

The Conversion Shares

As at the Latest Practicable Date, the Company has 1,000,000,000 Shares in issue. Based on the Conversion Price of HK$4.502 per Conversion Share, up to 17,002,470 Conversion Shares (representing (i) approximately 1.70% of the existing issued share capital of the Company; and (ii) approximately 1.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares) will be issued upon full conversion of the Convertible Bonds.

There is no change in control of the Company after the allotment and issue of the Conversion Shares to the Vendor upon full conversion of the Convertible Bonds.

The Conversion Price of HK$4.502 per Conversion Share represents:

(i) a premium of approximately 36.01% over the closing price of HK$3.31 per Share as quoted on the Stock Exchange on 24 August 2015, being the date of the Agreement;

(ii) equivalent to the average of the closing price of approximately HK$4.502 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Agreement; and

(iii) a premium of approximately 4.21% over the closing price of HK$4.32 as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Shares are to be issued by the Company under specific mandate sought from the Shareholders at the EGM. The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue. The Company will have 1,017,002,470 Shares in issue after the allotment and issue of Conversion Shares.

The Conversion Price was arrived at after arm's length negotiation between the parties to the Agreement after taking into account the prevailing market price of the Shares. The Directors consider that the Conversion Price is fair and reasonable.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Conversion Shares.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

(a) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the transactions contemplated thereunder having been obtained;

(b) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;

(c) the warranties given by the Vendor under the Agreement remaining true, accurate and not misleading in all respects;

(d) the Listing Committee having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares;

(e) the passing by the Shareholders at the EGM of the necessary resolutions to approve the Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares);

(f) the written resolutions by the shareholder of the Purchaser approving the Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Consideration Shares);

(g) the obtaining of a legal opinion on the laws of the PRC issued by a law firm practicing in the PRC approved by the Purchaser (in such form and substance satisfactory to the Purchaser) in relation to, all relevant issues in respect of the Agreement; and

(h) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group.

Save for conditions (d), (e), (f), (g) and (h) which are incapable of being waived, the Purchaser may at its absolute discretion at any time waive in writing conditions (a) and (c) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser. As at the Latest Practicable Date, the Purchaser has no intention to waive such conditions. The Vendor may at its absolute discretion at any time waive in writing condition (b) and such waiver may be made subject to such terms and conditions as are determined by the Vendor.

If any of the conditions has not been satisfied (or, as the case may be, waived by the Purchaser) on or before 4:00 p.m. on 31 December 2015 or such later date as the Vendor and the Purchaser may agree, the Agreement shall cease and determine and neither party shall have any obligations and liabilities under the Agreement save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Completion

Completion shall take place within three Business Days after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser.

Upon Completion, the Target Group will become indirect non wholly-owned subsidiaries of the Company and therefore, the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group.

Non-competition undertaking

The Vendor and the Guarantor shall enter into a deed of non-competition in favour of the Purchaser (for itself and on behalf of all members of the Group) upon Completion, pursuant to which each of the Vendor and the Guarantor undertakes that it/he will not for a period of two (2) years starting from the Completion Date, either alone or jointly with any person, entity, unit, corporation, directly carry on or involved in (whether as a shareholder, partner, agent or otherwise) a business which competes, directly or indirectly, the business engaged by the Group in the PRC (including Hong Kong, Macau and Taiwan).

INFORMATION OF THE VENDOR AND GUARANTOR

The Vendor is an investment holding company incorporated in the BVI. The Guarantor is one of the ultimate beneficial owners of the Vendor.

INFORMATION ON THE TARGET GROUP

The Target Company is incorporated in the BVI with limited liability on 19 March 2015 and the entire issued share capital of which is wholly and beneficially owned by the Vendor as at the Latest Practicable Date. The Target Company is an investment holding company.

The Target Group is principally engaged in the provision of finance lease and consulting services in the PRC.

The Target Group was initially found by Mr. Su Xingzhao and 13 other individuals by the incorporation of Full Star in Hong Kong in 2004. With the establishment of Jiashi Xiamen, in Xiamen, Fujian province, the PRC by Full Star in 2008, the Target Group has commenced and focused its business in finance lease in Fujian province, mainly, Xiamen, Quanzhou and Zhangzhou. Prior to the entering into of the Agreement, the Target Group has undergone a reorganisation, pursuant to which the Target Company, being a company indirectly owned as to 60% and 40% by Mr. Su Xingzhao and Mr. Liu Defang respectively, acquired all the equity interest in and shareholders' loan in Full Star from Mr. Su Xingzhao and 13 other individuals. As at the Latest Practicable Date, the reorganisation had been completed subject to stamping.

Based on the information from the Vendor, as at 31 July 2015, the Target Group was handling approximately 260 finance lease projects, with an aggregate outstanding loan amount of approximately RMB540 million, focusing its business mainly in Xiamen, Zhangzhou and Quanzhou, Fujian province, the PRC. The finance lease business of the Target Group is mainly operated by Jiashi Xiamen. The success of the Target Group is attributable to (i) extensive experience in finance lease business; (ii) being creative and adaptive to the changes of market condition and government policy; (iii) risk management measures; (iv) comprehensive internal control; (v) ability to develop and retain expertise; and (vi) the long-term relationship with financial institutions and banks in the PRC.

The management team of the Target Group mainly comprises a successful entrepreneur with almost 30-year experience in managing business and extensive business network in the Fujian province, the PRC, gained from a state-owned enterprise. Operating in the Fujian province, the PRC, the Target Group further enhanced the finance lease business model for the unique needs of lessee in the Fujian province, the PRC.

The Target Group focuses its business in finance lease and at the same time evolves to adapt to market condition and government policy changes. Previously, the Target Group, mainly conducted the finance lease with customers principally engaging in manufacturing business. Taking into account the downward trend of the domestic manufacturing business, since 2013, the Target Group adjusted its target customers from domestic manufacturing industry to (i) tourism; (ii) distant marine fisheries industry; and (iii) car leasing to individuals, in which, the distant marine fisheries industry is supported by the government policy in Fujian province, the PRC.

The operation of the finance lease business is conducted by the Target Group purchasing certain assets from its customers (or suppliers designed by the customers) in cash and then leasing the assets back to the customers in return for monthly rental payments over a pre-agreed lease period. To protect the Target Group's core business, the Target Group has established measures to control the risks under finance lease business, which include requiring the lessee to (i) place certain amount of deposit with the Target Group; (ii) assign the ownership of the leased properties to the Target Group; (iii) provide guarantor(s) with financial capabilities. In the event of default payment, and even winding up, of the lessee, the Target Group can retain the deposit, sell the leased properties and request the guarantor(s) to repay the payment under the lease agreement.

The Target Group also has setup comprehensive internal control to proper manage internal risks. The Target Group has adopted code of conducts, business principles, operation rules and compliance requirement for all its staff. The department heads will supervise its staff according to their respective responsibilities and the compliance staff will monitor the business operation and finance and accounting activities of the Target Group.

Staff in the Target Group are given systematic trainings on finance lease business and has gained practical operation experience. The turnover rate of staff in the Target Group has been maintained at a very low level. Thus, staff are equipped with relevant knowledge and are retained in the Target Group, which helps the Target Group achieve sustainable growth in the finance lease business.

Further, the Target Group has long-term cooperation with financial institutions and established good credit relationship with banks in the PRC to provide sufficient source of capital. As advised by the Vendor, the Target Group is one of the first privately-owned finance lease institutions to obtain loans from banks in the Fujian province, the PRC.

Apart from Jiashi Xiamen, the other three indirect subsidiaries of the Target Company established in the PRC, namely 廈門嘉實智信諮詢服務有限公司 (Xiamen Jiashi Zhixin Consultant Services Limited#) and 廈門嘉實智通信息諮詢有限公司 (Xiamen Jiashi Zhitong Information Consultancy Limited#) which are principally engaged in consultation services, and 嘉實(廈門)資產管理有限公司 (Jiashi (Xiamen) Asset Management Limited#), the new establish Target Group subsidiary, will be principally engaged in asset management.

Set out below is the financial information of (i) the Target Company from the date of incorporation (being 19 March 2015) based on the audited financial statements for the same period and prepared in accordance with generally accepted accounting principles in Hong Kong, as prepared by the reporting accountants and (ii) the Target Group, excluding the Target Company, based on the audited financial statements for two years ended 31 December 2014 and prepared in accordance with generally accepted accounting principles in Hong Kong, as prepared by the reporting accountants:

(i) the Target Company

	For the period from the date of incorporation to 31 March 2015 *RMB'000* (audited)
Turnover	–
Loss before taxation	9
Loss after taxation	9

The audited net liabilities of the Target Company as at 31 March 2015 was approximately RMB8,000. At the Latest Practicable Date, the Sale Loan amounted to approximately RMB128,297,080.

(ii) the Target Group (excluding the Target Company)

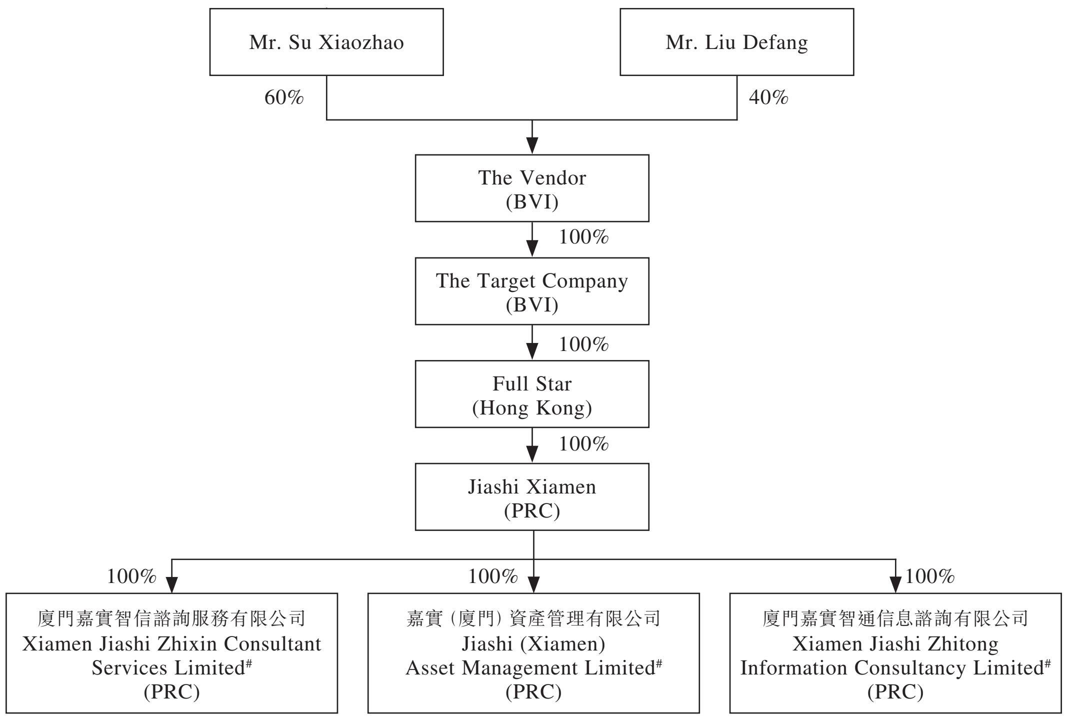
	For the year ended 31 December 2013 *RMB'000* (audited)	**For the year ended 31 December 2014** *RMB'000* (audited)
Turnover	39,252	43,574
Profit before taxation	8,097	10,398
Profit after taxation	6,890	7,026

The audited net asset of the Target Group (excluding the Target Company) as at 31 March 2015 was approximately RMB94,888,000.

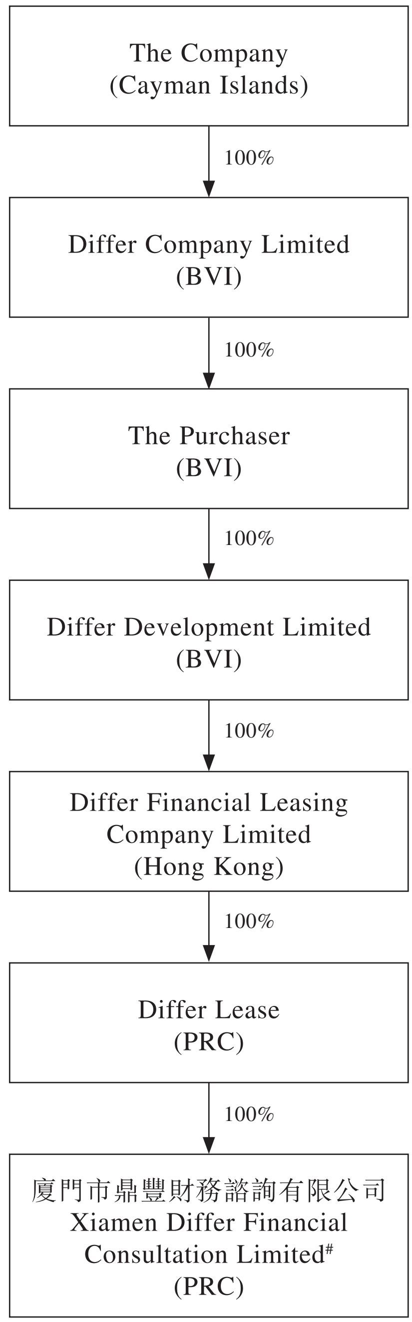
GROUP STRUCTURE

The following charts show the group structure of the Target Group and the Purchaser Group immediately before and upon the Completion:

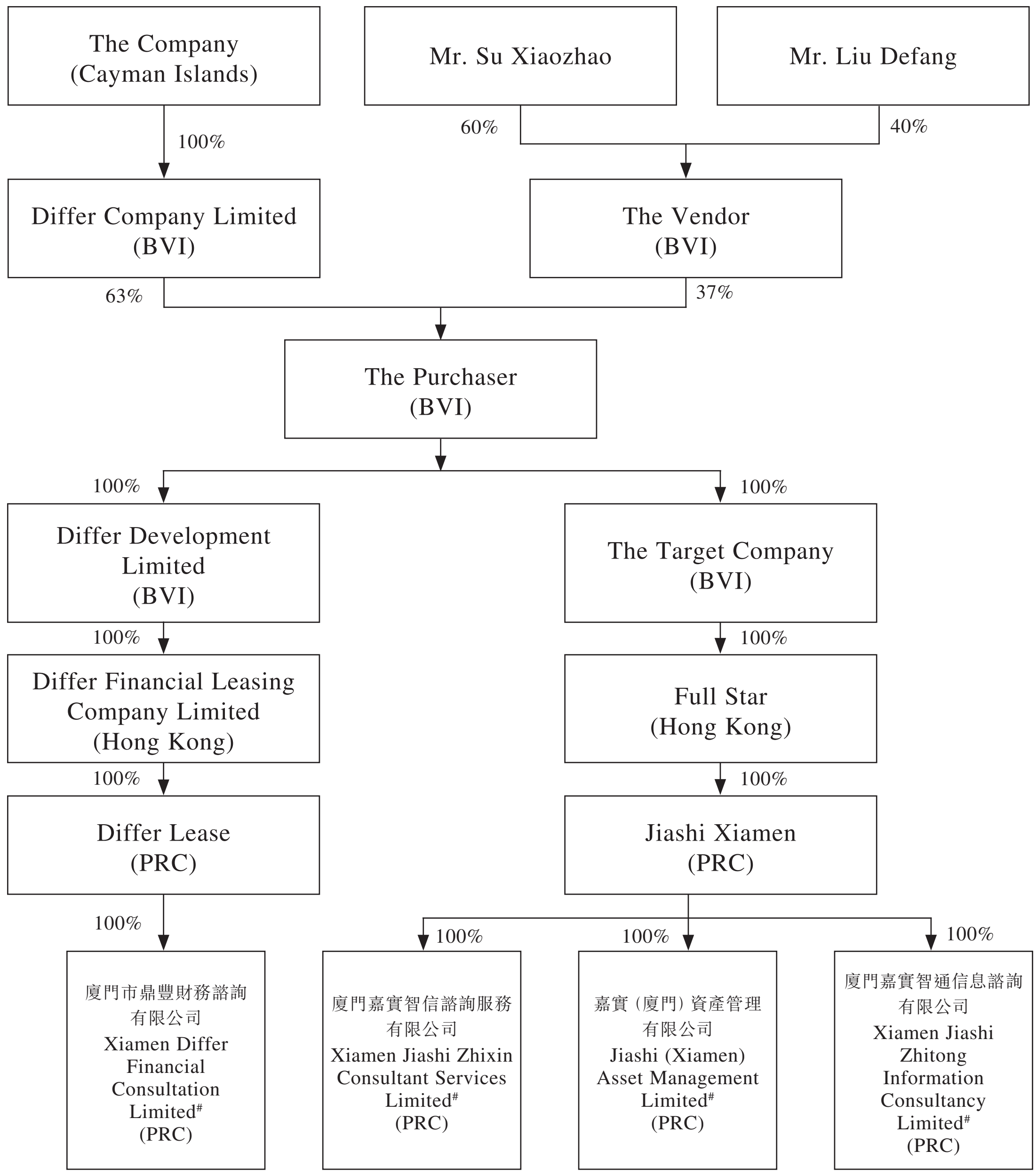
Existing structure of the Target Group immediately before Completion



Existing structure of the Purchaser Group immediately before Completion



Structure of the Purchaser Group (including the Target Group) immediately upon Completion



FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Purchaser. The accounts of the Target Company will be consolidated with those of the Group.

However, upon allotment and issue of the Consideration Shares by the Purchaser to the Vendor at Completion, the equity interest of the Company in the Purchaser will be diluted from 100% to 63%. The Purchaser will continue to be an indirect non wholly-owned subsidiary of the Group and the financial results of the Purchaser will continue to be consolidated with the Group's results. There will be no material gain or loss expected to accrue to the Company from the allotment and issue of Consideration Shares.

Effect on assets and liabilities

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming that Completion had taken place on 30 June 2015, the total assets would increase by approximately RMB752 million to RMB1,471 million (including goodwill of approximately RMB120.8 million) as at 30 June 2015. The total liabilities would increase by approximately RMB591 million to approximately RMB666 million as at 30 June 2015.

Pursuant to the pro forma financial information as at 30 June 2015, the substantial amount of goodwill being recognised is mainly attributable to the difference (i.e. RMB78,845,000) between (a) the fair value of the Convertible Bonds of RMB141,612,000 as assessed by an independent professional valuer; and (b) the value of the Convertible Bonds of RMB62,767,000 as assessed by the Company and the Vendor. The aforementioned goodwill amount has not taken into account the capitalisation of the Intra Group Loan.

The independent professional valuer has adopted the binomial option pricing model to assess the fair value of the Convertible Bonds as at 30 June 2015 in accordance with the requirements of Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The independent professional valuer's valuation is based on a number of parameters and assumptions as at 30 June 2015, including the closing price of the Company's shares at that date of HK$9.80 each.

On the other hand, when determining the Consideration, the Company and the Vendor assessed the value of the Convertible Bonds based on the latest information available on the date of the Agreement. On that date, the closing price of the Company's shares was HK$3.31 per share. The Conversion Price of HK$4.502 per Conversion Share is also equivalent to the average of the closing price per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Agreement.

Since the fair values of the identifiable assets and liabilities of the Target Group used in the preparation of the unaudited pro forma statement of assets and liabilities may be different from their fair values on the date when the Target Company became a subsidiary of the Group, the goodwill or additional intangible assets, if any, and relevant deferred tax impact to be recognised in connection with the Acquisition on Completion could be different from the estimated amounts stated in the pro forma financial information and is subject to change upon the finalisation of the completion date valuation.

As mentioned above, the pro forma goodwill of approximately RMB120.8 million in according to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular reflecting the situation as at 30 June 2015 which is different from that as at the Latest Practicable Date.

As at the Latest Practicable Date, the Directors have reassessed the pro forma goodwill by taking into account (a) the adjusted fair value of Convertible Bonds with reference to the share price of HK$4.32 as at the Latest Practicable Date and assume no changes in other parameters as at 30 June 2015; and (b) the capitalisation of the Intra Group Loan which had been completed in August 2015. Having taken into account the above, the fair value of Convertible Bonds decreased by approximately RMB59.2 million to RMB82.4 million and the fair value of net assets acquired increased by approximately RMB38.9 million to RMB98.7 million. As such, the pro forma goodwill decreased by approximately RMB98.1 million to RMB22.7 million.

The Directors have assessed whether there is any impairment on the revised pro forma goodwill as at the Latest Practicable Date in accordance with HKAS 36 "Impairment of Assets" and concluded that there is no impairment. The recoverable amount of the cash generating unit comprising this pro forma goodwill is determined based on value in use calculation. That calculation uses cash flow projections based on a 5-year financial budgets approved by management of the Company and the Target Group. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted gross margins and operating expenses. Such estimation is based on the unit's past performance and the management's expectations for the market development.

The Directors confirmed that they will apply consistent accounting policies, principal assumptions and valuation methods to assess impairment of the goodwill in subsequent reporting periods in accordance with the requirement of HKAS 36.

Effect on earnings

In light of the future prospects of the Target Group, the Directors are of the view that the Acquisition, given the profitable position of the Target Group in the past years, the Acquisition will be likely to have a positive impact on the future earnings of the Enlarged Group in the long run.

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group 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 Group's finance lease business started in 2012 in Xiamen, the PRC, and focus mainly on finance lease to customers which are principally engaged in manufacturing and transportation engineering business in the PRC.

The Purchaser Group has commenced its finance lease business though Differ Lease in 2012. Under the finance lease arrangement, Differ Lease purchases an asset (such as machinery) from the customer (or supplier designated by the customer) in cash at the beginning and lease it back to the customer immediately afterwards in return for a series of monthly rental payments payable by the customers to Differ Lease over a pre-agreed lease period as well as an up-front one-off handling fee. The customer will continue to have custody and the right to use of the asset throughout the lease period. At the end of the lease period, the title of ownership of the asset will be transferred back to the customer at a nominal consideration.

As at end of June 2015, the Purchaser Group had entered into 13 finance lease projects, of an aggregate loan amount of approximately RMB98 million, focusing its business mainly in Fujian province, the PRC.

There are approximately 80 companies incorporated in the Fujian province, the PRC, engaging in finance lease business, representing only 3.7% of the total number of finance lease companies in the PRC. With the rapid development of finance lease business in the PRC, the finance lease market penetration rate in the Fujian province, the PRC, is far behind, as compared to the number of companies engaging in finance lease business in other region of the PRC. Further, most of the finance lease companies in the Fujian province, the PRC, were set up after 2012, with relatively short history and insufficient experience, and focusing their businesses in Xiamen and Fuzhou, the PRC. As a result, there is a lack of expertise in the finance lease business in Fujian province, the PRC.

In this regard, the Board considers that (i) the finance lease business in the Fujian province, the PRC, is in the initial stage, (ii) there is huge room to develop finance lease business in the Fujian province, the PRC, and (iii) to acquire a mature, well-established and reputable finance lease company will help the Group to enlarge its scope of finance lease business, enrich its knowledge base and increase its market share, which will be beneficial to the Group's finance lease business.

Having taken into account the strengths of the Target Group, which are disclosed in the paragraph headed "Information of the Target Group" above, the Board considers that the Target Group's extensive experience in the finance lease business, in particular, in (i) tourism; (ii) distant marine fisheries industry; and (iii) car leasing to individuals, will enlarge the Group's scope of finance lease business, expand customer base, and will enable the Group to gain access to the know-how, experience and talented personnel with such specialised skills and knowledge. The Directors believe that the Acquisition will be a propelling force for the Group to be one of the leading market players in the finance lease business in Fujian province, the PRC and will bring an additional source of revenue to the Group, and thereby increase the competitiveness of the Group in the market.

Further, the Board believes that the Group can leverage on the Target Group's established good relationships with financial institutions and banks to explore further cooperation opportunities with these financial institutions and banks and develop other finance lease business of the Group.

In addition, with some commonly shared knowledge and operations, the Group intends to reorganise the structure and operation procedures to improve management efficiency and achieve synergy effect through the Acquisition. In particular, the Board can re-distribute the management fees within the Group and re-allocate the resources to development of new distribution channels and new products.

In view of the abovementioned benefits of the Acquisition, the Board is of the view that the terms of the Acquisition are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the Company's shareholding structure (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bonds, assuming there is no change in the existing shareholding of the Company.

Shareholders	**As at the Latest Practicable Date**		**Immediately upon full conversion of the Convertible Bonds**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Expert Corporate Limited *(note 1)*	450,000,000	45%	450,000,000	44.25%
Ever Ultimate Limited *(note 2)*	300,000,000	30%	300,000,000	29.50%
Jiashi Company Limited *(note 3)*	–	–	17,002,470	1.67%
Public shareholders	250,000,000	25%	250,000,000	24.58%
Total	**1,000,000,000**	**100%**	**1,017,002,470**	**100%**

Notes:

1. Expert Corporate Limited is a company incorporated in the BVI with limited liability, the entire issue share capital of which is wholly and beneficial owned by the spouse of Mr. Hong Mingxian, the chairman and executive Director.

2. Ever Ultimate Limited is a company incorporated in the BVI with limited liability, the entire issue share capital of which is wholly and beneficial owned by Mr. Cai Huatan, an executive Director.

3. The conversion of the Convertible Bonds shall be subject to compliance with the public float requirements of the Listing Rules and the shareholding table shown above is for illustrative purposes only.

LISTING RULES IMPLICATIONS

Since the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are greater than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company pursuant to Rule 14.06(3) of the Listing Rules. Accordingly, the Acquisition and the transactions contemplated respectively thereunder are subject to, among others, the approval of the Shareholders at the EGM.

Upon the allotment and issue of the Consideration Shares by the Purchaser to the Vendor at Completion, the equity interests of the Company in the Purchaser will be diluted from 100% to 63%, which will constitute a deemed disposal of interest in the Purchaser under Chapter 14 of the Listing Rules. Upon Completion, no shareholder agreement will be entered into. As certain percentage ratios (as defined under the Listing Rules) in respect of the allotment and issue of Consideration Shares exceed 5% but are below 25%, the deemed disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the announcement requirement but exempt from Shareholder's approval requirement under the Listing Rules.

In the event that the Group and/or the Enlarged Group shall enter into any finance lease(s) which constitute(s) notifiable transaction(s) under Chapter 14 of the Listing Rules, the Company will comply with all relevant requirements as provided in Chapters 14 and/or 14A of the Listing Rules.

EGM

A notice convening the EGM to be held at 19/F, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong on Tuesday, 20 October 2015 at 9:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

To the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the transactions contemplated under the Agreement. As such, no shareholder will be required to abstain from voting in favour of the resolution proposed to approve the Agreement and the transactions contemplated thereunder at the EGM.

RECOMMENDATION

The Board considers that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution approving the Agreement and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Differ Group Holding Company Limited
Hong Mingxian
Chairman and executive Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The Company commenced the listing of its Shares on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 December 2013 and transferred listing to main board ("**Main Board**") of the Stock Exchange on 6 July 2015. Financial information of the Group for the two years ended 31 December 2013 and 2014, the three months ended 31 March 2015 and the six months ended 30 June 2015 are disclosed on pages 33-84 of the 2013 annual report published on 27 March 2014, pages 39-90 of the 2014 annual report published on 5 March 2015, pages 2 – 14 of the 2015 first quarterly report published on 11 May 2015 and pages 2-24 of the 2015 interim report published on 19 August 2015 respectively, which are published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.dfh.cn). Please refer to the hyperlinks as stated below:

2013 annual report:
http://www.hkexnews.hk/listedco/listconews/GEM/2014/0327/GLN20140327063.pdf

2014 annual report:
http://www.hkexnews.hk/listedco/listconews/GEM/2015/0305/GLN20150305001.pdf

2015 first quarterly report:
http://www.hkexnews.hk/listedco/listconews/GEM/2015/0511/GLN20150511023.pdf

2015 interim report:
http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0819/LTN201508191153.pdf

2. STATEMENT OF INDEBTEDNESS

(a) Indebtedness of the Group

As at the close of business on 31 July 2015, being the latest practicable date for the purpose of our indebtedness statement, the Group had total guarantee amounts of approximately RMB458.7 million, which were secured by the collateral of the customers and/or personal/corporate guarantees.

Save as disclosed above, the Group did not have any other outstanding mortgages, charges, debentures, bank overdrafts, loan, liabilities under acceptance or other indebtedness, hire purchase and finance lease commitments or any other guarantees or other material contingent liabilities as at the close of business on 31 July 2015.

(b) Indebtedness of the Target Group

At the close of business on 31 July 2015, being the latest practicable date for ascertaining certain information in this Circular, Target Group had outstanding secured bank and other borrowings of approximately RMB245 million, unsecured bank and other borrowings of approximately RMB50 million, unsecured other payables with financing nature of approximately RMB20 million, unsecured amount due to a former shareholder of Full Star of RMB4.5 million and unsecured amount due to immediate holding company of approximately RMB128 million.

The secured bank borrowings were secured by bank deposits of RMB2.8 million and finance leases receivables with a carrying amount of RMB122.6 million as at 31 July 2015 held by Target Group. In addition, bank and other borrowings of RMB295 million are guaranteed. All other debts are unguaranteed.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, Target Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 31 July 2015.

3. WORKING CAPITAL

The Directors are of the opinion that taking into account of the Group's internal resources, cash flow from operations, the effect of the Acquisition; the Enlarged Group will have sufficient working capital for a period of 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2014 being the date to which the latest published audited financial statements of the Group was made up.

5. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

Business Review

As an integrated financing service provider, the Group mainly provide short to medium term financing and financing-related solutions in Fujian province, the PRC. During the three years ended 31 December 2014 and the six months ended 30 June 2015, the revenue was mainly derived from the provision of (i) guarantee services, (ii) pawn loan services, (iii) financial consultation services, (iv) entrusted loan services, (v) finance lease services to our customers; and (vi) distressed asset management business.

Financial Review

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 six months ended 30 June 2014 and 2015:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	(unaudited)
Revenue					
Interest income					
– Pawn loan services	6,016	12,741	14,814	7,254	8,245
– Entrusted loan services	22,365	22,003	39,087	12,886	20,090
Consultancy service income	19,094	19,718	37,163	21,629	32,825
Income from guarantee services	8,449	14,948	15,741	8,376	8,808
Income from finance lease service	492	6,656	11,286	5,597	7,743
Gain on disposal of available-for-sale financial assets	–	–	–	–	15,000
Total revenue	56,416	76,066	118,091	55,742	92,711
Profit attributable to the owners of the Company	31,238	40,236	73,013	33,640	59,256

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 six months ended 30 June 2015, the revenue of the Group was approximately RMB92.7 million, representing an increase of approximately 66.3% as compared to the revenue of the six months ended 30 June 2014 of approximately RMB55.7 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, the additional revenue generated from the use of the listing proceeds received by the Company for the Group's lending activities and gain on disposal of distressed asset in the ordinary and usual course of the Group's distressed asset management business.

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 six months ended 30 June 2015, the Group's profit attributable to the owners of the Company amounted to approximately RMB59.3 million, representing an increase of approximately 76.1% as compared to the Group's profit attributable to the owners of the Company of approximately RMB33.6 million for the six months ended 30 June 2014. Such increase was primarily attributable to the significant increase in the Group's revenue as explained above.

CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENT

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group did not have any capital commitments contracted but not provided for in the financial statements.

FOREIGN EXCHANGE RISK MANAGEMENT

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

TREASURY POLICIES

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the prospectus dated 3 December 2013, there was no material acquisition or disposal of subsidiaries and affiliated companies during the three years ended 31 December 2014 and six months ended 30 June 2015.

HUMAN RESOURCES

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group had a total of 71, 105, 106 and 103 employees respectively. The staff costs (included Directors' emoluments) were approximately RMB5.3 million, RMB7.7 million, RMB9.9 million and RMB5.2 million for the year ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2015. The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme. The Group also maintains the Mandatory Provident Fund Scheme and insurance for its employees in Hong Kong.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2012, 2013, 2014 and 30 June 2015, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB145.1 million, RMB298.6 million, RMB252.8 million and RMB300.9 million. The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was nil as at 31 December 2012, 2013, 2014 and 30 June 2015. The current ratio is 8.1 times, 18.8 times, 14.4 times and 12.7 times as at 31 December 2012, 2013, 2014 and 30 June 2015 respectively. The Group did not use any financial instruments for hedging purpose.

Outlook

The Group has successfully transferred its listing from the GEM to the Main Board of The Stock Exchange under the new stock code 6878 on 6 July 2015. We believe that transferring to the Main Board can strengthen the Group's growth momentum, increase the flexibility of business and help to enhance our corporate image and share liquidity.

In addition, 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. The Group has acquired three distressed assets during 2015. Two of the distressed assets (of which the Group's acquisition costs were RMB50 million) have been disposed and the Group recorded the profit of approximately RMB21 million.

Besides, as disclosed in the Company's announcement dated 8 December 2014, the Company has been conducting preliminary studies on several businesses, including P2P, internet microfinance business and money lending business in Hong Kong. The Group has started the money lending business in Hong Kong in late August 2015. As of the date of this Circular, the preliminary studies of P2P & 2 and internet microfinance business are still in progress.

Furthermore, in order to increase our capital to capture the business opportunities, the Company has entered into the placing agreement (as supplemented by the supplemental placing agreement) for the placing of bonds with an aggregate principal amount of up to HK$100 million (the "**Placing**"). The net proceeds from the issue of bonds will be utilised for the Group's business development including, in particular, for lending to the Group's customers in the ordinary and usual course of the Group's business of the provision of various types of short to medium financing as well as for the general working capital of the Group. As of the date of this Circular, the Placing is still in progress.

Last but not least, we consider that there is plenty of room for development of finance lease business in the Fujian province, the PRC. The Group will expand its finance leasing to more industries, from the current manufacturing and transportation engineering industries to the tourism, distant marine fisheries industries and car leasing to individuals. Through the Acquisition, the Group can enlarge the scope of finance lease business quickly in order to capture the business opportunities.

In conclusion, our Directors have an optimistic view on our overall business and financial prospects in future.

Deloitte.
德勤

30 September 2015

The directors
Differ Group Holding Company Limited
Unit 1602, Euro Trade Centre,
13 Connaught Road Central,
Central, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding Jiashi Development Limited (the "**Target Company**"), which comprise the statement of financial position as at 31 March 2015 and the statement of profit or loss and other comprehensive income and statement of changes in equity for the period from 19 March 2015 (date of incorporation) to 31 March 2015 (the "**Relevant Period**") for inclusion in a circular dated 30 September 2015 (the "**Circular**") issued by Differ Group Holding Company Limited (the "**Company**") in connection with its acquisition of the entire equity interest of the Target Company.

The Target Company was incorporated in the British Virgin Islands ("BVI") with limited liability on 19 March 2015. The Target Company is principally engaged in investment holding.

The Target Company has no direct or indirect subsidiaries at 31 March 2015. As at the date of this report, the Target Company has direct or indirect interests in the following subsidiaries:

Name of subsidiary	Country of incorporation and operation	Date of incorporation	Type of legal entity	Paid up/ Registered capital	Interests held by Full Star Directly	Interests held by Full Star Indirectly	Principal activity
富嘉國際發展有限公司	Hong Kong	16 July 2004	Limited company	HK$156,000,000	100%	–	Investment holding
嘉實(廈門)融資租賃有限公司	The People's Republic of China (the "**PRC**")	22 January 2008	Limited company	US$20,000,000	–	100%	Provision of finance leasing services
廈門嘉實智信信息諮詢有限公司	PRC	5 March 2014	Limited company	RMB100,000	–	100%	Provision of consulting services
廈門嘉實智通諮詢服務有限公司	PRC	20 October 2014	Limited company	RMB100,000	–	100%	Provision of consulting services
嘉實(廈門)資產管理有限公司	PRC	16 February 2015	Limited company	RMB30,000,000	–	100%	Provision of asset management service

At the date of this report, no audited financial statements have been prepared for the Target Company since its date of incorporation as there is no statutory requirement for their preparation.

For the purpose of this report, the directors of Target Company have prepared the financial statements of the Target Company for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information has been prepared by the directors of the Target Company based on the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements for the Relevant Period for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of the Target Company, who approved the issue. The directors of the Target Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereto gives, for the purpose of this report, a true and fair view of the financial position of the Target Company as at 31 March 2015 and of the financial performance of the Target Company for the period then ended.

A. FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	**For the period from 19 March 2015 (date of incorporation) to 31 March 2015** *RMB'000*
Revenue	5	–
Administrative expense		(9)
Loss before taxation		(9)
Taxation	6	–
Loss for the period and total comprehensive expense attributable to the owners of the Target Company		(9)

STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 31 March 2015** *RMB'000*
Current asset		
Amount due from immediate holding company	9	1
Current liability		
Other payable		9
Net current liabilities		(8)
NET LIABILITIES		(8)
Capital and reserve		
Share capital	10	1
Reserve		(9)
		(8)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total
	RMB'000	*RMB'000*	*RMB'000*
At 19 March 2015 (at date of incorporation)	–	–	–
Loss for the period	–	(9)	(9)
Issuance of share *(note 10)*	1	–	1
At 31 March 2015	1	(9)	(8)

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Target Company is a private limited company incorporated in BVI. Its immediate holding company is Jiashi Company Limited, a private limited company incorporated in the BVI. Its ultimate controlling shareholder is Mr. Su Xingzhao. The address of the registered office of the Target Company is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, BVI and principal place of business is Unit 1301, 13/F., Golden Centre, 188 Des Voeux Road Central, Sheung Wan, Hong Kong.

The Target Company is inactive during the Relevant Period. The principal activity of the Target Company changes to investment holding subsequent to the end of the Relevant Period after acquiring the entire equity interest and sale loan of Full Star International Development Limited ("**Full Star**") in the First Transfer as mentioned in section B.

The Financial Information regarding the Target Company for the Relevant Period is presented in Renminbi ("**RMB**") which is the same as the functional currency of the Target Company.

Statement of cash flows has not been presented as the Target Company did not have any cash transactions for the Relevant Period.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The financial statements have been prepared on a going concern basis because a director of the Target Company who is also the ultimate controlling shareholder of the Target Company, Mr. Su Xingzhao, has agreed to provide adequate funds to enable the Target Company to meet in full its financial obligations as they fall due for the foreseeable future.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purposes of preparing and presenting the Financial Information, the Target Company has consistently adopted all the standards, amendments and interpretations (hereinafter collectively referred to as "**new HKFRSs**") issued by the HKICPA that are effective for the Target Company's financial period beginning on 19 March 2015.

The Target Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[4]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after 1 January 2017.
[4] Effective for annual periods beginning on or after 1 January 2016.

The directors of the Target Company anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the financial position of the Target Company based on the Target Company's finance position as at 31 March 2015.

The directors of the Target Company are currently assessing the impact of these new and revised HKFRSs to the Target Company's consolidated financial statements after the acquisition of the Full Star Group in July 2015 (see First Transfer in section B) and it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until a detailed review has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies set out below which conform to HKFRSs issued by the HKICPA and included the applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for financial services provided.

The principal accounting policies are set out below.

Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Financial assets

Target Company's financial assets are all classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including amount due from immediate holding company are carried at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Target Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including other payable are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Target Company derecognises financial liability when, and only when, the Target Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit differs from 'loss before taxation' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss.

5. REVENUE

The Target Company did not derive any revenue from its activities during the Relevant Period.

6. TAXATION

No provision for Hong Kong Profits tax has been made in the Financial Information as the Target Company's operation in Hong Kong had no assessable income during the period.

The taxation for the period can be reconciled to the loss before taxation per the statement of profit or loss and other comprehensive income as follows:

	For the period from 19 March 2015 (date of incorporation) to 31 March 2015 *RMB'000*
Loss before taxation	(9)
Tax at the PRC Enterprise Income Tax rate of 25%	(2)
Tax effect of expenses not deductible for tax purpose	2
Taxation for the period	–

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

During the Relevant Period, no remunerations were paid to the directors, Mr. Su Xingzhao who is also the chief executive, and Mr. Ng Yeuk Fung.

During the Relevant Period, no emoluments were paid by the Target Company to the directors as an inducement to join or upon joining the Target Company or as compensation for loss of office for the Relevant Period.

None of the directors have waived any emoluments during the Relevant Periods. Other than the directors, the Target Company did not have any other employees during the Relevant Period.

8. DIVIDEND

No dividends have been paid or declared by the Target Company during the Relevant Period.

9. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand.

10. SHARE CAPITAL

	Share Capital	
	US$'000	*RMB$'000*
Authorised:		
50,000 ordinary shares of US$1 each	50	305
Issued and fully paid:		
100 ordinary shares of US$ 1 each	0.1	1

Note: On 19 March 2015, the Target Company was incorporated in the BVI with limited liability with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of incorporation, the Target Company issued and allotted 100 ordinary share of US$1 at par to the shareholder to provide for initial capital to the Target Company.

11. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged during the Relevant Period.

The capital structure of the Target Company consists of equity attributable to owner of the Target Company, comprising share capital.

The management of the Target Company reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital and will balance its overall capital structure through issuance of new shares as well as the raising of new debts.

The directors of the Target Company also endeavor to ensure the steady and reliable cash flow from normal business operation. The factors that may cast doubt on the Target Company's ability to act as a going concern and related measures taken are set out in note 2.

12. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March 2015
	RMB'000
Financial asset	
Amount due from immediate holding company	1
Financial liability	
Liability at amortised costs	9

(b) Financial risk management objectives and policies

The Target Company's financial instruments comprise amount due from immediate holding company and other payable. Details of the financial instruments are disclosed in the respective note. The main risk associated with the financial instrument is liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Target Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity risk

In the management of the liquidity risk, the Target Company obtains financing deemed adequate by the management to finance the Target Company's operations. The factors that may cast doubt on the Target Company's ability to continue as a going concern and the measures taken are set out in note 2.

The Target Company's financial liability as at 31 March 2015 is repayable on demand.

(c) Fair value

The fair value of financial liability is determined based on discounted cash flow analysis.

The directors of the Target Company consider that the carrying amount of financial liabilities recorded at amortised cost in the statement of financial position approximate their fair value.

B. EVENT AFTER THE RELEVANT PERIOD

Subsequent to the end of the Relevant Period, the Target Company signed an agreement with the shareholders of Full Star (together with its subsidiaries hereinafter collectively referred to as the "**Full Star Group**") to acquire the entire equity interest and the sale loan of Full Star for a consideration amounting to approximately RMB157,000,000 (the "**First Transfer**"). The directors of Full Star are the same as the directors of the Target Company before and after the acquisition. Mr. Su Xingzhao ("**Mr. Su**"), who is the ultimate controlling shareholder of the Target Company, is also a director of Full Star before and after the acquisition. Mr. Su is one of the original shareholders of Full Star but not having controlling power nor significant influence over Full Star prior to the acquisition. Full Star Group is principally engaged in the provision of financial leasing and consulting services in PRC and will be accounted for as wholly-owned subsidiaries of the Target Company after the acquisition. The consideration for the acquisition was financed by a loan from the immediate holding company of the Target Company of approximately RMB128,000,000. In addition, Mr. Su has entered into an agreement with the Target Company whereby the Target Company would issue 1 ordinary share of the Target Company to Jiashi Company Limited for the settlement of approximately RMB29,000,000 of the consideration due to Mr. Su.

The First Transfer was completed on 20 July 2015. The provisional fair value of the assets acquired and liabilities assumed as at acquisition date, determined based on the carrying amount of the assets and liabilities of the Full Star Group as at 31 March 2015, are as follows:

	RMB'000
Non-current assets	
Property, plant and equipment	1,733
Finance leases receivable	273,896
Pledged bank deposits	5,900
Deferred tax assets	3,942
Current assets	
Amounts due from shareholders	17,225
Finance leases receivable	240,702
Prepayments and other receivables	74,502
Pledged bank deposits	7,742
Bank balances and cash	5,877
Current liabilities	
Other payables and accrued charges	21,355
Amounts due to a director and shareholders	66,570
Deposits from finance lease customers	113,582
Tax payable	5,696
Bank and other borrowings	122,973
Non-current liabilities	
Deposits from finance lease customers	99,575
Bank and other borrowings	106,880
Net assets acquired	94,888

Finance leases receivable acquired in this transaction with a provisional fair value of approximately RMB514,598,000 had gross contractual amount of approximately RMB533,727,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is approximately RMB11,129,000.

Provisional goodwill arising on acquisition

	RMB'000
Provisional fair value of consideration transferred	157,000
Less: provisional fair value of net identifiable assets acquired	(94,888)
sale loan assigned to the Target Company	(62,000)
	112

Net cash outflow arising on acquisition:

	RMB'000
Consideration paid in cash	128,000
Less: cash and cash equivalents balances acquired	(5,877)
	122,123

In addition, on 24 August 2015, Differ Financial Limited (the "**Purchaser**"), a wholly-owned subsidiary of Differ Group Holding Company Limited has signed an agreement with Jiashi Company Limited, pursuant to which the Purchaser has conditionally agreed to acquire and Jiashi Company Limited has conditionally agreed to sell the entire issued share capital of the Target Company and the sale loan for an aggregate consideration of approximately RMB104 million.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 March 2015 and up to the date of this report.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

30 September 2015

The Directors
Differ Group Holding Company Limited
Unit 1602, Euro Trade Centre,
13 Connaught Road Central,
Central, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding Full Star International Development Limited ("**Full Star**") and its subsidiaries (herein after collectively referred to as the "**Full Star Group**") for the three years ended 31 December 2014 and the three months ended 31 March 2015 (the "**Relevant Periods**") for inclusion in a circular dated 30 September 2015 (the "**Circular**") issued by Differ Group Holding Company Limited(the "**Company**") in connection with its acquisition of the entire equity interest of Jiashi Development Limited.

Full Star was incorporated in Hong Kong with limited liability on 16 July 2004. Full Star is an investment holding company. As at the date of this report and also as at 31 December 2012, 2013, 2014 and 31 March 2015, Full Star has direct or indirect interests in the following subsidiaries:

Name of subsidiary	Country of incorporation and operation	Date of incorporation	Type of legal entity	Registered capital	Interests held by Full Star Directly	Interests held by Full Star Indirectly	Principal activity
嘉實(廈門)融資租賃有限公司	The People's Republic Of China (the "**PRC**")	22 January 2008	Limited company	US$20,000,000	100%	–	Provision of finance leasing services
廈門嘉實智信信息諮詢有限公司	PRC	5 March 2014	Limited company	RMB100,000	–	100%	Provision of consulting services
廈門嘉實智通諮詢服務有限公司	PRC	20 October 2014	Limited company	RMB100,000	–	100%	Provision of consulting services
嘉實(廈門)資產管理有限公司	PRC	16 February 2015	Limited company	RMB30,000,000	–	100%	Provision of asset management service

The statutory financial statements of Full Star for each of the years ended 31 March 2012 and 31 March 2013 were prepared in accordance with the Hong Kong Financial Reporting Standards for Private Entities issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") except that Full Star did not prepare consolidated financial statements and were audited by Zhi Hua & Co Certified Public Accountants. The statutory financial statements of Full Star for each of the years ended 31 March 2014 and 31 March 2015 were prepared in accordance with the Hong Kong Financial Reporting Standards for Private Entities issued by the HKICPA except that Full Star did not prepare consolidated financial statements and were audited by KNC & Company Certified Public Accountants.

The statutory financial statements of 嘉實(廈門)融資租賃有限公司 for the year ended 31 December 2012 were prepared in accordance with relevant accounting regulations applicable to enterprises established in the PRC and were audited by Xiamen Andexin Certified Public Accountants (廈門安德信會計師事務所), a certified public accountant registered in the PRC.

No statutory financial statements of 嘉實(廈門)融資租賃有限公司have been prepared since 2013 as there is no statutory requirement for their preparation.

No audited financial statements have been prepared for 廈門嘉實智信諮詢服務有限公司, 廈門嘉實智通諮詢服務有限公司and嘉實（廈門）資產管理有限公司 since the date of their incorporation as there is no statutory requirement for their preparation.

For the purpose of this report, the directors of Full Star have prepared the consolidated financial statements of Full Star Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA (the "**Underlying Financial Statements**"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Full Star Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements of Full Star Group. No adjustments are considered necessary to adjust the Underlying Financial Statements for the Relevant Periods for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of Full Star, who approved their issue. The directors of Full Star are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereto gives, for the purpose of this report, a true and fair view of the consolidated financial position of Full Star Group as at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015 and of the consolidated financial performance and cash flows of Full Star Group for each of the years and period then ended.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of Full Star Group for the three months ended 31 March 2014 together with the notes thereon have been extracted from the unaudited consolidated financial statements of Full Star Group for the same period (the "**2014 Three Months Ended Financial Information**") which were prepared by the directors of Full Star solely for the purpose of this report. We have reviewed the 2014 Three Months Ended Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Financial Statements" issued by the HKICPA. Our review of the 2014 Three Months Ended Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 2014 Three Months Ended Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 2014 Three Months Ended Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRS.

A. FINANCIAL INFORMATION OF FULL STAR GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Three months ended 31 March	
		2012	**2013**	**2014**	**2014**	**2015**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	5	35,080	39,252	43,574	8,695	10,270
Finance costs	6	(11,577)	(11,222)	(15,283)	(3,674)	(4,212)
Gross profit		23,503	28,030	28,291	5,021	6,058
Other income		1,096	1,209	1,885	166	501
Other expenses		(10)	(98)	(674)	(8)	(8)
Selling and distribution expenses		(645)	(241)	(864)	(214)	(59)
Administrative expenses		(19,294)	(19,993)	(18,240)	(3,695)	(4,966)
Profit before taxation		4,650	8,907	10,398	1,270	1,526
Taxation	7	(2,353)	(2,017)	(3,372)	(599)	(497)
Profit for the year/period and total comprehensive income attributable to the owners of Full Star	8	2,297	6,890	7,026	671	1,029

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2012	2013	2014	2015
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	10	2,815	2,320	1,290	1,733
Finance leases receivable	11	192,579	197,981	280,939	273,896
Pledged bank deposits	14	490	9,310	7,380	5,900
Deferred tax assets	12	1,195	2,498	3,690	3,942
		197,079	212,109	293,299	285,471
Current assets					
Amounts due from shareholders	17	447	5,207	8,734	17,225
Finance leases receivable	11	249,951	286,081	204,607	240,702
Prepayments and other receivables	13	47,777	59,539	77,193	74,502
Pledged bank deposits	14	41,580	21,904	6,478	7,742
Bank balances and cash	14	15,921	9,786	4,774	5,877
		355,676	382,517	301,786	346,048
Current liabilities					
Other payables and accrued charges	15	35,895	22,964	22,758	21,355
Amounts due to a director and shareholders	17	64,068	61,608	61,819	66,570
Deposits from finance lease customers	11	53,070	99,273	111,712	113,582
Tax payable		745	1,010	5,090	5,696
Bank and other borrowings	16	143,045	27,639	23,788	122,973
		296,823	212,494	225,167	330,176
Net current assets		58,853	170,023	76,619	15,872
Total assets less current liabilities		255,932	382,132	369,918	301,343

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – continued

					As at
		As at 31 December			**31 March**
		2012	**2013**	**2014**	**2015**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Deposits from finance lease customers	11	151,642	122,118	87,325	99,575
Bank and other borrowings	16	24,347	173,181	188,734	106,880
		175,989	295,299	276,059	206,455
NET ASSETS		**79,943**	**86,833**	**93,859**	**94,888**
Capital and reserve					
Share capital	18	63,235	63,235	63,235	63,235
Retained profits		16,708	23,598	30,624	31,653
		79,943	**86,833**	**93,859**	**94,888**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2012 (unaudited)	63,235	14,411	77,646
Profit and total comprehensive income for the year	–	2,297	2,297
At 31 December 2012	63,235	16,708	79,943
Profit and total comprehensive income for the year	–	6,890	6,890
As at 31 December 2013	63,235	23,598	86,833
Profit and total comprehensive income for the period	–	671	671
As at 31 March 2014 (unaudited)	63,235	24,269	87,504
Profit and total comprehensive income for the period	–	6,355	6,355
As at 31 December 2014	63,235	30,624	93,859
Profit and total comprehensive income for the period	–	1,029	1,029
As at 31 March 2015	63,235	31,653	94,888

CONSOLIDATED STATEMENTS OF CASH FLOWS

	As at 31 December			As at 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit before taxation	4,650	8,907	10,398	1,270	1,526
Adjustments for:					
Impairment loss on finance leases receivable	5,013	6,259	5,180	–	1,010
Depreciation of property, plant and equipment	1,327	1,157	1,118	286	211
Interest income	(973)	(472)	(230)	(64)	(63)
Interest expense	9,979	10,942	13,461	3,096	3,799
Operating cash flows before movements in working capital	19,996	26,793	29,927	4,588	6,483
Increase in finance leases receivable	(41,825)	(31,112)	(29,018)	(19,450)	(15,942)
Decrease (increase) in prepayments and other receivables	10,078	(11,762)	(17,654)	30,251	2,691
(Decrease) in other payables and accrued charges	(24,812)	(12,931)	(206)	(2,556)	(1,403)
Increase (decrease) in amounts due to a director and shareholders	253	(2,460)	211	528	4,751
Cash (used in) generated from operation	**(36,310)**	**(31,472)**	**(16,740)**	**13,361**	**(3,420)**
PRC income tax paid	(2,849)	(3,055)	(484)	(203)	(143)
Interest paid	(9,979)	(10,942)	(13,461)	(3,096)	(3,799)
Net cash (used in) from operating activities	**(49,138)**	**(45,469)**	**(30,685)**	**10,062**	**(7,362)**

CONSOLIDATED STATEMENTS OF CASH FLOWS – continued

	As at 31 December			As at 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Investing activities					
Purchase of property, plant and equipment	(871)	(662)	(88)	(11)	(654)
Placement of pledged bank deposits	(157,450)	(131,812)	(50,675)	(14,160)	(9,067)
Decrease (increase) in amounts due from shareholders	73	(4,760)	(3,527)	5,207	(8,491)
Withdrawal of pledged bank deposits	153,032	142,668	68,031	15,575	9,283
Interest received	973	472	230	64	63
Net cash (used in) from investing activities	**(4,243)**	**5,906**	**13,971**	**6,675**	**(8,866)**
Financing activities					
Bank loans raised	183,800	166,950	134,180	9,690	134,180
Repayment of bank loans	(121,770)	(133,522)	(122,478)	(27,867)	(116,849)
Net cash from (used in) financing activities	**62,030**	**33,428**	**11,702**	**(18,177)**	**17,331**
Net increase (decrease) in cash and cash equivalents	**8,649**	**(6,135)**	**(5,012)**	**(1,440)**	**1,103**
Cash and cash equivalents at beginning of the year/period	7,272	15,921	9,786	9,786	4,774
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	**15,921**	**9,786**	**4,774**	**8,346**	**5,877**

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Full Star is a private limited company incorporated in Hong Kong. On 20 July 2015, Jiashi Development Limited, a private limited company incorporated in the British Virgin Islands, acquired the entire ordinary share capital of Full Star from its original shareholders. The directors of Full Star are the same as the directors of Jiashi Development Limited before and after the acquisition. After the acquisition, the ultimate holding company of Full Star is Jiashi Company Limited, and its ultimate controlling shareholder is Mr. Su Xingzhao ("**Mr. Su**"), who is also a director of Full Star. Mr. Su is one of the original shareholders of Full Star but not having controlling power nor significant influence over Full Star prior to the acquisition.

The address of the registered office and principal place of business of Full Star is Room 2102, Hang Seng North Point Building, No. 341, King's Road, North Point, Hong Kong.

Full Star is an investment holding company. The principal activities of Full Star Group are provision of finance leasing and consulting services in the PRC.

The financial information (the "**Financial Information**") regarding Full Star Group for the three years ended 31 December 2014 and the three months ended 31 March 2015 (the "**Relevant Periods**") is presented in Renminbi ("**RMB**") which is the same as the functional currency of Full Star.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information, Full Star Group has consistently adopted all the standards, amendments and interpretations issued by the HKICPA that are effective for the annual period beginning on 1 January 2015 throughout the Relevant Periods.

Full Star Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective, which are considered to be relevant by the Full Star Group:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[3]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2017.
[3] Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain simple debt instruments.

NOTES TO THE FINANCIAL INFORMATION – continued

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS – continued

***HKFRS 9 Financial Instruments* – continued**

The key requirements of HKFRS 9 which are relevant to the Full Star Group are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of Full Star anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of Full Star Group's financial assets and financial liabilities, especially in relation to the impairment of finance leases receivable. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until a detailed review has been completed.

Except as disclosed above, the directors of Full Star do not anticipate that the application of other new and revised HKFRSs will have a material impact on the results and the financial position of Full Star Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies set out below which conform to HKFRSs issued by the HKICPA and included the applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for financial services provided.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Full Star Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases".

NOTES TO THE FINANCIAL INFORMATION – continued

3. SIGNIFICANT ACCOUNTING POLICIES – continued

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of Full Star and entities controlled by Full Star. Control is achieved when Full Star:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Full Star Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Full Star Group obtains control over the subsidiary and ceases when Full Star Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Full Star Group gains control until the date when Full Star Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Full Star Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Full Star Group are eliminated in full on consolidation.

Investment in subsidiaries

Investments in subsidiaries are included in the Full Star's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by Full Star on the basis of dividends received or receivable during the year/period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of sales related taxes.

Finance leasing service income mainly consists of finance leases income and is recognised over the period of leases (see accounting policy in respect of leasing below).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Full Star Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE FINANCIAL INFORMATION – continued

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their useful lives, using the straight-line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with Full Star Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Impairment losses

At the end of each reporting period, Full Star Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

NOTES TO THE FINANCIAL INFORMATION – continued

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

Full Star Group's financial assets other than finance leases receivable are all classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from shareholders, other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

Financial assets, including finance leases receivable, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Individual impairment allowances are assessed by a discounted cash flow method for finance leases receivable that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate, after taking into account the customers' deposits and pledged assets.

For certain categories of financial assets, such as finance leases receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Full Star Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE FINANCIAL INFORMATION – continued

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance leases receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When these financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by Full Star are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the group entity are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including other payables, bank and other borrowings, amounts due to a director and shareholders, and deposits from finance lease customers) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

NOTES TO THE FINANCIAL INFORMATION – continued

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition

Full Star Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Full Star Group derecognises financial liability when, and only when, Full Star Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

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

Full Star Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of Full Star Group's net investment in the leases. Net investment in the lease is the gross investment in the lease (represented by the aggregate of the minimum lease payments receivable by Full Star Group) discounted at the interest rate implicit in the lease. At the commencement of the lease term, Full Star Group recognises the present value of the minimum lease payments (presented as finance leases receivable in the consolidated statement of financial position). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on Full Star Group's net investment outstanding in respect of the leases.

Full Star Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the leases term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Full Star Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL INFORMATION – continued

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Full Star Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions.

Exchange differences arising on the settlement of monetary items are recognised in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL INFORMATION – continued

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of finance leases receivable

When there is objective evidence of impairment loss, Full Star Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2015, the carrying amount of finance leases receivable is RMB514,598,000 (31 December 2014: RMB485,546,000, 31 December 2013: RMB484,062,000, 31 December 2012: RMB442,530,000, net of impairment allowance of RMB19,129,000 (31 December 2014: RMB21,236,000, 31 December 2013: RMB16,056,000, 31 December 2012: RMB9,797,000).

5. SEGMENT INFORMATION

The directors of Full Star have determined that the Full Star Group has only one operating and reportable segment throughout the Relevant Periods, as Full Star Group is principally engaged in providing finance leasing and consulting services in the PRC, and the directors of Full Star, being the chief operating decision maker of Full Star Group, review the consolidated financial position and results of Full Star Group as a whole for the purposes of allocating resources and assessing performance of Full Star Group.

Full Star is an investment holding company and the principal place of Full Star's operation is in the PRC. All the Full Star Group's revenue and non-current assets are attributable to PRC.

Full Star Group's customer base is diversified and no single customer contributed 10% or more to its revenue for each of the years ended 31 December 2012, 2013, 2014 and for the three months ended 31 March 2014 and 2015.

Revenue represents the net amounts received and receivable from finance leases and related consulting services in the PRC.

NOTES TO THE FINANCIAL INFORMATION – continued

6. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on borrowings wholly repayable within five years	9,979	10,942	13,461	3,096	3,799
Others	1,598	280	1,822	578	413
	11,577	11,222	15,283	3,674	4,212

7. TAXATION

The charge (credit) comprises:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax:					
PRC Enterprise Income Tax	3,548	3,320	4,564	660	749
Deferred taxation *(note 12)*	(1,195)	(1,303)	(1,192)	(61)	(252)
	2,353	2,017	3,372	599	497

No provision for Hong Kong Profits tax has been made in the Financial Information as Full Star Group's operation in Hong Kong had no assessable income during the years/periods.

Under the Enterprise Income Tax Law of PRC (the "**EIT Law**") and the Implementation Regulation of the EIT Law, subsidiaries in the PRC are subject to the tax rate of 25% during all years/periods.

NOTES TO THE FINANCIAL INFORMATION – continued

7. TAXATION – continued

The taxation for the year/period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	4,650	8,907	10,398	1,270	1,526
Tax at the PRC Enterprise Income Tax rate of 25%	1,163	2,227	2,600	318	382
Tax effect of expenses not deductible for tax purposes	1,161	269	769	278	111
Tax effect of income not taxable for tax purposes	–	(482)	–	–	–
Tax effect of tax losses not recognised	29	3	3	3	4
Taxation for the year/period	2,353	2,017	3,372	599	497

8. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Auditor's remuneration	70	198	512	30	16
Depreciation of property, plant and equipment	1,327	1,157	1,118	286	211
Impairment loss on finance leases receivable	5,013	6,259	5,180	–	1,010
Operating lease rental in respect of properties	2,127	2,127	2,180	532	585
Directors' emoluments *(note 8a)*	169	241	155	39	39
Other staff costs:					
Salaries and other benefits:	5,190	6,105	5,452	1,400	2,049
Retirement benefit scheme contributions	435	465	498	120	248
Total staff costs	5,794	6,811	6,105	1,559	2,336

NOTES TO THE FINANCIAL INFORMATION – continued

8a. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments:

The remuneration of each director for the year ended 31 December 2012 is set out below:

	Directors' fee	Salaries and other allowances	Discretionary Bonus *(note)*	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Xingzhao	–	109	40	20	169
Mr. Ng Yeuk Fung	–	–	–	–	–
Total	–	109	40	20	169

The remuneration of each director for the year ended 31 December 2013 is set out below:

	Directors' fee	Salaries and other allowances	Discretionary Bonus *(note)*	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Xingzhao	–	109	108	24	241
Mr. Ng Yeuk Fung	–	–	–	–	–
Total	–	109	108	24	241

The remuneration of each director for the year ended 31 December 2014 is set out below:

	Directors' fee	Salaries and other allowances	Discretionary Bonus *(note)*	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Xingzhao	–	120	–	35	155
Mr. Ng Yeuk Fung	–	–	–	–	–
Total	–	120	–	35	155

NOTES TO THE FINANCIAL INFORMATION – continued

8a. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(i) Directors' emoluments: – continued

The remuneration of each director for the three months ended 31 March 2014 is set out below:

	Directors' fee	Salaries and other allowances	Discretionary Bonus (*note*)	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Xingzhao	–	30	–	9	39
Mr. Ng Yeuk Fung	–	–	–	–	–
Total	–	30	–	9	39

The remuneration of each director for the three months ended 31 March 2015 is set out below:

	Directors' fee	Salaries and other allowances	Discretionary Bonus (*note*)	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Xingzhao	–	30	–	9	39
Mr. Ng Yeuk Fung	–	–	–	–	–
Total	–	30	–	9	39

Note: The discretionary bonus is determined with reference to Full Star Group's and individual performance.

NOTES TO THE FINANCIAL INFORMATION – continued

8a. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(ii) Highest paid individuals:

The five highest paid individuals of Full Star Group include one director of Full Star for the Relevant Periods, whose emoluments are included in the disclosures above. The emoluments of remaining four individuals during the Relevant Periods are as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and other benefits	419	419	425	105	105
Discretionary bonus *(note)*	208	263	–	–	–
Retirement benefit scheme contributions	22	34	25	6	6
	649	716	450	111	111

Note: The discretionary bonus is determined with reference to Full Star Group's and individual performance.

The emoluments of the remaining highest paid individuals are within the following bands:

Number of individuals

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Up to RMB792,000 (HK$1,000,000)	4	4	4	4	4

During the Relevant Periods, no emoluments were paid by Full Star Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining Full Star Group or as compensation for loss of office. None of the directors have waived any emoluments during the Relevant Periods.

9. DIVIDEND

No dividends have been paid or declared by Full Star during the Relevant Periods.

NOTES TO THE FINANCIAL INFORMATION – continued

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At 1 January 2011	8	2,873	673	765	4,319
Additions	234	493	144	–	871
Transfer from construction in progress	765	–	–	(765)	–
At 31 December 2012	1,007	3,366	817	–	5,190
Additions	–	639	23	–	662
At 31 December 2013	1,007	4,005	840	–	5,852
Additions	–	–	88	–	88
At 31 December 2014	1,007	4,005	928	–	5,940
Additions	–	526	128	–	654
At 31 March 2015	1,007	4,531	1,056	–	6,594
DEPRECIATION					
At 1 January 2011	–	900	148	–	1,048
Provided for the year	339	741	247	–	1,327
At 31 December 2012	339	1,641	395	–	2,375
Provided for the year	335	694	128	–	1,157
At 31 December 2013	674	2,335	523	–	3,532
Provided for the year	333	659	126	–	1,118
At 31 December 2014	1,007	2,994	649	–	4,650
Provided for the year	–	179	32	–	211
At 31 March 2015	1,007	3,173	681	–	4,861
CARRYING VALUES					
At 31 December 2012	668	1,725	422	–	2,815
At 31 December 2013	333	1,670	317	–	2,320
At 31 December 2014	–	1,011	279	–	1,290
At 31 March 2015	–	1,358	375	–	1,733

NOTES TO THE FINANCIAL INFORMATION – continued

10. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum.

Leasehold improvements	$33^1/_3$% or over the term of lease, whichever is shorter
Motor vehicles	25% – $33^1/_3$%
Furniture, fixtures and equipment	20% – $33^1/_3$%

11. FINANCE LEASES RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

	Minimum lease payments				Present value of Minimum lease payments			
	As at 31 December			As at 31 March	As at 31 December			As at 31 March
	2012	2013	2014	2015	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance leases receivable comprise:								
Within one year	288,389	331,709	260,752	263,799	271,234	313,898	243,279	246,251
In more than one year but not more than five years	211,887	217,928	289,459	318,362	181,093	186,220	263,503	287,476
	500,276	549,637	550,211	582,161	452,327	500,118	506,782	533,727
Less: Unearned finance income	(47,949)	(49,519)	(43,429)	(48,434)	N/A	N/A	N/A	N/A
Present value of minimum lease payment	452,327	500,118	506,782	533,727	452,327	500,118	506,782	533,727
Less: Collective impairment allowance					(5,018)	(6,065)	(6,477)	(6,477)
Individual impairment allowance					(4,779)	(9,991)	(14,759)	(12,652)
					442,530	484,062	485,546	514,598
Analysed for reporting purposes as:								
Current assets					249,951	286,081	204,607	240,702
Non-current assets					192,579	197,981	280,939	273,896
					442,530	484,062	485,546	514,598

Full Star Group's finance leases receivable are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range from 7.92% to 18.46% (2014: 6.78% to 28.96%, 2013: 6.95% to 22.65%, 2012: 8.01% to 37.44%) per annum and the weighted average effective interest rate is 14.76% (2014: 14.88%, 2013: 11.67%, 2012: 13.05%) per annum.

NOTES TO THE FINANCIAL INFORMATION – continued

11. FINANCE LEASES RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS – continued

The following is a credit quality analysis of finance leases receivable. In the event that an instalment repayment of a finance leases receivable is past due, the entire outstanding balance of the finance leases receivable is classified as past due.

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	408,857	404,297	199,458	127,110
Past due but not individually impaired	17,874	30,152	88,756	54,100
Past due and individually impaired	25,596	65,669	218,568	352,517
Subtotal	452,327	500,118	506,782	533,727
Less: Collective impairment allowance	(5,018)	(6,065)	(6,477)	(6,477)
Individual impairment allowance	(4,779)	(9,991)	(14,759)	(12,652)
	442,530	484,062	485,546	514,598

Finance leases receivable are mainly secured by leased assets such as equipment and machineries used in textile and electronic goods manufacturing industries, fishing vessels used in the distant marine fisheries industry and equipment used in food processing industry, motor vehicles and customers' deposits where applicable. Certain finance leases receivable are guaranteed by vendors of the assets being leased out under finance lease.

Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in full by end of lease period according to the terms of the lease contracts. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 31 March 2015, the customers' deposits of RMB213,157,000 (31 December 2014: RMB199,037,000, 31 December 2013: RMB221,391,000, 31 December 2012: RMB204,712,000) were received in advance and can be used to settle any outstanding lease payments for the corresponding lease contract.

These customers' deposits are recognized at their principal amounts as they related to rights and obligations under leases and hence are not required to be recorded at their present value amounts at initial recognition.

NOTES TO THE FINANCIAL INFORMATION – continued

11. FINANCE LEASES RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS – continued

The following is an ageing analysis based on due dates of finance leases receivable which are past due but not individually impaired (instalments which are not yet due at the end of the reporting period are excluded):

		As at 31 December		As at 31 March
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than one month	2,105	4,641	10,370	5,710
More than one month but less than three months	1,765	6,878	17,995	10,021
More than three months but less than one year	704	4,197	26,682	19,610
More than one year	–	355	1,558	2,486
	4,574	16,071	56,605	37,827

Management reviews and assesses for impairment individually based on customers' repayment history, deposits received and the values of the assets pledged, as well as contractual repayment arrangements with particular classes of customers. As at 31 March 2015, instalments with an aggregate carrying amount of RMB37,827,000 (31 December 2014: RMB56,605,000, 31 December 2013: RMB16,071,000, 31 December 2012: RMB4,574,000) were past due but Full Star Group has not provided for individual impairment loss as management considered there has been subsequent settlement, and after taking into account of the customers' deposits, value of the pledged assets, as well as other contractual repayment terms. In addition, collective impairment allowance of RMB6,477,000 (31 December 2014: RMB6,477,000, 31 December 2013: RMB6,065,000, 31 December 2012: RMB5,018,000) is provided on finance leases receivable that are not individually impaired.

Movement of impairment allowance

	Collective	**Individual**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance as at 1 January 2012 (unaudited)	4,784	–	4,784
Impairment loss recognised on receivables	234	4,779	5,013
Balance as at 31 December 2012	5,018	4,779	9,797
Impairment loss recognised on receivables	1,047	5,212	6,259
Balance as at 31 December 2013	6,065	9,991	16,056
Impairment loss recognised on receivables	412	4,768	5,180
Balance as at 31 December 2014	6,477	14,759	21,236
Impairment loss recognised on receivables	–	1,010	1,010
Amounts written off as uncollectable	–	(3,117)	(3,117)
Balance as at 31 March 2015	6,477	12,652	19,129

NOTES TO THE FINANCIAL INFORMATION – continued

11. FINANCE LEASES RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS – continued

Included in the individual impairment allowance are individually impaired finance leases receivable with an aggregate balance of RMB12,652,000 (31 December 2014: RMB14,759,000, 31 December 2013: RMB9,991,000, 31 December 2012: RMB4,779,000) which have been in financial difficulties.

During the period ended 31 March 2015, one finance lease customer was assessed to be in severe financial difficulties and the outstanding amount from this customer was transferred without recourse to an independent third party at a loss. Accordingly, such loss on transfer amounting to approximately RMB3,117,000 was written off as uncollectible.

12. DEFERRED TAX ASSETS

The following are the major deferred taxation assets recognised by Full Star Group and movements thereon during the Relevant Periods.

	Allowances for bad and doubtful debts *RMB'000*
At 1 January 2012 (unaudited)	–
Credit to profit or loss	1,195
At 31 December 2012	1,195
Credit to profit or loss	1,303
At 31 December 2013	2,498
Credit to profit or loss	1,192
At 31 December 2014	3,690
Credit to profit or loss	252
At 31 March 2015	3,942

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC from 1 January 2008 onwards.

Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to the accumulated profits of the subsidiaries in the PRC amounting to RMB17,789,000 (31 December 2014: RMB16,509,000, 31 December 2013: RMB9,256,000, 31 December 2012: RMB4,282,000) as Full Star Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL INFORMATION – continued

12. DEFERRED TAX ASSETS – continued

As at 31 March 2015, Full Star Group had unused tax losses of approximately RMB285,000 (31 December 2014: RMB269,000, 31 December 2013: RMB255,000, 31 December 2012: RMB243,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses for the Relevant Periods due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

13. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			31 March
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits paid for investing purpose *(note)*	33,626	36,427	39,680	39,680
Advances to business associates	13,996	19,452	18,430	17,377
Receivables from 福建富嘉	–	–	12,378	9,948
Other receivables	155	660	1,912	2,820
Prepayments	–	3,000	4,793	4,677
	47,777	59,539	77,193	74,502

In 2013, Full Star Group commenced cooperating with 福建富嘉海洋漁業发展有限公司 ("**福建富嘉**") in relation to the leasing of fishing vessels to third parties. 福建富嘉 is a private limited company incorporated in PRC which is engaged in trading of fishing vessels and related fishing equipment and accessories in Fujian. A shareholder with significant influence over 福建富嘉 is the spouse of a shareholder of Full Star prior to its acquisition by Jiashi Development Limited in July 2015 with no controlling power nor significant influence in Full Star.

Under the agreements signed between Full Star Group, 福建富嘉 and the lessees, Full Star Group will collect the instalments from the lessees and will then repay the instalments back to 福建富嘉. All risks associated with the receivables are borne by 福建富嘉 and Full Star Group is entitled to charge a service fee on a certain percentage of the receivables amount.

The amounts of receivable subject to such offsetting arrangements under the entrusted agreements are as follows:

NOTES TO THE FINANCIAL INFORMATION – continued

13. PREPAYMENTS AND OTHER RECEIVABLES – continued

	Gross amounts of recognised financial assets *RMB'000*	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position *RMB'000*	Net Amount *RMB'000*
As at 31 December 2012	–	–	–
As at 31 December 2013			
Other receivables from lessees	43,225	(43,225)	–
As at 31 December 2014			
Other receivables from lessees	69,030	(69,030)	–
As at 31 March 2015			
Other receivables from lessees	66,600	(66,600)	–

Note: During the Relevant Periods, a business associate, not related to Full Star Group, had cooperated with Full Star Group and 福建富嘉 for a business project and deposits amounting to approximately RMB30 million was paid to the business associate. Subsequent to 31 March 2015, the business associate, Full Star Group and 福建富嘉 have signed an agreement, in which 福建富嘉 agreed to use the future instalments to be received from the leasees as mentioned in the offsetting arrangement to offset the deposit paid by Full Star Group.

14. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Pledged bank deposits are pledged to secure banking facilities, which carry interest at average market rate of 0.37% per annum (31 December 2014: 0.35% per annum, 31 December 2013: 0.35% per annum, 31 December 2012: 0.40% per annum).

Bank balances carry interest at prevailing market rates ranging from 0.01% to 0.37% per annum (31 December 2014: 0.01% to 0.35% per annum, 31 December 2013: 0.01% to 0.35% per annum, 31 December 2012: 0.01% to 0.40% per annum) during the Relevant Periods.

NOTES TO THE FINANCIAL INFORMATION – continued

15. OTHER PAYABLES AND ACCRUED CHARGES

	FULL STAR GROUP			
	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other taxes payable	91	1,368	4,552	4,063
Bills payables	20,489	7,408	–	–
Receipts in advance	4,748	2,207	3,404	3,425
Other payables to business associates	1,000	–	11,513	6,372
Other payables and accruals	9,567	11,981	3,289	7,495
	35,895	22,964	22,758	21,355

16. BANK AND OTHER BORROWINGS

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	167,392	200,820	202,122	226,853
Other borrowing	–	–	10,400	3,000
	167,392	200,820	212,522	229,853
Secured	89,953	72,345	129,410	160,287
Unsecured	77,439	128,475	83,112	69,566
	167,392	200,820	212,522	229,853
Carrying amount repayable:				
– within one year	143,045	27,639	23,788	122,973
– more than one year, but not exceed two years	23,267	50,455	78,146	54,379
– more than two year, but not exceed five years	1,080	122,726	110,588	52,501
	167,392	200,820	212,522	229,853
Less: amount due within one year shown under current liabilities	143,045	27,639	23,788	122,973
Amount shown under non-current liabilities	24,347	173,181	188,734	106,880

NOTES TO THE FINANCIAL INFORMATION – continued

16. BANK AND OTHER BORROWINGS – continued

As at 31 December 2012 and 2014 respectively, included in Full Star Group's bank and other borrowings an amount of RMB6,983,000 and RMB20,800,000 respectively were fixed-rate borrowings which carry interest at the rate of 13% and 8.5% to 9% per annum, respectively. The remaining balances at the ends of the other year end or period end during 31 December 2012 to 31 March 2015 were variable-rate borrowings which carry variable interest rate per annum at the range of interest rates as shown in the following table which are based on the benchmark rates offered by the PBOC:

	As at 31 December			As at 31 March
	2012	2013	2014	2015
Variable interest rate borrowings:	4.92%~13.00%	6.00%~7.69%	6.15%~8.3%	5.35%~9.0%

As at 31 December 2012, 2013, 2014 and 31 March 2015, Full Star Group's bank and other borrowings of RMB167,392,000, RMB200,820,000, RMB212,522,000 and RMB229,853,000 were granted by several banks in the PRC respectively, a portion of which were secured by bank deposits and/or charges over certain finance leases receivable of Full Star Group as disclosed in note 23. All borrowings were guaranteed by certain shareholders of Full Star.

17. AMOUNTS DUE FROM/TO A DIRECTOR/SHAREHOLDERS

Amounts due from shareholders are unsecured, interest free and are expected to be settled within one year.

Amounts due to shareholders of approximately RMB61,784,000 (31 December 2014: RMB61,534,000, 31 December 2013: RMB61,324,000, 31 December 2012: RMB63,242,000) with original currency of HK$78,000,000 are unsecured, interest free and repayable on demand. Subsequent to 31 March 2015, the amounts due to shareholders of HK$78,000,000 were capitalised by the issuing of 78,000,000 ordinary shares in Full Star to Jiashi Development Limited on 18 August 2015.

The remaining amounts due to shareholders represent amounts due to Mr. Su. The amount due is for provision of working capital to the Full Star Group purpose and is unsecured, interest free, repayable on demand.

NOTES TO THE FINANCIAL INFORMATION – continued

18. SHARE CAPITAL

	Number of ordinary shares	Share Capital *HK$'000*
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	78,000,000	78,000
At 31 December 2014 and 31 March 2015	N/A *(note)*	N/A *(note)*
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 31 December 2013		
Ordinary shares of HK$ 1 each	78,000,000	78,000
At 31 December 2014 and 31 March 2015		
Ordinary shares with no par value	78,000,000	78,000

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shown in the consolidated statements of financial position	63,235	63,235	63,235	63,235

Note: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and Full Star's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

19. CAPITAL RISK MANAGEMENT

The management of Full Star Group manages capital to ensure it will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. Full Star Group's overall strategy remains unchanged from prior years.

The capital structure of Full Star Group consists of bank and other borrowings as disclosed in note 16 and equity attributable to owners of Full Star comprising share capital and retained profits.

The management of Full Star Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital and will balance its overall capital structure through repayment of bank and other borrowings, issuance of new shares as well as raising of new debts.

The management is of the opinion that it is not necessary for Full Star Group to consider raising debts or issuing capital for its daily operating needs at the current stage. The level of cash and cash equivalents maintained is at a satisfactory level consistently.

NOTES TO THE FINANCIAL INFORMATION – continued

20. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

		As at 31 December		**As at 31 March**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Finance leases receivable	442,530	484,062	485,546	514,598
Loans and receivables at amortised cost (including cash and cash equivalents)	106,215	102,746	99,766	69,825
	548,745	586,808	585,312	584,423
Financial liabilities				
Liabilities at amortised costs	449,820	481,127	470,268	506,194

(b) Financial risk management objectives and policies

Full Star Group's major financial instruments include amounts due from shareholders, finance leases receivable, other receivables, pledged bank deposits, bank balances and cash, other payables, amounts due to a director and shareholders, deposits from finance lease customers and bank and other borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of Full Star Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Full Star Group is exposed to cash flow interest rate risk as certain of its pledged bank deposits, bank balances and bank borrowings are subject to floating interest rates (see note 16 for details of the borrowings). It is Full Star Group's policy to keep majority of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. Management will also consider hedging significant interest rate exposure should the need arise.

Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely.

The management consider that the exposure to cash flow interest rate risk in relation to bank borrowings, pledged bank deposits and bank balance is not significant as interest rate is currently at low level and no significant changes are expected for the foreseeable future.

NOTES TO THE FINANCIAL INFORMATION – continued

20. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Interest rate risk – continued

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to floating interest rates for bank borrowings at the end of the reporting period and assumed the amounts outstanding at the end of the reporting period were outstanding for the whole year and held constant throughout the financial year.

Full Star Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark rate offered by PBOC arising from its bank borrowings denominated in RMB.

If interest rates on interest bearing bank borrowings had been 50 basis points higher and all other variables were held constant, the potential effect on Full Star Group's profit before taxation during the Relevant Periods is as follows:

		Year ended 31 December		Three months ended 31 March
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in profit	837	970	1,011	1,030

If interest rates had been 50 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the profit before tax.

Credit risk

As at the end of each reporting period, Full Star Group's maximum exposure to credit risk which will cause a financial loss to it due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk in relation to finance leases receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of Full Star Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The management of the Full Star Group assesses impairment for each debtor on an individual basis. The finance leases receivable are regarded as individually impaired if any portion of the finance leases receivable is past due after taking into account any subsequent settlement, and the values of the cash deposits and pledged assets in relation to the finance leases receivable are not sufficient to cover the outstanding balance of the finance leases receivable. The shortfall is recognised as an individual impairment allowance. The management of the Full Star Group also takes into account any additional contractual repayment arrangements agreed with the customers when assessing the customers for individual impairment. In addition, finance leases receivable that are assessed not to be individually impaired (except for those that are not impaired by virtue of collaterals held) are assessed for collective impairment. In this regard, the directors of Full Star consider that the credit risk of the Full Star Group is significantly reduced.

NOTES TO THE FINANCIAL INFORMATION – continued

20. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk – continued

Full Star Group's finance leases receivable are mainly secured by customers' deposits and leased assets. Finance leases receivable that are neither past due nor impaired are secured by fishing vessels used in distant marine fisheries industry, equipment used in textile and electronic goods manufacturing industries, equipment for food processing industry and engineering industry. Finance leases receivable that are past due and individually impaired are secured by fishing vessels used in distant marine fisheries industry, equipment used in textile and electronic goods manufacturing industries, equipment for food processing industry and engineering industry, printing and packaging industry. Full Star Group's concentration of credit risk on finance leases receivable (the "**Receivables**") as at 31 December 2012, 2013 and 2014 and 31 March 2015 included five major counterparties accounting for 23.96%, 21.88%, 30.29% and 39.06% of the Receivables respectively which are mainly engaged in distant marine fisheries industry, textile and electronic goods manufacturing industries. Full Star Group has closely monitored the recoverability of the advances to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

Full Star Group is exposed to the concentration of geographical risk on revenue which is generated mostly from customers located in Fujian Province, the PRC. Full Star Group has closely monitored the business performance of these customers in the PRC and will consider diversifying its customer base as appropriate.

Full Star Group has concentration of credit risk on other receivables, with exposure on few business associates. The management nonetheless considers the subsequent settlement records with satisfactory results. In this regard, the management considers that the credit risk is limited.

The credit risk on liquid funds is limited because the counterparties are banks with high credit standings.

Liquidity risk

In the management of the liquidity risk, Full Star Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Full Star Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The following tables detail Full Star Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Full Star Group can be required to pay.

NOTES TO THE FINANCIAL INFORMATION – continued

20. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

The tables include both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

FULL STAR GROUP

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1 to 3 months	Over 3 months but not more than 1 year	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012								
Other payables	–	28,811	–	–	–	–	28,811	28,811
Deposits from finance lease customers	6.51	9,319	5,121	30,254	84,515	75,503	204,712	189,549
Amounts due to a director and shareholders	–	64,068	–	–	–	–	64,068	64,068
Bank and other borrowings	7.80	8,825	25,825	50,996	28,958	69,806	184,410	167,392
		111,023	30,946	81,250	113,473	145,309	482,001	449,820
As at 31 December 2013								
Other payables	–	17,389	–	–	–	–	17,389	17,389
Deposits from finance lease customers	6.51	11,717	15,579	60,187	76,230	57,678	221,391	201,310
Amounts due to a director and shareholders	–	61,608	–	–	–	–	61,608	61,608
Bank and other borrowings	7.08	1,175	2,350	35,059	61,327	131,791	231,702	200,820
		91,889	17,929	95,246	137,557	189,469	532,090	481,127

NOTES TO THE FINANCIAL INFORMATION – continued

20. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1 to 3 months	Over 3 months but not more than 1 year	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2014								
Other payables	–	14,802	–	–	–	–	14,802	14,802
Deposits from finance lease customers	6.21	38,198	10,378	57,224	61,409	31,826	199,035	181,125
Amounts due to a director and shareholders	–	61,819	–	–	–	–	61,819	61,819
Bank and other borrowings	7.41	1,247	2,495	34,381	89,789	115,962	243,874	212,522
		116,066	12,873	91,605	151,198	147,788	519,530	470,268
As at 31 March 2015								
Other payables	–	13,867	–	–	–	–	13,867	13,867
Deposits from finance lease customers	6.16	43,590	15,268	51,745	48,921	53,632	213,156	195,904
Amounts due to a director and shareholders	–	66,570	–	–	–	–	66,570	66,570
Bank and other borrowings	7.32	2,345	4,521	28,016	66,948	159,449	261,279	229,853
		126,372	19,789	79,761	115,869	213,081	554,872	506,194

(c) Fair value

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis.

The directors of Full Star consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statements of financial position has no significant difference with their fair values.

NOTES TO THE FINANCIAL INFORMATION – continued

21. OPERATING LEASE COMMITMENTS

The total future minimum lease payment under non-cancellable operating leases was payable as follows:

As lessee

Full Star Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease upon expiry when all terms are re-negotiated.

		As at 31 December		As at 31 March
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,127	2,180	2,338	2,338
After one year but within five years	14,212	12,032	9,694	9,109
	16,339	14,212	12,032	11,447

22. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. Full Star Group is required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits.

As at the end of each reporting period, Full Star Group had no significant obligation apart from the contribution as stated in note 8.

23. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure banking facilities granted to Full Star Group:

		As at 31 December		As at 31 March
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank deposits	42,070	31,214	13,858	13,642
Finance leases receivable	86,665	68,730	132,414	115,138
	128,735	99,944	146,272	128,780

NOTES TO THE FINANCIAL INFORMATION – continued

24. STATEMENT OF FINANCIAL POSITION OF FULL STAR

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Investment in a subsidiary	139,147	139,147	139,147	139,147
Current assets				
Amount due from a subsidiary	78	75	76	76
Bank balances and cash	4	3	–	–
	82	78	76	76
Current liabilities				
Other payables and accrued charges	203	53	66	66
Amounts due to a director and shareholders	63,365	61,596	61,807	62,058
	63,568	61,649	61,873	62,124
Net current liabilities	(63,486)	(61,571)	(61,797)	(62,048)
NET ASSETS	75,661	77,576	77,350	77,099
Capital and reserve				
Share capital	63,235	63,235	63,235	63,235
Retained profits	12,426	14,341	14,115	13,864
	75,661	77,576	77,350	77,099

NOTES TO THE FINANCIAL INFORMATION – continued

24. STATEMENT OF FINANCIAL POSITION OF FULL STAR – continued

	Share capital	Accumulated loss	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012 (unaudited)	63,235	12,543	75,778
Loss and total comprehensive expense for the year	–	(117)	(117)
At 31 December 2012	63,235	12,426	75,661
Profit and comprehensive income for the year	–	1,915	1,915
As at 31 December 2013	63,235	14,341	77,576
Loss and comprehensive expense for the year	–	(226)	(226)
As at 31 December 2014	63,235	14,115	77,350
Loss and comprehensive expense for the period	–	(251)	(251)
As at 31 March 2015	63,235	13,864	77,099

25. RELATED PARTIES TRANSACTIONS

Other than as disclosed elsewhere in these Financial Information, Full Star Group has the following related party transactions:

Compensation of key management personnel

The remuneration of key management during the Relevant Periods represented remuneration paid to directors as disclosed in note 8a to the Financial Information.

B. EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed elsewhere in these Financial Information, Full Star Group has the following material transactions after the reporting period:

Subsequent to 31 March 2015, a subsidiary of Full Star, 嘉實(廈門)融資租賃有限公司, signed an agreement with an independent third party, namely 廈門潤玖堂商貿有限公司, in relation to the assignment of finance leases receivable without recourse with a gross carrying amount of approximately RMB31,700,000, for a consideration of RMB29,866,000. As a result, an impairment loss allowance of approximately RMB1,834,000 has been made against these receivables as at 31 March 2015. According to the agreement, RMB11 million was settled in June 2015 and the remaining balances will be settled by end of December 2015.

In addition, another agreement was signed with another independent third party, namely 廈門市昊鼎投資管理有限公司, in relation to the assignment of finance leases receivable without recourse with a gross carrying amount of approximately RMB50,856,000, for a consideration of RMB50,055,000. As a result, an impairment loss allowance of approximately RMB801,000 has been made against the balance as at 31 March 2015. According to the agreement, RMB10 million was settled in June 2015 and the remaining balances will be settled by end of December 2015.

In addition, on 20 July 2015, all shareholders of Full Star have sold all their respective shareholdings and loan in Full Star to Jiashi Development Limited at a consideration of approximately HK$157 million.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Full Star Group, Full Star or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2015 and up to the date of this report.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis on the Target Group, which is based on the financial information of the Full Star Group as set out below.

RESULTS OF THE OPERATIONS

The Target Group's consolidated results for the three years ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2015 are set out as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	35,080	39,252	43,574	8,695	10,270
Finance costs	(11,577)	(11,222)	(15,283)	(3,674)	(4,212)
Gross profit	23,503	28,030	28,291	5,021	6,058
Other income	1,096	1,209	1,885	166	501
Other expenses	(10)	(98)	(674)	(8)	(8)
Selling and distribution expenses	(645)	(241)	(864)	(214)	(59)
Administrative expenses	(19,294)	(19,993)	(18,240)	(3,695)	(4,966)
Profit before taxation	4,650	8,907	10,398	1,270	1,526
Taxation	(2,353)	(2,017)	(3,372)	(599)	(497)
Profit for the year/period attributable to the owners of the Company	2,297	6,890	7,026	671	1,029

Revenue

The Target Group's finance lease income increased by 11.9% from approximately RMB35.1 million for the year ended 31 December 2012 to approximately RMB39.3 million for the year ended 31 December 2013, and further increased by 11.0% to approximately RMB43.6 million for the year ended 31 December 2014. The Target Group's finance lease income also increased by 18.1% from approximately RMB8.7 million for the three months ended 31 March 2014 to approximately RMB10.3 million for the three months ended 31 March 2015. The management of the Target Group consider that the growth of the finance lease income was mainly attributable to the following reasons:

1. the corporate management of the Target Group was improved progressively, the talent team was maturing and the business capability was steadily improving;

2. the business channels were expanded, and the Target Group diversified its business models (including car leasing business, fishing vessel used in the distant marine fisheries industry, etc.), making the Target Group's financial lease income increase; and

3. the financing channels were widened and more cooperation banks granted banking facilities to the Target Group. It provided more funding sources for the Target Group's operation.

FY2013 VS FY2012

The revenue increased from approximately RMB35,080,000 for the year ended 31 December 2012 to approximately RMB39,252,000 for the year ended 31 December 2013. The increase of the revenue was mainly due to the further development of original business channels in the textile, construction machinery and food industries for the year ended 31 December 2013.

FY2014 VS FY2013

The revenue increased from approximately RMB39,252,000 for the year ended 31 December 2013 to approximately RMB43,574,000 for the year ended 31 December 2014. The increase of the revenue was mainly due to further expansion of the original businesses such as finance lease to manufacturing industry as well as development of new business such as car leasing business for the year ended 31 December 2014.

31.3.2015 VS 31.3.2014

The revenue increased from approximately RMB8,695,000 for the three months ended 31 March 2014 to approximately RMB10,270,000 for the three months ended 31 March 2015. The increase of the revenue was mainly due to the increasing of new finance lease projects of machinery and car leasing.

Finance costs

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on borrowings wholly repayable within five years	9,979	10,942	13,461	3,096	3,799
Others	1,598	280	1,822	578	413
	11,577	11,222	15,283	3,674	4,212

The Target Group's finance costs decreased by 3.1% from approximately RMB11.6 million for the year ended 31 December 2012 to approximately RMB11.2 million for the year ended 31 December 2013, and increased by 36.2% to approximately RMB15.3 million for the year ended 31 December 2014. The Target Group's finance costs also increased by 14.6% from approximately RMB3.7 million for the three months ended 31 March 2014 to approximately RMB4.2 million for the three months ended 31 March 2015. The increase of finance costs was mainly attributable to the financing scale increased with the growth of the financial lease business, thus the bank interests on loans increased simultaneously.

Other income

Other income for the three years ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2015 were approximately RMB1.1 million, RMB1.2 million, RMB1.9 million and RMB0.5 million respectively. It mainly included bank interest income and sundry income.

Selling and distribution expenses

Selling and distribution expenses for the three years ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2015 were approximately RMB0.6 million, RMB0.2 million, RMB0.9 million and RMB0.1 million respectively. It mainly included insurance of leased assets and other miscellaneous expenses.

Administrative expenses

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Advertisement	1,247	683	–	–	–
Auditor's remuneration	70	198	512	30	16
Depreciation of property, plant and equipment	1,327	1,157	1,118	286	211
Entertainment	726	710	446	112	120
Impairment loss on finance lease receivables	5,013	6,259	5,180	–	1,010
Rental expenses	2,127	2,127	2,180	532	584
Staff costs	5,794	6,811	6,105	1,559	2,336
Travelling expenses	961	1,236	666	140	180
Others	2,029	812	2,033	1,036	509
	19,294	19,993	18,240	3,695	4,966

Administrative expenses for the three years ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2015 were approximately RMB19.3 million, RMB20.0 million, RMB18.2 million and RMB5.0 million respectively. It mainly included staff costs, impairment loss on finance lease receivables, rental expenses, depreciation on property, plant and equipment and other miscellaneous expenses.

The administrative expenses increased by 3.6% from approximately RMB19.3 million for the year ended 31 December 2012 to approximately RMB20.0 million for the year ended 31 December 2013, and decreased by 8.8% to approximately RMB18.2 million for the year ended 31 December 2014. The increase of administrative expenses for the year ended 31 December 2013 was mainly due to increase in staff costs for business expansion, whereas the decrease of administrative expenses for the year ended 31 December 2014 was mainly due to decrease of impairment loss on finance lease receivables based on the impairment assessment result by management.

In addition, the administrative expenses increased by 34.4% from approximately RMB3.7 million for the three months ended 31 March 2014 to approximately RMB5.0 million for the three months ended 31 March 2015. The increase was mainly due to the increase of staff costs for business expansion as well as the increase of impairment loss on finance lease receivables.

Taxation

Taxation for the three years ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2015 were approximately RMB2.4 million, RMB2.0 million, RMB3.4 million and RMB0.5 million respectively. The income tax is calculated based on the PRC corporate income tax rate of 25%. No provision for Hong Kong profits tax has been made as the Target's Group had no assessable income during the periods. The increase of taxation was in line with the increase of profit before taxation during the period. The Target Group's effective income tax rate were approximately 50.6%, 22.6%, 32.4% and 32.6% the three years ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2015.

Profit for the year/period

As a net effect of the above, the profit for the year of the Target Group increased by 200.0% from approximately RMB2.3 million for the year ended 31 December 2012 to approximately RMB6.9 million for the year ended 31 December 2013, and further increased by 2.0% to approximately RMB7.0 million for the year ended 31 December 2014. The profit for the period also increased by 53.4% from approximately RMB0.7 million for the three months ended 31 March 2014 to approximately RMB1.0 million for the three months ended 31 March 2015.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Target Group's consolidated statements of financial position as at 31 December 2012, 2013 and 2014 and 31 March 2015 are set out as follows:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	2,815	2,320	1,290	1,733
Finance leases receivable	192,579	197,981	280,939	273,896
Pledged bank deposits	490	9,310	7,380	5,900
Deferred tax assets	1,195	2,498	3,690	3,942
	197,079	212,109	293,299	285,471
Current assets				
Amounts due from shareholders	447	5,207	8,734	17,225
Finance leases receivable	249,951	286,081	204,607	240,702
Prepayments and other receivables	47,777	59,539	77,193	74,502
Pledged bank deposits	41,580	21,904	6,478	7,742
Bank balances and cash	15,921	9,786	4,774	5,877
	355,676	382,517	301,786	346,048
Current liabilities				
Other payables and accrued charges	35,895	22,964	22,758	21,355
Amount due to a director and shareholders	64,068	61,608	61,819	66,570
Deposits from finance lease customers	53,070	99,273	111,712	113,582
Tax payable	745	1,010	5,090	5,696
Bank and other borrowings	143,045	27,639	23,788	122,973
	296,823	212,494	225,167	330,176
Net current assets	58,853	170,023	76,619	15,872
Total assets less current liabilities	255,932	382,132	369,918	301,343
Non-current liabilities				
Deposits from finance lease customers	151,642	122,118	87,325	99,575
Bank and other borrowings	24,347	173,181	188,734	106,880
	175,989	295,299	276,059	206,455
NET ASSETS	**79,943**	**86,833**	**93,859**	**94,888**
Capital and reserve				
Share capital	63,235	63,235	63,235	63,235
Retained profits	16,708	23,598	30,624	31,653
	79,943	**86,833**	**93,859**	**94,888**

Property, plant and equipment

The property, plant and equipment were approximately RMB2.8 million, RMB2.3 million, RMB1.3 million and RMB1.7 million as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively. It comprised leasehold improvement, motor vehicles and furniture, fixture and equipment. The decrease in property, plant and equipment from 31 December 2012 to 2014 was mainly due to depreciation charge for property, plant and equipment, while the increase from 31 December 2014 to 31 March 2015 was mainly due to purchase of motor vehicles for business use.

Finance leases receivable

Total non-current and current finance leases receivable were approximately RMB442.5 million, RMB484.1 million, RMB485.5 million and RMB514.6 million as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively. Finance leases receivables which have maturity date over one year were classified as non-current assets. The increase in finance leases receivable from 31 December 2012 to 31 March 2015 was mainly due to the expansion of finance lease business of Target Group.

The following is an aging analysis of present value of minimum leases receivable, net of collective impairment allowance and individual impairment allowance, presented based on relevant maturity groupings at the end of the reporting periods:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	249,951	286,081	204,607	240,702
More than 1 year and less than 5 years	192,579	197,981	280,939	273,896
	442,530	484,062	485,546	514,598

The following is an aging analysis based on due dates of finance leases receivable which are past due but not impaired (instalments which are not yet become due at the end of the reporting period are excluded):

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than one month	2,105	4,641	10,370	5,710
More than one month but less than three months	1,765	6,878	17,995	10,021
More than three months but less than one year	704	4,197	26,682	19,610
More than one year	–	355	1,558	2,486
	4,574	16,071	56,605	37,827

Management of the Target Group reviewed and assessed for impairment individually based on customers' repayment history and the values of the assets pledged. The balances as mentioned above was past due but the Target Group has not provided for individual impairment loss as management considered there has not been a significant change in credit quality for these customers. Besides, subsequent to 31 March 2015, the Target Group has signed two factoring agreements with two independent third parties in total consideration of RMB79.9 million for disposal of certain long outstanding finance lease receivables in total amount of RMB82.6 million. For further details, please refer to section B – Events After the Reporting Period of the Accountants' report of the Full Star Group in Appendix IIB.

Prepayments and other receivables

Prepayments and other receivables were approximately RMB47.8 million, RMB59.5 million, RMB77.2 million and RMB74.5 million as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively.

As at 31 December 2012, 2013, 2014 and 31 March 2015, the prepayments and other receivables mainly represented the deposits paid for investment purpose of approximately RMB30 million. The Target Group had cooperated with a business associate and 福建富嘉海洋漁業發展有限公司(「**福建富嘉**」) for a business project and deposit amounting to approximately RMB30 million was paid to that business associate by the Target Group. As at 31 December 2014 and 31 March 2015, the prepayment and other receivables also represented the receivables from 福建富嘉 amounting to approximately RMB12.4 million and RMB9.9 million respectively. For further details, please refer to note 13 of the Accountants' report of the Full Star Group in Appendix IIB.

Apart from the above, the prepayments and other receivables as at 31 December 2012, 2013, 2014 and 31 March 2015 mainly represented (1) advances to business associates for business development, (2) other receivables such as short-term cash advance to employees for operating activities, and (3) prepayment of equipment for finance lease business and other miscellaneous expenses.

Amounts due from shareholders

Amount due from shareholders were approximately RMB0.5 million, RMB5.2 million, RMB8.7 million and RMB17.2 million as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively. The amounts represented the cash advance to the shareholders of the Full Star Group and are unsecured, interest-free and repayable on demand. The shareholders of the Full Star Group have fully repaid all the outstanding amounts to the Target Group in August 2015.

Pledged bank deposits

Total non-current and current pledged bank deposits were approximately RMB42.1 million, RMB31.2 million, RMB13.9 million and RMB13.6 million as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively. Pledged bank deposits are pledged to secure the short-term bank borrowings, which carry interest at average market rates of 0.4%, 0.35%, 0.35% and 0.37% per annum as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively. The decrease in pledged bank deposits was mainly due to decrease of short-term bank borrowings of the Target Group during 2012 to 2014.

Other payables and accrued charges

Other payables and accrued charges were approximately RMB35.9 million, RMB23.0 million, RMB22.8 million and RMB21.4 million as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively.

As at 31 December 2012 and 2013, other payables and accrued charges mainly represented the bills payables amount to approximately RMB20.5 million and RMB7.4 million respectively. The Target Group used bills payables to finance the finance lease projects during 2012 and 2013 and the amount has been settled in subsequent year. As at 31 December 2012, 2013, 2014 and 31 March 2015, other payables and accrued charges also represented (1) other taxes payable; (2) receipts in advance from customers; (3) other payables to business associates; and (4) other payables and accruals of miscellaneous expenses.

Amounts due to a director and shareholders

Amount due to a director and shareholders were approximately RMB64.1 million, RMB61.6 million, RMB61.8 million and RMB66.6 million as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively. The amounts due to a director and shareholders mainly represented the capital contribution to part of the registered capital of Jiashi Xiamen of US$10 million (equivalent to HK$78 million). The amount was fully capitalised in August 2015.

Deposits from finance lease customers

Total non-current and current deposits from finance lease customers were approximately RMB204.7 million, RMB221.4 million, RMB199.0 million and RMB213.2 million as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively. Deposits from finance lease customers which have maturity date over one year were classified as non-current liabilities. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in portion over the lease contract or in full by end of lease period according to the terms of the lease contracts. When the lease contract expires, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract.

Bank borrowings

Total non-current and current bank borrowings were approximately RMB167.4 million, RMB200.8 million, RMB212.5 million and RMB229.9 million as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively. Bank borrowings which have maturity date over one year were classified as non-current liabilities. The loans were borrowed from the PRC banks to finance the finance lease projects of the Target Group. The increase in bank borrowings from 31 December 2012 to 31 March 2015 was mainly due to the Target Group needed more bank loans as loan principal for expansion of finance lease business. Most of the Target Group's bank borrowings are variable-rate borrowings and they are subject to interest at RMB benchmark interest rate of People's Bank of China plus a spread.

LIQUIDITY AND CAPITAL RESOURCES

During the three years ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2015, the Target Group principally finance its business through capital contribution from shareholders, borrowings from banks and profits generated from the operations.

The following table sets out the selected cash flow information as extracted from the Target Group's consolidated statements of cash flows for the periods:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating cash flows before movements in working capitals	19,996	26,793	29,927	4,588	6,483
Net cash (used in)/generated from operating activities	(49,138)	(45,469)	(30,685)	10,062	(7,362)
Net cash (used in)/generated from investing activities	(4,243)	5,906	13,971	6,675	(8,866)
Net cash generated from/(used in) financing activities	62,030	33,428	11,702	(18,177)	17,331
Net increase/(decrease) in cash and cash equivalents	8,649	(6,135)	(5,012)	(1,440)	(1,103)
Cash and cash equivalents at beginning of the year/period	7,272	15,921	9,786	9,786	4,774
Cash and cash equivalents at end of the year/period	15,921	9,786	4,774	8,346	5,877

Net cash flow from operating activities

The Target Group's cash inflows from operating activities are mainly attributable from its finance lease services to the customers in PRC.

For the year ended 31 December 2012, the Target Group recorded a net cash outflow from operating activities of approximately RMB49.1 million, which comprised operating cash flows before movements in working capital of approximately RMB20.0 million, adjusted for net working capital outflow of RMB56.3 million and interest paid and income tax paid of RMB10.0 million and RMB2.8 million respectively.

The net working capital outflow was mainly attributable to: (i) increase in finance leases receivables of approximately RMB41.8 million due to expansion of finance lease business; (ii) increase in amount due to a director and shareholders of approximately RMB0.3 million; (iii) decrease in prepayments and other receivables of approximately RMB10.1 million; and (iv) decrease in other payables and accrued charges of approximately RMB24.8 million.

For the year ended 31 December 2013, the Target Group recorded a net cash outflow from operating activities of approximately RMB45.5 million, which comprised operating cash flows before movements in working capital of approximately RMB26.8 million, adjusted for net working capital outflow of RMB58.3 million and interest paid and income tax paid of RMB10.9 million and RMB3.1 million respectively.

The net working capital outflow was mainly attributable to: (i) increase in finance leases receivables of approximately RMB31.1 million due to expansion of finance lease business; (ii) decrease in amount due to a director and shareholders of approximately RMB2.5 million; (iii) increase in prepayments and other receivables of approximately RMB11.8 million; and (iv) decrease in other payables and accrued charges of approximately RMB12.9 million due to decrease of bills payables.

For the year ended 31 December 2014, the Target Group recorded a net cash outflow from operating activities of approximately RMB30.7 million, which comprised operating cash flows before movements in working capital of approximately RMB29.9 million, adjusted for net working capital outflow of RMB46.7 million and interest paid and income tax paid of RMB13.5 million and RMB0.5 million respectively.

The net working capital outflow was mainly attributable to: (i) increase in finance leases receivables of approximately RMB29.0 million due to expansion of finance lease business; (ii) increase in prepayments and other receivables of approximately RMB17.7 million due to increase of receivables from 福建富嘉; (iii) decrease in other payables and accrued charges of approximately RMB0.2 million; and (iv) increase in amount due to a director and shareholders of approximately RMB0.2 million.

For the three months ended 31 March 2015, the Target Group recorded a net cash outflow from operating activities of approximately RMB7.4 million, which comprised operating cash flows before movements in working capital of approximately RMB6.5 million, adjusted for net working capital outflow of RMB9.9 million and interest paid and income tax paid of RMB3.8 million and RMB0.1 million respectively.

The net working capital outflow was mainly attributable to: (i) increase in finance leases receivables of approximately RMB15.9 million due to expansion of finance lease business; (ii) decrease in prepayments and other receivables of approximately RMB2.7 million; (iii) decrease in other payables and accrued charges of approximately RMB1.4 million; and (iv) increase in amount due to a director and shareholders of approximately RMB4.8 million.

Net cash flow from investing activities

For the year ended 31 December 2012, net cash of approximately RMB4.2 million was used in investing activities and it was mainly attributable to (i) increase of pledged bank deposits of approximately RMB4.4 million to secure short-term borrowings; (ii) purchase of property, plant and equipment of approximately RMB0.9 million. The above was partly offset by the (i) interest received of approximately RMB1.0 million; and (ii) decrease in amount due from shareholders of approximately RMB0.1 million.

For the year ended 31 December 2013, net cash of approximately RMB5.9 million was generated from investing activities and it was mainly attributable to (i) decrease of pledged bank deposits of approximately RMB10.9 million due to decrease of short-term borrowings; (ii) interest received of approximately RMB0.5 million. The above was partly offset by (i) purchase of property, plant and equipment of approximately RMB0.7 million; and (ii) increase in amount due from shareholders of approximately RMB4.8 million.

For the year ended 31 December 2014, net cash of approximately RMB14.0 million was generated from investing activities and it was mainly attributable to (i) decrease of pledged bank deposits of approximately RMB17.4 million due to decrease of short-term borrowings; (ii)interest received of approximately RMB0.2 million. The above was partly offset by (i) purchase of property, plant and equipment of approximately RMB0.1 million; and (ii) increase in amounts due from shareholders of approximately RMB3.5 million.

For the three months ended 31 March 2015, net cash of approximately RMB8.9 million was used in investing activities and it was mainly attributable to (i) purchase of property, plant and equipment of approximately RMB0.7 million; and (ii) increase in amounts due from shareholders of approximately RMB8.5 million. The above was partly offset by (i) the interest received of approximately RMB0.1 million; and (ii) decrease of pledged bank deposits of approximately RMB0.2 million.

Net cash flow from financing activities

For the year ended 31 December 2012, net cash of approximately RMB62.0 million was generated from financing activities and it was attributable to increase of bank loans (net of repayment) due to the fact that the Target Group needed more bank loans as loan principal for expansion of finance lease business.

For the year ended 31 December 2013, net cash of approximately RMB33.4 million was generated from financing activities and it was attributable to increase of bank loans (net of repayment) due to the fact that the Target Group needed more bank loans as loan principal for expansion of finance lease business.

For the year ended 31 December 2014, net cash of approximately RMB11.7 million was generated from financing activities and it was attributable to increase of bank loans (net of repayment) due to the fact that the Target Group needed more bank loans as loan principal for expansion of finance lease business.

For the three months ended 31 March 2015, net cash of approximately RMB17.3 million was generated from financing activities and it was attributable to increase of bank loans (net of repayment) due to the fact that the Target Group needed more bank loans as loan principal for expansion of finance lease business.

As at 31 December 2012, 2013, 2014 and 31 March 2015, the Target Group had total cash and bank balances and pledged bank deposits of approximately RMB58.0 million, RMB41.0 million, RMB18.6 million and RMB19.5 million respectively. The gearing ratio, calculated as percentage of total borrowings to the total assets of the Target Group was 30.3%, 33.8%, 35.7% and 36.4% as at 31 December 2012, 2013, 2014 and 31 March 2015. The current ratio is 1.20 times, 1.80 times, 1.34 times and 1.05 times as at 31 December 2012, 2013, 2014 and 31 March 2015 respectively. The Target Group did not use any financial instruments for hedging purpose.

CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Group did not have any material contingent liabilities.

CAPITAL COMMITMENT

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Group did not have any capital commitments contracted but not provided for in the financial statements.

FOREIGN EXCHANGE RISK MANAGEMENT

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

TREASURY POLICIES

The Target Group continuously monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank loans and ensures compliance with loan covenants.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Target Group has no material acquisition or disposal of subsidiaries and affiliated companies during the three years ended 31 December 2014 and three months ended 31 March 2015.

HUMAN RESOURCES

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Group had a total of 57, 61, 68 and 66 employees respectively. The staff costs of the Target Group were approximately RMB5.8 million, RMB6.8 million, RMB6.1 million and RMB2.3 million for the year ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2015. The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

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

ADVANTAGES FOR FINANCE LEASE INDUSTRY DEVELOPMENT

(1) PRC government supports the development of finance lease industry

The finance lease industry was approved by the State Council in 2000 to be "an Industry encouraged by the PRC government". Since 2007, PRC finance lease industry has been growing in geometric series. Besides, the PRC government have issued several laws and regulations for the finance lease industry to support its development: in terms of the transaction rules, "Chapter 14 Contract on Financing Leasing" of Contract Law enforced from October 1, 1999; in terms of accounting criteria, *Enterprise Accounting Criteria No.21-Leasing* modified and issued in 2006; in terms of the industry supervision policy, the Administrative Measures for Financial and Financing Leasing Companies. The consummated finance lease laws and regulations have provided a good support for development of PRC finance lease industry.

(2) Great development potential in SMEs finance lease market

The PRC has adopted a tight credit policy which increases the difficulties in obtaining financing by SMEs from banks. Under the prevailing restrictive credit environment, it was reported that banks in the PRC had curtained lending to SMEs and tend to grant loans only to large and established corporations with good reputation or the state-owned enterprises. It has therefore become more difficult for SMEs to obtain financing. As a result, some of the SMEs might have turned to pursue alternative financing channels such as finance leases.

(3) Opportunity from PRC economic restructuring

PRC economy has entered the medium-high speed growth stage. This means the PRC economy will change from the low-end manufacturing to high-end manufacturing, from the simple manufacturing to "manufacturing + service". PRC finance lease industry will embrace opportunities from the deepening of economic reform. The finance lease industry, which has the closest connection with the real economy, will be a best tool for upgrading of the traditional manufacturing in China. It can help enterprises promote sales, vitalize stocking fixed assets, optimize resource allocation, promote technical progress, eliminate outdated productive capacity, enhance growth dynamics for economy and boost economic transition and upgrade.

PROSPECTS

Finance lease industry directly serves real economies and plays an important role in promoting equipment manufacturing, SMEs financing, technical upgrade in enterprise and import & export of equipment. In Fujian Province, the finance lease business is in the initial stage and there is huge room for development. Following the launching of free-trade zone in Fujian and with the issue of policies on "one belt one road", urbanization, industrialization, upgrade of traditional industries, and reform of medical treatment and education system, the demand for fixed assets and equipment will continue to rise and thus bring great business opportunities to the finance lease industry. According to the research report prepared by Respect Marketing Research Inc., it predicts that the market size/trading volume of Xiamen finance lease industry is expected to reach RMB54.64 billion in 2018 and to grow at CAGR 41.7% in five years from 2014.

Through the Acquisition, the Group and the Target Group can achieve the synergy effect and capture the great business opportunities of finance lease industry in Fujian Province in near future.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

1. INTRODUCTION

The following unaudited pro forma statement of assets and liabilities has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition on the statement of assets and liabilities of the Group as at 30 June 2015.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under Hong Kong Financial Reporting Standards ("**HKFRS**"), based on the unaudited consolidated statement of financial position of the Group as at 30 June 2015 extracted from the published unaudited interim report of the Group for the six months ended 30 June 2015 which have been published on the website of the Stock Exchange and the website of the Company, and the audited statement of financial position of the Target Company as at 31 March 2015 and the audited consolidated statement of financial position of Full Star and its subsidiaries ("**Full Star Group**") as at 31 March 2015 as extracted from the financial information of the Target Group set out in Appendices IIA and IIB to this circular as if the Acquisition had been completed on 30 June 2015.

The unaudited pro forma statement of assets and liabilities is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments of the completion of the Acquisition that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the accompanying notes.

The accompanying unaudited pro forma statement of assets and liabilities has been prepared by the Directors for illustrative purpose only and is based on certain assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its nature, the unaudited pro forma statement of assets and liabilities may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition. Further, the unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to predict the Enlarged Group's future financial position.

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 June 2015	Target Company 31 March 2015	Full Star Group as at 31 March 2015	Unaudited Pro Forma Adjustments		Pro Forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*			
ASSETS AND LIABILITIES						
Non-current assets						
Property, plant and equipment	13,879	–	1,733			15,612
Prepaid land lease	7,122	–	–			7,122
Goodwill	–	–	–	4	120,838	120,838
Finance lease, loan and account receivables	21,985	–	273,896			295,881
Restricted/pledged bank deposits	6,700	–	5,900			12,600
Deferred tax assets	–	–	3,942			3,942
	49,686	**–**	**285,471**			**455,995**
Current assets						
Amounts due from a director and shareholders	–	1	17,225			17,226
Available-for-sales financial assets	19,342	–	–			19,342
Finance lease, loan and account receivables	344,044	–	240,702			584,746
Prepayments and other receivables	5,127	–	74,502			79,629
Restricted bank deposits	75,628	–	7,742			83,370
Cash and bank balances	225,271	–	5,877			231,148
	669,412	**1**	**346,048**			**1,015,461**
Current liabilities						
Trade payables, accruals, other payables, receipt in advance, deposits from finance lease customers and deferred income	36,354	9	134,937	5	2,276	173,576
Amounts due to directors and shareholders	–	–	66,570			66,570
Provision for taxation	16,501	–	5,696			22,197
Bank borrowings	–	–	122,973			122,973
	52,855	**9**	**330,176**			**385,316**
Net current assets/(liabilities)	**616,557**	**(8)**	**15,872**			**630,145**
Total assets less current liabilities	**666,243**	**(8)**	**301,343**			**1,086,140**
Non-current liabilities						
Bank borrowings	–	–	106,880			106,880
Deposits received and deferred income	22,147	–	99,575			121,722
Convertible liability	–	–	–	4	51,620	51,620
	22,147	**–**	**206,455**			**280,222**
Net assets/(liabilities)	**644,096**	**(8)**	**94,888**			**805,918**

Notes to unaudited pro forma statement of assets and liabilities

1. The balances were extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2015 as set out in the Company's unaudited interim report for the six months ended 30 June 2015.

2. The balances were extracted from the statement of financial position of the Target Company as at 31 March 2015 as set out in the Appendix IIA to this Circular.

3. The balances were extracted from the consolidated statement of financial position of the Full Star Group as at 31 March 2015 as set out in Appendix IIB to this Circular.

4. On 19 March 2015, the Vendor set up the Target Company. After a group reorganisation in August 2015, Full Star Group became wholly owned by the Target Company. The investment in the Full Star Group was approximate to RMB157,426,000, among which RMB128,297,000 was paid on behalf by the shareholders of the Target Company and RMB29,129,000 was settled by the issuance of 1 share of the Target Company to the Vendor. Upon Completion, the investment in subsidiaries of the Target Company shall be eliminated in the Enlarged Group's consolidated statement of financial position.

   Pursuant to the Agreement, the Company through its wholly-owned subsidiary has conditionally agreed to acquire (i) the Sale Shares; and (ii) the Sale Loan. Upon the Completion, the Target Company will become a 63% owned subsidiary of the Group.

   In accordance with HKFRS 3 (Revised) "Business Combinations", the Group will apply acquisition method to account for the Acquisition. In applying acquisition method, the identifiable assets and liabilities of the Target Group have to be measured at their fair values. The excess of fair value of consideration over the fair value of the identifiable assets and liabilities of the Target Group is accounted for as goodwill as below:

	Carrying value *RMB'000*	Fair value *RMB'000*
Property, plant and equipment	1,733	1,733
Amounts due from a director and shareholders	17,226	17,226
Finance lease receivable	514,598	514,598
Deferred tax assets	3,942	3,942
Prepayments and other receivables	74,502	74,502
Restricted bank deposits	13,642	13,642
Cash and bank balances	5,877	5,877
Trade payables, accruals, other payables, receipt in advance, deposits from finance lease customers and deferred income	(134,946)	(134,946)
Amounts due to directors and shareholders *(Note 6)*	(66,570)	(66,570)
Provision for taxation	(5,696)	(5,696)
Bank borrowings	(229,853)	(229,853)
Deposits received and deferred income	(99,575)	(99,575)
		94,880
Non-controlling interests		(35,106)
Fair value of net assets acquired *(note i)*		59,774
Consideration *(note ii)*		180,612
Less: Fair value of net assets acquired		(59,774)
Goodwill		120,838

Notes:

(i) For the purpose of the preparation of the unaudited pro forma statement of assets and liabilities, the carrying amounts of the identifiable assets and liabilities are assumed to be approximate to their fair values.

(ii) Pursuant to the Agreement, the consideration shall be settled by (a) 37% equity interest of the Purchaser which the fair value as at 30 June 2015 is approximately RMB39,000,000 as estimated by an independent professional valuer, APAC Asset Valuation and Consulting Limited ("**APAC**"), based on the market valuation approach; and (b) the Convertible Bonds which the fair value as at 30 June 2015 is approximate to HK$178,803,000 (equivalent to RMB141,612,000, based on the exchange rate of HK$1.00 to RMB0.792), which comprised of a liability component of HK$65,177,000 (equivalent to RMB51,620,000, based on the exchange rate of HK$1.00 to RMB0.792) and an equity component of HK$113,626,000 (equivalent to RMB89,992,000, based on the exchange rate of HK$1.00 to RMB0.792), as estimated by APAC, based on the binomial model. The fair value of the Convertible Bonds will have to be reassessed as at the date of the completion of the Acquisition which may be different from that presented above.

Since the fair values of the identifiable assets and liabilities of the Target Group used in the preparation of this unaudited pro forma statement of assets and liabilities may be different from their fair values on the date when the Target Company became a subsidiary of the Group, the goodwill or additional intangible assets, if any, and relevant deferred tax impact to be recognised in connection with the Acquisition on Completion could be different from the estimated amounts stated herein and is subject to change upon the finalisation of the completion date valuation.

As mentioned above, there was amounts due from the Target Company to the shareholders of approximately RMB128,297,000 for investment in the Full Star Group. Such balance formed the whole amount of the Sale Loan. Upon Completion, the Sale Loan shall be eliminated at the Enlarged Group consolidated statement of financial position.

5. The adjustment represents the estimated legal and professional fees and other direct expenses in relation to the Acquisition of approximately RMB2,276,000. This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.

6. No other adjustments have been made to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 30 June 2015. In particular, the Unaudited Pro Forma Financial Information has not taken into account the capitalisation of amounts due to a director and shareholders of approximately HK$78,000,000 (equivalent to RMB61,784,000, based on the exchange rate of HK$1.00 to RMB0.792) by the Target Group subsequent to 31 March 2015. If pro forma adjustments are made for such capitalisation, the fair value of Target Group's net assets acquired would be increased by RMB38,924,000 to RMB98,698,000 and the goodwill would be decreased by RMB38,924,000 to RMB81,914,000.

   The Directors have reassessed the pro forma goodwill as at the Latest Practicable Date and have assessed whether there is any impairment in accordance with HKAS 36 "Impairment of Assets" and concluded that there is no impairment. Further details please refer to section headed "Financial Effects of the Acquisition" in the "Letter from the Board".

B. REPORT ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the text of an accountant's report, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III.

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30 September 2015

The Board of Directors
Differ Group Holding Company Limited
Unit 1602, Euro Trade Centre
13 Connaught Road Central
Central, Hong Kong

Dear Sirs

DIFFER GROUP HOLDING COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Differ Group Holding Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), and Jiashi Development Limited and its subsidiaries ("**Target Group**") (collectively the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2015 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-4 of the circular dated 30 September 2015 (the "**Circular**") issued by the Company, in connection with the proposed acquisition of 63% equity interest in the Target Group (the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-4 of the Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 June 2015 as if the Acquisition had been completed on 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited interim financial statements for the six months ended 30 June 2015 which was published on 17 August 2015. The information about the Target Group's financial position as at 31 March 2015 has been extracted by the Directors from Appendices IIA and IIB of this Circular.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountant's Responsibilities for the Unaudited Pro Forma Financial Information

Our responsibility is to express an opinion, as required by paragraph 29 of Chapter 4 of the Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updated or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma statement of assets and liabilities reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Enlarged Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully
BDO Limited
Certified Public Accountants

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive; and there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

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

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Mr. Hong Mingxian ("**Mr. Hong**")	Interest of spouse *(note 1)*	450,000,000 (L)	45%
Mr. Cai Huatan ("**Mr. Cai**")	Interest in controlled corporation *(note 2)*	300,000,000 (L)	30%

(L) denotes Long Position

Note:

1. These Shares were held by Expert Corporate Limited, which was wholly and beneficial owned by Ms. Shi Hongjiao ("**Ms. Shi**"). By virtue of the SFO, Mr. Hong, being the spouse of Ms. Shi, is deemed to be interested in the 450,000,000 Shares.

2. These Shares were held by Ever Ultimate Limited, which was wholly and beneficial owned by Mr. Cai. By virtue of the SFO, Mr. Cai is deemed to be interested in the 300,000,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Expert Corporate Limited	Beneficial owner *(note 1)*	450,000,000 (L)	45%
Ms. Shi Hongjiao	Interest in controlled corporation *(note 1)*	450,000,000 (L)	45%
Ever Ultimate Limited	Beneficial owner *(note 2)*	300,000,000 (L)	30%

(L) denotes Long Position

Notes:

1. These Shares were held by Expert Corporate Limited, which was wholly and beneficial owned by Ms. Shi. By virtue of the SFO, Ms. Shi is deemed to be interested in the 450,000,000 Shares.

2. These Shares were held by Ever Ultimate Limited, which was wholly and beneficial owned by Mr. Cai. By virtue of the SFO, Mr. Cai is deemed to be interested in the 300,000,000 Shares.

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

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective associates had any interests in businesses which competed or might compete with the businesses of the Enlarged Group or had any other conflict of interests with the Enlarged Group.

6. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice, which is contained in this circular:

Name	Qualifications
BDO Limited	Certified Public Accountants
Deloitte Touche Tohmatsu Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of their letters or their names in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not have any interest, either directly or indirectly, in any assets which had been since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

(a) the entrusted loan agreement dated 16 December 2013 entered into among a local branch of a PRC commercial bank as the entrusted party, a limited liability company established in the PRC, which is principally engaged in real estate development, as the borrower (the "**Property Development Borrower**") and 廈門市鼎豐創業投資有限公司 (Xiamen Differ Venture Capital Company Limited#) ("**Differ VC**"), an indirect wholly-owned subsidiary of the Company, as the entrusting party, in relation to the granting of the entrusted loan in total amount of RMB35,000,000 (the "**2013 Entrusted Loan**") granted by Differ VC to the Property Development Borrower through the bank for a term of 3 months at the interest rate of 1.80% per month;

(b) two entrusted loan agreements both dated 20 January 2014 entered into among a local branch of a PRC commercial bank as the entrusted party, 廈門九天豪杰實業有限公司 (Xiamen Jiutain Haojei Industrial Limited#), a limited liability company established in the PRC, as the borrower (the "**Xiamen Jiutian**") and Differ VC, as the entrusting party, in relation to the renewal of the two entrusted loans, namely (i) the entrusted loan in amount of RMB33,000,000 (the "**Entrusted Loan A**"); and (ii) the entrusted loan in the amount of RMB17,000,000 (the "**Entrusted Loan B**"), pursuant to which, Differ VC agreed to extend (i) the maturity date of the Entrusted Loan A to 10 July 2014 at the interest rate of 1.80% per month; and (ii) the maturity date of the Entrusted Loan B to 30 April 2014 at the interest rate of 1.80% per month;

(c) the finance lease agreement dated 18 February 2014 entered into between Differ Lease, as the lessor and, a limited liability company established in the PRC, which is principally engaged in fabric manufacturing in the PRC, as the lessee in relation (i) to purchase certain machineries from a supplier designated by the lessee at an aggregate consideration of approximately RMB32,301,000; (ii) to lease such machineries back to the lessee immediately afterwards for a period of approximately 3 years for a series of rental payments payable by the lessee to Differ Lease on a monthly basis in an aggregate amount over the entire lease period of approximately RMB38,601,000; and (iii) to transfer the ownership of such machineries to the lessee after the end of the lease period at an aggregate consideration of RMB10,000;

(d) the renewal entrusted loan agreement dated 14 March 2014 entered into among a local branch of a PRC commercial bank as the entrusted party, the Property Development Borrower as the borrower and Differ VC as the entrusting party, in relation to the extension of the maturity date of the 2013 Entrusted Loan for a term of 3 months at the interest rate of 1.80% per month;

(e) the entrusted loan agreement dated 19 May 2014 entered into among a local branch of a PRC commercial bank as the entrusted party, 廈門鼎順凱商貿有限公司 (Xiamen Ding Shun Kai Trading Limited[#])(“**Xiamen Ding Shun Kai**”), a limited liability company established in the PRC, as the borrower and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB47,000,000 granted by Differ VC to Xiamen Ding Shun Kai through the bank for a term of 6 months at the interest rate of 1.80% per month;

(f) the entrusted loan agreement dated 26 June 2014 entered into among a local branch of a PRC commercial bank as the entrusted party, 廈門倫輝貿易有限公司 (Xiamen Lunhui Trading Limited[#]) (“**Xiamen Lunhui**”), a limited liability company established in the PRC as the borrower and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in total amount of RMB25,000,000 granted by Differ VC to Xiamen Lunhui through the bank for a term of 6 months at the interest rate of 1.80% per month;

(g) the entrusted loan agreement dated 24 July 2014 entered into among a local branch of a PRC commercial bank as the entrusted party, a limited liability company established in the PRC, which is principally engaged in property development and trading of construction materials in the PRC, as the borrower and Differ VC, as the entrusting party, in relation to the granting of the entrusted loan in total amount of RMB30,000,000 granted by Differ VC to the borrower through the bank for a term of 3 months at the interest rate of 1.80% per month;

(h) two entrusted loan agreements both dated 24 October 2014 entered into among a local branch of a PRC commercial bank as the entrusted party, Xiamen Jiutian, as the borrower and Differ VC, as the entrusting party, in relation to the granting of the entrusted loan in total amount of RMB50,000,000 (the “**Entrusted Loans**”) granted by Differ VC to Xiamen Jiutian through the bank for a term of 6 months at the interest rate of 1.80% per month;

(i) the finance lease agreement dated 27 November 2014 entered into between Differ Lease, as the lessor and 福建景發吊裝有限公司 (Fujian Jingfa Lifting Co., Ltd[#]) (“**Fujian Jingfa**”), a limited liability company established in the PRC as the lessee in relation to (i) the purchase of certain machineries from Fujian Jingfa at an aggregate consideration of approximately RMB50,000,000; (ii) leasing such machineries back to Fujian Jingfa immediately afterwards for a period of approximately 2 years for a series of rental payments payable by Fujian Jingfa to Differ Lease on a monthly basis in an aggregate amount over the entire lease period of approximately RMB58,473,000; and (iii) to transfer the ownership of such machineries to Fujian Jingfa after the end of the lease period at a nominal consideration of RMB100;

(j) the entrusted loan renewal agreement dated 4 December 2014 entered into among a local branch of a PRC commercial bank as the entrusted party, Xiamen Lunhui as the borrower and Differ VC as the entrusting party, in relation to the extension of the maturity date of the entrusted loan of RMB25,000,000 for a term of 6 months at the interest rate of 1.80% per month;

(k) the entrusted loan agreement dated 22 December 2014 entered into among a local branch of a PRC commercial bank as the entrusted party, a limited liability company established in the PRC which is principally engaged in textiles industry in the PRC as the borrower and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB30,000,000 granted by Differ VC to the borrower through the bank for a term of 6 months at the interest rate of 1.80% per month;

(l) the entrusted loan renewal agreement dated 24 December 2014 entered into among a local branch of a PRC commercial bank as the entrusted party, Xiamen Lunhui as the borrower and Differ VC as the entrusting party, in relation to the extension of the maturity date of the existing entrusted loan in the amount of RMB25,000,000 granted by Differ VC to the borrower through the bank pursuant to an entrusted loan agreement dated 26 June 2014 entered into among Differ VC, the bank and the borrower for a term of 6 months at the interest rate of 1.80% per month;

(m) the entrusted loan agreement dated 7 January 2015 entered into among a local branch of a PRC commercial bank as the entrusted party, a limited liability company established in the PRC which is principally engaged in trading of construction materials in the PRC as the borrower and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB20,000,000 granted by Differ VC to the borrower through the bank for a term of 4 months at the interest rate of 1.80% per month;

(n) an agreement dated 8 January 2015 and entered into between Differ VC as the purchaser and a limited liability company established in the PRC which is principally engaged in distribution and retailing of sporting goods and leisure goods in the PRC, as the vendor, in relation to the acquisition of all rights in relation to the enforcement of the pledge of an industrial property located in the Fujian Province which is previously pledged by an independent third party who owed certain debts to a local branch of a PRC commercial bank in securing certain debts at a consideration of RMB35,000,000;

(o) the entrusted loan agreement dated 1 April 2015 entered into among a local branch of a PRC commercial bank as the entrusted party, 廈門豪豐投資有限公司 (Xiamen Haofeng Investment Company Limited#), a limited liability company established in the PRC as the borrower and 鼎豐擔保股份有限公司 (Differ Guarantee Company Limited) ("**Differ Guarantee**"), an indirect wholly-owned subsidiary of the Company as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB50,000,000 granted by Differ Guarantee to the borrower through the bank for a term of one year at the interest rate of 1.75% per month;

(p) the entrusted loan agreements dated 5 May 2015 entered into among a local branch of a PRC commercial bank as the entrusted party, Xiamen Jiutian as the borrower and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB50,000,000 granted by Differ VC to the borrower through the bank for a term of 72 days at the interest rate of 1.75% per month;

(q) the entrusted loan agreements dated 19 June 2015 entered into among a local branch of a PRC commercial bank as the entrusted party, a limited liability company established in the PRC which is principally engaged in trading of construction materials in the PRC as the borrower and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB40,000,000 granted by Differ VC to the borrower through the bank for a term of 6 months at the interest rate of 1.70% per month;

(r) the entrusted loan agreement dated 26 June 2015 entered into among a local branch of a PRC commercial bank as the entrusted party, 麗水綠谷凱震房地產開發有限公司 (Lishui Lu Gu Kai Zhen Property Development Limited#), a limited liability company established in the PRC as the borrower and Differ VC as the entrusting party, in relation to the granting of the entrusted loan in the amount of RMB100,000,000 granted by Differ VC to the borrower through the bank for a term of one year at the interest rate of 1.70% per month; and

(s) the Agreement.

9. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Tam Wai Tak Victor, who is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Group is located at 23rd Floor, Tower 11, 166 Tapu East Road, Xiamen, the PRC. The principal place of business of the Company in Hong Kong registered under Part XI of the Companies Ordinance is located at Room 1602, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong.

(c) The principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over their respective Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Room 1602, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2013 and 2014;

(c) the first quarterly report of the Company for the three months ended 31 March 2015;

(d) the interim report of the Company for the six months ended 30 June 2015;

(e) the accountant's report on the Target Company and the Target Group (excluding the Target Company) from Deloitte Touche Tohmatsu Limited, the texts of which are set out in Appendice IIA and IIB to this circular;

(f) the report issued by BDO Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(g) the letter of consent referred to in the paragraph under the heading "Experts and consents" in this appendix;

(h) copy of each of the material contracts referred in the paragraph under the heading "Material contracts" in this appendix; and

(i) this circular.

DIFFER GROUP HOLDING COMPANY LIMITED
鼎豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 6878)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Differ Group Holding Company Limited (the "**Company**") will be held at 19/F, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong on Tuesday, 20 October 2015 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the conditional sale and purchase agreement dated 24 August 2015 (as amended and supplemented by a supplemental deed dated 25 August 2015 and a second supplemental deed dated 17 September 2015 respectively) (the "**Agreement**") entered into among Differ Financial Limited as the purchaser (the "**Purchaser**"), Jiashi Company Limited as the vendor (the "**Vendor**"), and Mr. Su Xingzhao as the guarantor, in relation to the acquisition of the (i) entire equity interests in Jiashi Development Limited (the "**Target Company**"); and (ii) all obligations, liabilities and debts owing by the Target Company to the Vendor on or at any time prior to the completion (the "**Completion**") of the Agreement whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion at the total consideration of RMB103,979,000, of which RMB41,212,000 shall be satisfied by the Purchaser by allotting and issuing 37 new shares in the Purchaser (the "**Consideration Shares**"), credited as fully paid, to the Vendor (or its nominee(s)); and RMB62,767,000 shall be satisfied by the Purchaser by procuring the Company to issue the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$76,545,121.95 entitling the holder(s) thereof to convert the principal amount into ordinary shares of the Company (the "**Conversion Shares**") at the conversion price of HK$4.502 per Conversion Share, to the Vendor (or its nominee(s)), (a copy of the Agreement has been produced to this meeting marked "A" and signed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) subject to the fulfillment or waiver of the conditions precedent set out in the Agreement, the issue of the Convertible Bonds in accordance with the terms and conditions of the Agreement be and is hereby approved;

(c) the directors (the "**Directors**") of the Company be and are hereby granted a specific mandate to allot and issue all the Conversion Shares upon full conversion of the Convertible Bonds in accordance with the terms and conditions of the Agreement; and

(d) any one director be and is hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things, as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Agreement and the transactions contemplated thereunder."

Yours faithfully,
For and on behalf of the Board
Differ Group Holding Company Limited
HONG Mingxian
Chairman and executive director

Hong Kong, 30 September 2015

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1 – 1111
Cayman Islands

Head office and principal place of business
*in the Peoples' Republic of China (the "**PRC**"):*
23rd Floor, Tower 11
166 Tapu East Road
Xiamen, PRC

Head office and principal place of business
in Hong Kong registered under
Part XI of the Companies Ordinance:
Room 1602
Euro Trade Centre
13-14 Connaught Road Central
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the proxy form appointing a proxy shall be deemed to be revoked.