

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

- Turnover of the Group for the six months ended 30 June 2016 was approximately RMB132,880,000 (2015: RMB92,711,000), representing an increase of approximately 43.3% as compared with the corresponding period in 2015.
- Profit of the Group for the six months ended 30 June 2016 was approximately RMB75,263,000 (2015: RMB59,256,000), representing an increase of approximately 27.0% as compared with the corresponding period in 2015.
- Profit attributable to owners of the Company for the six months ended 30 June 2016 was approximately RMB71,155,000 (2015: RMB59,256,000), representing an increase of approximately 20.1% as compared with the corresponding period in 2015.
- Earnings per share of the Company for the six months ended 30 June 2016 was approximately RMB1.68 cents (2015: RMB1.48 cents – restated).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016, together with the unaudited comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
	Notes		
Income from financial related services	3	98,447	77,711
Income from assets management services	3	34,433	15,000
Other income	3	2,414	2,023
Gain on disposal of subsidiaries	5	4,704	–
Employee benefit expenses		(9,294)	(5,225)
Depreciation and amortisation expenses		(1,380)	(1,418)
Operating lease expenses		(1,106)	(655)
Equity-settled share-based payments		(3,141)	–
Other expenses		(11,496)	(7,282)
Change in fair value of the embedded derivative of the convertible bonds	15	2,513	–
Financial costs	6	(14,739)	–
Profit before income tax	7	101,355	80,154
Income tax expense	8	(26,092)	(20,898)
Profit for the period		75,263	59,256

		Six months ended	
		30 June	
		2016	2015
		(Unaudited)	(Unaudited)
<i>Notes</i>		RMB'000	RMB'000
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss in subsequent periods			
	– Exchange differences on translating foreign operation	(3,641)	(50)
	– Fair value gain on available-for-sale financial assets	22,262	4,342
	– Release to profit or loss upon disposal of available-for-sale financial assets	(9,700)	–
Total comprehensive income for the period		84,184	63,548
Profit for the period attributable to:			
	Owners of the Company	71,155	59,256
	Non-controlling interests	4,108	–
		75,263	59,256
Total comprehensive income for the period attributable to:			
	Owners of the Company	80,076	63,548
	Non-controlling interests	4,108	–
		84,184	63,548
Earnings per share			
	– Basic (RMB cents)	1.68	1.48(restated)
	– Diluted (RMB cents)	1.68	1.48(restated)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	11,352	14,406
Prepaid land lease		6,715	6,919
Restricted bank deposits		1,950	2,930
Finance lease, loan and account receivables	12	335,001	380,591
Goodwill		33,400	33,400
		<u>388,418</u>	<u>438,246</u>
Current assets			
Available-for-sales financial assets	13	130,312	81,500
Finance lease, loan and account receivables	12	938,093	790,096
Prepayments, deposits and other receivables	14	214,439	83,155
Restricted bank deposits		89,361	94,178
Cash and bank balances		47,265	89,510
		<u>1,419,470</u>	<u>1,138,439</u>
Current liabilities			
Accruals, other payables, deposits received and deferred income		89,708	106,122
Provision for taxation		22,280	18,812
Bank borrowings		110,767	124,837
Derivative financial instruments	15	18,060	—
		<u>240,815</u>	<u>249,771</u>
Net current assets		<u>1,178,655</u>	<u>888,668</u>
Total assets less current liabilities		<u>1,567,073</u>	<u>1,326,914</u>
Non-current liabilities			
Deposits received and deferred income		67,519	93,684
Bank borrowings		160,273	218,591
Corporate bonds		73,270	16,800
Convertible bonds	15	180,847	—
		<u>481,909</u>	<u>329,075</u>
Net assets		<u>1,085,164</u>	<u>997,839</u>
EQUITY			
Share capital	16	8,292	8,292
Reserves		976,720	893,503
Equity attributable to owners of the Company		<u>985,012</u>	<u>901,795</u>
Non-controlling interests		<u>100,152</u>	<u>96,044</u>
Total equity		<u>1,085,164</u>	<u>997,839</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company											
	Share capital	Share premium	Capital reserve	Merger and other reserve	Share option reserve	Statutory reserve	Financial assets revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2016 (Unaudited)												
At 1 January 2016	8,292	356,029	277,562	(8,345)	-	27,774	9,700	(2,639)	233,422	901,795	96,044	997,839
Profit for the period	-	-	-	-	-	-	-	-	71,155	71,155	4,108	75,263
Other comprehensive income for the period	-	-	-	-	-	-	12,562	(3,641)	-	8,921	-	8,921
Total comprehensive income for the period	-	-	-	-	-	-	12,562	(3,641)	71,155	80,076	4,108	84,184
Equity-settled share based transactions	-	-	-	-	3,141	-	-	-	-	3,141	-	3,141
Transfer to statutory reserve	-	-	-	-	-	7,413	-	-	(7,413)	-	-	-
At 30 June 2016	8,292	356,029	277,562	(8,345)	3,141	35,187	22,262	(6,280)	297,164	985,012	100,152	1,085,164

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Financial assets revaluation reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2015 (Unaudited)									
At 1 January 2015	7,800	137,515	277,562	7	15,026	–	256	142,382	580,548
Profit for the period	–	–	–	–	–	–	–	59,256	59,256
Other comprehensive income for the period	–	–	–	–	–	4,342	(50)	–	4,292
Total comprehensive income for the period	–	–	–	–	–	4,342	(50)	59,256	63,548
Transfer to statutory reserve	–	–	–	–	5,473	–	–	(5,473)	–
At 30 June 2015	<u>7,800</u>	<u>137,515</u>	<u>277,562</u>	<u>7</u>	<u>20,499</u>	<u>4,342</u>	<u>206</u>	<u>196,165</u>	<u>644,096</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016 (Unaudited) <i>RMB'000</i>	2015 (Unaudited) <i>RMB'000</i>
Net cash (used in)/generated from operating activities	(207,999)	61,183
Net cash used in investing activities	(3,226)	(441)
Net cash generated from financing activities	<u>170,770</u>	<u>—</u>
Net (decrease)/increase in cash and cash equivalents	(40,455)	60,742
Cash and cash equivalents at the beginning of the period	89,510	164,579
Effect of foreign exchange rate changes, net	<u>(1,790)</u>	<u>(50)</u>
Cash and cash equivalents at the end of the period	<u><u>47,265</u></u>	<u><u>225,271</u></u>

NOTES

1. CORPORATE AND GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 2013 and transferred listing to main board of the Stock Exchange on 6 July 2015.

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are provision of guarantee services, express loan services, financial services, finance lease services and assets management services.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

The unaudited interim condensed consolidated financial statement do not include all the information and disclosure required in the Group's annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

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

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2015 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on 1 January 2016. The effect of the adoption of these standards, amendments and interpretations was not material of the Group's results of operations and financial position.

3. REVENUE AND OTHER INCOME

Revenue represents income from the Group's principal activities, net of value-added tax.

	Six months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue:		
Income from financial related services		
Interest income from express loan service:		
– Pawn loan	7,669	8,245
– Entrusted loan	40,068	20,090
– Money lending	6,399	–
Income from financial service	15,512	32,825
Income from guarantee services	6,007	8,808
Income from finance lease services	22,792	7,743
	98,447	77,711
Income from assets management services	34,433	15,000
	132,880	92,711
Other income:		
Bank interest income	602	1,265
Government grant	1,771	707
Others	41	51
	2,414	2,023

4. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's executive directors in order to allocate resources and assess performance of the segment. Executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in provision of financial services which includes the provision of entrusted loan, financial consultancy, guarantee, pawn loan, finance lease services, money lending and assets management. The executive directors allocate resources and assess performance on an aggregated basis. The Group's revenue from external customers is divided into certain groups of products which is disclosed in note 3.

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

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is mainly sourced from the PRC (including Hong Kong). The total revenue is disclosed in note 3. The Group's non-current assets other than financial instruments are principally located in the PRC (including Hong Kong).

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

	Six months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A	<u><u>–</u></u>	<u><u>15,000</u></u>

5. GAIN ON DISPOSAL OF SUBSIDIARIES

On 24 June 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity share of DiPro Company Limited and its subsidiaries, namely Differ Financial Development HK Limited, Xiamen City Wending Investment Consulting Company Limited and Fujian Differ Pawn Company Limited (controlled through the structured agreements) (collectively the "Disposal Group") at the consideration of RMB65,000,000. The Disposal Group is principally engaged in pawn loan business in PRC. For details, please refer to the announcements dated 24 June 2016.

The net assets of the Disposal Group at the date of disposal were as follows:

	(Unaudited)
	RMB'000
Net assets disposed of:	
Property, plant and equipment	2,360
Loan and account receivables	56,449
Cash and bank balances	2,744
Prepayments and other receivables	144
Accruals and other payables	(522)
Provision for taxation	(879)
	<u>60,296</u>
Gain on disposal of subsidiaries	<u>4,704</u>
Total consideration-satisfied by cash	<u>65,000</u>
Net cash outflow arising on disposal:	
Cash consideration (<i>note</i>)	–
Cash and bank balances disposed of	<u>(2,744)</u>
	<u><u>(2,744)</u></u>

Note: The cash consideration of RMB65,000,000 shall be payable by the purchaser to the Company within 2 months upon completion of disposal of the Disposal Group.

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings	8,197	—
Interest on corporate bonds	2,126	—
Interest on convertible bonds (including imputed interest) (note 15)	4,416	—
	<u>14,739</u>	<u>—</u>

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	1,176	1,214
Amortisation of prepaid land lease	204	204
Employee benefit expenses (including Directors' remuneration)		
Salaries	8,223	4,398
Pension scheme contributions – Defined contribution plans	404	215
Other benefits	667	612
	9,294	5,225
Impairment loss on finance lease, loan and account receivables	1,349	—
Operating lease charges in respect of properties	1,106	655
	<u>11,749</u>	<u>6,100</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax – PRC	26,092	20,898

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Enterprise income tax arising from subsidiaries operated in the PRC for the six months ended 30 June 2016 as calculated at 25% (2015: 25%) of the estimated assessable profits during the period.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2016(2015: Nil).

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

10. EARNINGS PER SHARE

The calculations of basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to owners of the Company of approximately RMB71,155,000 (2015: RMB59,256,000) and on the 4,236,009,880 (2015:4,000,000,000, restated) ordinary shares issued throughout the six months ended 30 June 2016.

Diluted earnings per share for the six months ended 30 June 2016 is the same as the basic earnings per share because the impact of the potential dilutive ordinary shares outstanding is anti-dilutive (2015: no potential ordinary shares in issue).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group spent approximately RMB482,000 (2015: RMB441,000) on acquisition of furniture, fixture and office equipment.

12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	As at 30 June 2016 (Unaudited) <i>RMB'000</i>	As at 31 December 2015 (Audited) <i>RMB'000</i>
Non-current assets		
Finance lease receivables	305,251	348,671
Loan receivables	29,750	31,920
	335,001	380,591
Current assets		
Pawn loan receivables	–	48,100
Entrusted loan receivables	473,000	371,800
Finance lease receivables	224,973	246,766
Loan receivables	178,021	84,200
Receivables from guarantee customers	43,238	32,009
Account receivables	18,861	7,221
	938,093	790,096

For finance lease receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The maturity date for each loan contract is normally not more than 5 years.

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

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

For loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The maturity date for each loan contract is normally not more than 2 years.

For account receivables, it represented interest receivables from pawn loans, entrusted loans, finance lease and loan receivables and financial consultancy fee receivable. The customers are obliged to settle the amounts according to the terms set out in relevant contracts and, normally, no credit period was granted to customers.

For receivables from guarantee customers, it represented the repayment paid to the banks on behalf of the guarantee customers. The guarantee customers are obliged to settle the amounts according to the term set out in relevant contracts and no credit period was granted to customers.

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

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
0 to 30 days	243,040	358,542
31 to 90 days	193,852	169,951
91 to 180 days	153,570	50,731
Over 180 days	682,632	591,463
	<u>1,273,094</u>	<u>1,170,687</u>

13. AVAILABLE-FOR-SALES FINANCIAL ASSETS

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Distressed assets	<u>130,312</u>	<u>81,500</u>

The available-for-sale financial assets are denominated in RMB and there is no public market for investments.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Amounts paid for distressed assets	122,000	62,000
Receivables from disposal of subsidiaries (note 5)	65,000	–
Prepaid expenses and other receivables	<u>27,439</u>	<u>21,155</u>
	<u>214,439</u>	<u>83,155</u>

15. CONVERTIBLE BONDS

The carrying values of the liability component and derivative component of the convertible bonds are as follows:

Liability component-classified as non-current liabilities

	(Unaudited) RMB'000
Net carry amount at 1 January 2016	–
Issue of Convertible Bonds	178,327
Interest expenses	4,416
Interest on Convertible Bonds paid	<u>(1,896)</u>
Net carry amount at 30 June 2016	<u>180,847</u>

Derivative component – classified as current liabilities

	(Unaudited) RMB'000
Net carry amount at 1 January 2016	–
Issue of Convertible Bonds	20,573
Change in fair value of derivative financial instruments	<u>(2,513)</u>
Net carry amount at 30 June 2016	<u>18,060</u>

Pursuant to the announcement of the Company dated 6 May 2016 and 18 May 2016, the Company issued the convertible bonds (the “Convertible Bonds”) in an aggregate principal amount of US\$30,000,000 at 6% coupon rate per annum (plus 2% administrative fee per annum) with maturity on 17 November 2017 (subject to an extension of a further eighteen months if agreed by the Company and the relevant bondholders) (“Maturity Date”). The Convertible Bonds are convertible (at any time on or after 18 November 2016 and up to the close of business on the business day immediately preceding the Maturity Date) by the bondholders into ordinary share of the Company at HK\$0.0025 each (the “Shares”) at the option of the bondholders, at a conversion price of HK\$0.86 (the “Conversion Price”) per share. The Conversion Price is subject to adjustment, including but not limited to the occurrence of events such as the consolidation, sub-division or reclassification of Shares, capitalization of profits or reserves, and capital distribution and the issue of new Shares at the issue price lower than the Conversion Price or lower than 80% of the current market price. Each bondholder shall have the right to convert all or any part (which shall be a minimum of US\$2,500,000 and integral multiples of US\$500,000 in excess thereof save that if at any time, the outstanding principal amount of the Convertible Bonds is less than US\$2,500,000, the conversion right in respect of the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be exercised) of the principal amount of its Convertible Bonds into Shares at any time during the conversion period. The Company shall (i) redeem the outstanding Convertible Bonds on the Maturity Date at such redemption price as would result in an internal rate of return of no less than 4% per annum on all outstanding amounts payable by the Company to the bondholders; and (ii) upon the occurrence of any event of default as stipulated in the terms and conditions of the Convertible Bonds.

The net proceeds from the issue of Convertible Bonds will be used for the Group’s business development, including (i) lending to the Group’s customers and acquisition of value assets in the ordinary and usual course of the Group’s business; and (ii) general working capital of the Group.

The Group determined that the above Conversion Price reset will not result in settlement by the exchange of a fixed amount of cash for a fixed number of the Company’s shares. In accordance with the requirement of HKAS32, the bond contract is separated into two components: a compound derivative component consisting of the conversion option, and a liability component consisting of the straight debt element.

The fair value of the derivative component of the Convertible Bonds was calculated using the Binominal model with the major inputs used in the model as follows:

	As at 30 June 2016	As at 18 May 2016
Stock price	HK\$0.59	HK\$0.62
Volatility	50%	50%
Risk free rate	0.37%	0.40%

Any changes in the major inputs into model will result in changes in the fair value of the derivative component. The change in the fair value of the derivative component during the six months ended 30 June 2016 results in a fair value gain of RMB2,513,000 which has been included in the “Change in fair value of the embedded derivative of the convertible bonds” in the income statement for the six months ended 30 June 2016.

Interest expenses are calculated using the effective interest method by apply the effective interest rate of 21% to the adjusted liability component.

16. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value of share capital HK\$'000	Equivalent nominal value of share capital RMB'000
Authorised:			
Ordinary share of HK\$0.0025 each			
At 31 December 2015 and 30 June 2016	20,000,000	50,000	39,000
Issued and fully paid:			
Ordinary share of HK\$0.0025 each			
At 31 December 2015 and 30 June 2016	4,236,009	10,590	8,292

During the six months ended 30 June 2016, there is no movement in share capital of the Company.

17. MAXIMUM EXPOSURE UNDER THE FINANCIAL GUARANTEE CONTRACTS

As at 30 June 2016, the Group's maximum exposure under the financial guarantee contracts is RMB248.6 million (31 December 2015: RMB344.6 million). To mitigate such risk, the Group requests the customers to provide collateral as appropriate. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the Group will proceed with sale of collateral. As at 30 June 2016, the Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers in total amount of RMB483.2 million (31 December 2015: RMB790.0 million).

In respect of the Group's financial guarantee business, we have experienced default by certain customers resulting in our Group having to honour our financing guarantee obligations amounted to RMB16.9 million during the six months ended 30 June 2016 (2015: Nil). The management considered that the Group will be able to recover the amount of approximately RMB15.6 million by taking possession of the relevant collateral held by the Group and selling such collateral in the market and/or claim the amounts from the counter-guarantors. As such, an impairment loss of receivables from guarantee customers of approximately RMB1.3 million is recorded during the six months ended 30 June 2016 (2015: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As an integrated financing service provider, the Group mainly provide short to medium-term financing and financing-related solutions in Fujian Province. During the six months ended 30 June 2016, the turnover was mainly derived from the provision of (i) guarantee services, (ii) express loan services (including pawn loan, entrusted loan and money lending services), (iii) financial services, (iv) finance lease services and (v) asset management services.

Financial Review

Revenue

The revenue increased from approximately RMB92.7 million for the six months ended 30 June 2015 to approximately RMB132.9 million for the six months ended 30 June 2016, representing an increase of approximately RMB40.2 million or 43.3%. The increase was attributable to the net effect of the following reasons:

Express loan services

Pawn loan services

Our Group's pawn loan service income decreased by 7.0% from approximately RMB8.3 million for the six months ended 30 June 2015 to approximately RMB7.7 million for the six months ended 30 June 2016. Due to the decrease in turnover and profit of pawn loan business in recent year, the Group has disposed of the pawn loan business in late June 2016. The proceeds from the disposal will enable the Group to have the more capital to focus on the other remaining business with higher profit contribution.

Entrusted loan services

In light of the tighten credit control by PRC banks and the strong demand for financing services to small and medium enterprises ("SMEs"), the Group continued to expand the entrusted loan business in the PRC. By using part of the proceeds from issuance of shares and bonds in past year, it allows the Group to grant more entrusted loans to customers and thereby generated more entrusted loan interest income.

Our Group's entrusted loan service income increased sharply by 99.4% from approximately RMB20.1 million for the six months ended 30 June 2015 to RMB40.1 million for the six months ended 30 June 2016. The increase of entrusted loan service income was mainly due to the (i) increase of outstanding entrusted loan receivables from approximately RMB311 million as at 30 June 2015 to RMB473 million as at 30 June 2016.

Money lending services

The Group commenced its Hong Kong money lending business in second half of 2015 and continued to expand the business in 2016. During the six months ended 30 June 2016, the Group has recorded the income of approximately RMB3.9 million in relation to such business. Besides, the Group has also provided short-term financing to certain customers in the PRC and recorded the interest income of approximately RMB2.5 million.

Financial services

The financial service income of our Group decreased from approximately RMB32.8 million for the six months ended 30 June 2015 to RMB15.5 million for the six months ended 30 June 2016. We mainly focused on the financial services which charge our customers based on certain percentage of the amount of financing obtained by the customers as a result of our consultation. Due to the instability of the PRC economy in 2016, there was a tightening of bank financing in the PRC. The process of obtaining a loan from the PRC banks for SMEs has become more difficult due to stricter criterions and the slow processing of approvals. Although our customers bases remain stable, the decrease of the successful rate and the amount of financing obtained from banks which lead to decrease of our income from financial services.

Guarantee services

We mainly provided the financing guarantee services during the six months ended 30 June 2016 and 2015. Our Group's guarantee service income decreased by 31.8% from approximately RMB8.8 million for the six months ended 30 June 2015 to approximately RMB6.0 million for the six months ended 30 June 2016. In 2016, the financial risk became more prominent with a possible increase in company default rates in the PRC, the Company is adopting a more prudent approach for approval of the application of our guarantee services from potential customers. As such, the number of guarantee service decrease and the income from our guarantee services decrease accordingly.

Finance lease services

Following the acquisition of Jiashi International Financial Limited and its subsidiaries (collectively "Jiashi Group") in late October 2015 (the "Acquisition"), the Group further developed its finance lease business. The Acquisition has add momentum to the Group's finance lease business through Jiashi Group's extensive network and experience in the distant marine fisheries industry, agricultural drones, tourism and car leasing to individuals.

Our Group's finance lease services income increased by 194.4% from approximately RMB7.7 million for the six months ended 30 June 2015 to RMB22.8 million for the six months ended 30 June 2016. The increase of finance lease service was mainly due to the contribution of the finance lease income from Jiashi Group.

Asset management services

In 2016, the Group has put more effort to expand the asset management business in order to capture the opportunities presented by abundant supply of distressed assets in Fujian Province. The Group is actively looking for the good quality distressed assets which potentially offer high-percentage returns.

Our Group's income from assets management services increased by 129.6% from approximately RMB15 million for the six months ended 30 June 2015 to RMB34.4 million for the six months ended 30 June 2016. The increase was mainly due to the fact that the Group has disposed/executed of five distressed assets during the six months ended 30 June 2016 as compared with only one distressed asset has been disposed for the corresponding period in 2015.

Other income

Other income increased from approximately RMB2.0 million for the six months ended 30 June 2015 to approximately RMB2.4 million for the six months ended 30 June 2016, representing an increase of approximately RMB0.4 million or 19.3%. Our Group's other income mainly represented the bank interest income and the government grant. The increase in other income was mainly due to the fact that we have received more government grant.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB5.2 million for the six months ended 30 June 2015 to approximately RMB9.3 million for the six months ended 30 June 2016, representing an increase of approximately RMB4.1 million or 77.9%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits. The increase in employee benefit expenses was mainly attributable to the increase of number of staff as a result of completion of Acquisition and business expansion.

Other expenses

The other expenses increased from approximately RMB7.3 million for the six months ended 30 June 2015 to approximately RMB11.5 million for the six months ended 30 June 2016, representing an increase of approximately RMB4.2 million or 57.9%. The increase in other expenses was mainly attributable to (i) the increase of operating expenses due to the Acquisition in late 2015 and (ii) increase of provision of bad debts of approximately RMB1.3 million.

Profit for the period attributable to the owners of the Company

Our Group's profit for the period attributable to the owners of the Company was approximately RMB71.2 million for the six months ended 30 June 2016, representing an increase of approximately RMB11.9 million, or 20.1%, from approximately RMB59.3 million for the six months ended 30 June 2015.

Non-GAAP Financial Measures

To supplemental the consolidated results of the Group prepared in accordance with HKFRSs, certain non-GAAP financial measures have been presented in this financial review. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRSs.

The Directors believe that, in conjunction with GAAP financial measures, the non-GAAP financial measures provide meaningful supplemental information to both investors and management in assessing the Group's financial performance.

The non-GAAP financial measures do not include all items that impact the Group's financial performance prepared in accordance with HKFRSs. It excludes equity-settled share-based payments, change in fair value of the embedded derivative of the convertible bonds and imputed interests on convertible bonds, which have been and might continue to be significant non-cash expenses in the Group's financial performance prepared in accordance with HKFRSs. In addition, the non-GAAP financial measures may not be comparable to similar titled measures utilized by other companies since such other companies may not calculate such measures in the same manner as the Company does.

The Directors expect to compute the non-GAAP financial measures using consistent methods going forward. The following table sets forth the reconciliations of the non-GAAP financial measures for the six months ended 30 June 2016 to the nearest measures prepared in accordance with HKFRSs:

	Six months ended 30 June 2016				
	As Reported	Equity-settled	Changes in fair value of the embedded derivative of the convertible bonds	Imputed interests on convertible bonds	Non-GAAP
	RMB'000	payments RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	101,355	3,141	(2,513)	2,520	104,503
Profit for the period	75,263	3,141	(2,513)	2,520	78,411
Profit for the period attributable to the owners of the Company	71,155	3,141	(2,513)	2,520	74,303
Basic earnings per share (RMB cents)	<u>1.68</u>				<u>1.75</u>

Outlook

The Group has successfully transferred its listing from the GEM to the main board of the Stock Exchange in second half of 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 order to increase our capital to capture more business opportunities, the Company has issued the corporate bonds and convertible bonds of over RMB250 million during the six months ended 30 June 2016. The funds raised can help enhance the Group's capital base and accelerate our development especially on asset management services. During the six months ended 30 June 2016, the Group acquired a number of distressed assets in total amount of approximately RMB184 million. Certain of the distressed assets have been disposed/executed and the Group recorded the profit of RMB34.4 million and it also recorded the revaluation gain of RMB22.3 million for the remaining distressed assets.

We consider that there is plenty of room for development of finance lease business in the Fujian province, the PRC. The launching of free-trade zone in Fujian and with the issue of policies on "one belt one road" and the National 13th Five-Year Plan will lead to substantial business opportunities to the finance lease industry. The Group has expanded its financing leasing to more industries, from the manufacturing and transportation engineering industries to the distant marine fisheries, tourism, agricultural drones industries and car leasing to individuals. The Group has also entered into a framework agreement of RMB2.0 billion with the People's Government of Yujiang County and an independent third party for agricultural drones business.

The Group has continued to report remarkable business results and is actively to expand the high growth businesses. On the other hand, as the pawn loan business is a sunset industry, the Directors consider that it is in the interests of the Group to cease carrying on the pawn loan business in order to concentrate on the other businesses of the Group. On 24 June 2016, the Group has disposed the pawn loan business to an independent third party and recorded a gain of approximately RMB4.7 million.

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

ADVANCE TO AN ENTITY

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligations arises where an advance to an entity from the Company exceeds 8% of the total assets of the Group. Pursuant to Rule 13.13 of the Listing Rules, details of advances as defined under Rule 13.15 of the Listing Rules which remained outstanding as at 30 June 2016 were as follow:

1) *Entrusted loan Master Agreement dated 20 April 2016 (“Entrusted Loan Master Agreement ”)*

The Entrusted Loan Master Agreement was entered into among 廈門市鼎豐創業投資有限公司 (Xiamen Differ Venture Capital Company Limited, an indirect wholly-owned subsidiary of the Company) (“Differ VC”), 廈門市鼎豐貸投資諮詢有限公司 (Xiamen Differ Dai Investment Consulting Company Limited, an indirect wholly-owned subsidiary of the Company) (“Differ Dai”) and 廈門豪豐投資有限公司 (Xiamen Hao Feng Investment Company Limited) (“Hao Feng”) and 廈門倫輝貿易有限公司 (Xiamen Lun Hui Trading Limited) (together with Hao Feng, the “Customer A”). Pursuant to the Entrusted Loan Master Agreement, Differ VC and Differ Dai agreed to provide entrusted loans with an aggregate amount up to RMB180,000,000 to the Customer A through the lending banks for a period of 24 months.

The principal terms of Entrusted Loan Master Agreement are as follows:

Entrusted Loan Cap:	Up to RMB180 million
Interest rate:	17.0% per annum
Loan period:	As mentioned above
Repayment:	The Customer A shall repay the interests on a monthly basis and the principal amount at the end of the loan period
Security and guarantees:	The pledge of the equity rights from the shareholders of the Customer A at fair value of approximately RMB200,000,000

2) *Finance Lease Agreement dated 28 January 2015 (“Finance Lease Agreement”)**

The Finance Lease Agreement was entered into between 嘉實 (廈門) 融資租賃有限公司 (Jiashi (Xiamen) Finance Lease Limited (“Jiashi Lease”) (as the lessor) and 福建省順來發海洋漁業有限公司 (Fujian Shun Lai Fa Ocean Fishery Limited) (“Customer B”) (as the lessee). Pursuant to the Finance Lease Agreement, Jiashi Lease has agreed among other things, (i) to purchase certain distant marine fisheries from the designated suppliers by Customer B at an aggregate consideration of approximately RMB210,000,000; (ii) to lease such distant marine

fisheries to the Customer B immediately afterwards for a period of approximately 5 years for a series of rental payments payable by the Customer B to Jiashi Lease on a monthly basis in an aggregate amount over the entire lease period of approximately RMB257,430,000; and (iii) to transfer the ownership of such distant marine fisheries to the Customer B after the end of the lease period at a nominal consideration of RMB3,200,000.

The principal terms of Finance Lease Agreement are as follows:

Amount of financing provided by Jiashi Lease to the Customer B:	RMB210,000,000
Aggregate amount of rental payment:	RMB257,430,000
Lease period:	60 months
Ownership of the leased property after the end of lease period:	To be transferred to the Customer B at nominal consideration of RMB3,200,000
Internal rate of return:	14.3%
Security and guarantees:	The Customer B has agreed to provide one personal guarantee, one corporate guarantee and cash deposit as the additional security and guarantees to Jiashi Lease under the Finance Lease Agreement.

* The Finance Lease Agreement was entered into between Jiashi Lease and Customer B on 28 January 2015, which is before the Acquisition.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in Shares

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interests
Mr. Hong Mingxian	Interest of spouse (<i>note 1</i>)	1,800,000,000 Shares	42.49%
Mr. Cai Huatan	Interest of controlled corporation (<i>note 2</i>)	1,200,000,000 Shares	28.33%
Mr. Ng Chi Chung	Beneficial owner	10,226,000 Shares	0.24%

Notes:

1. These Shares were held by Expert Corporate Limited, which was wholly and beneficially 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 1,800,000,000 Shares under the SFO.
2. These Shares were held by Ever Ultimate Limited, which was wholly and beneficially owned by Mr. Cai. By virtue of the SFO, Mr. Cai is deemed to be interested in the 1,200,000,000 Shares under the SFO.

(ii) Interests in the underlying Shares

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interests
Mr. Hong Mingxian	Beneficial owner	6,400,000 Shares (L)	0.15%
Mr. Ng Chi Chung	Beneficial owner	6,400,000 Shares (L)	0.15%

Note: Being unlisted physically settled share options to acquire ordinary shares of the Company, further details of which are set out in the section headed "Share Option Scheme" below.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following persons or companies (other than the Directors or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares which was discloseable under Divisions 2 & 3 of Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares

Name	Capacity/nature of interest	Number of Shares	Percentage of interests
Expert Corporate Limited	Beneficial owner (<i>note 1</i>)	1,800,000,000 Shares	42.49%
Ms. Shi Hongjiao	Interest of controlled corporation (<i>note 1</i>) and interest of spouse (<i>note 2</i>)	1,806,400,000 Shares	42.64%
Ever Ultimate Limited	Beneficial owner (<i>note 3</i>)	1,200,000,000 Shares	28.33%

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 1,800,000,000 Shares under the SFO.
2. Mr. Hong is the spouse of Ms. Shi.
3. 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 1,200,000,000 Shares under the SFO.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any material contingent liabilities (31 December 2015: Nil).

CAPITAL COMMITMENT

As at 30 June 2016, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB957,110,000 (31 December 2015: RMB530,500,000).

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

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

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

On 24 June 2016, the Group has disposed the Disposal Group at the consideration of RMB65,000,000. The Disposal Group is principally engaged in pawn loan business in PRC. For details, please refer to the announcements dated 24 June 2016.

INTERIM DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

HUMAN RESOURCES

As at 30 June 2016, the Group had a total of 120 employees (31 December 2015: 147). The staff costs (included Directors' emoluments) were approximately RMB9.3 million for the six months ended 30 June 2016 (2015: RMB5.2 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2016 (2015: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2016, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB136.6 million (31 December 2015: 183.7 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 30.0% as at 30 June 2016 (31 December 2015: 22.8%). The current ratio is 5.9 times as at 30 June 2016 (31 December 2015: 4.6 times). The Group did not use any financial instruments for hedging purpose.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 26 November 2013 for the purpose of providing incentives or rewards to any employees of the Company and any other eligible persons for their contribution to the Group. On 25 April 2016, the Company granted an aggregate of 84,108,000 share options to the eligible persons. The following table discloses movements in the Company’s share options during the six months ended 30 June 2016:

Name or category of participants	Date of grant	At 1 January 2016	Number of share options				At 30 June 2016	Exercise period	Exercise price HK\$
			Granted	Exercised	Cancelled	Lapsed			
Director									
Mr. Hong Mingxian	25 April 2016	–	6,400,000	–	–	–	6,400,000	30 April 2017 to 30 April 2021	0.734
Mr. Ng Chi Chung	25 April 2016	–	6,400,000	–	–	–	6,400,000	30 April 2017 to 30 April 2021	0.734
Employees (in aggregate)	25 April 2016	–	71,308,000	–	–	–	71,308,000	30 April 2017 to 30 April 2021	0.734
Total			84,108,000	–	–	–	84,108,000		

Note: Share options were vested in equal portions on 30 April 2017, 2018, 2019 and 2020 respectively, and became exercisable for a period from the respective dates and ending on 30 April 2021.

The fair values of the share options granted under the Share Options Scheme were determined using the Binomial Option Pricing Model. The fair values of the share options and the significant inputs into the model and assumption were as follows:

Number of share options	84,108,000
Share price on grant date	HK\$0.71
Exercise price	HK\$0.734
Expected volatility	99.0%
Weighted average contractual life	5.01 years
Risk-free interest rate	1.0%
Fair value per share option	
– vesting date: 30 April 2017	HK\$0.44
– vesting date: 30 April 2018	HK\$0.47
– vesting date: 30 April 2019	HK\$0.50
– vesting date: 30 April 2020	HK\$0.51

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB91.3 million as at 30 June 2016 (31 December 2015: RMB97.1 million) were pledged to secure for the Group's facilities of providing financial services to the customers.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to establishing good corporate governance practices, procedures and fulfilling its responsibilities to its shareholders and protecting and enhancing shareholder's value. The Company's corporate governance practices are based on the principles and code provision as set out in the Corporate Governance Code ("CG code") in Appendix 14 to the Listing Rules.

Throughout the six months ended 30 June 2016, the Company had complied with the CG Code with the exception from the deviation from the code provisions A.1.8 as explained below:

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors . The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2016.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As at 30 June 2016, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive directors, namely Mr. Chan Sing Nun (chairman of audit committee), Mr. Tsang Hin Man Terence and Mr. Zeng Haisheng. The unaudited consolidated results of the Group for the six months ended 30 June 2016 have been reviewed by the audit committee. The Board is of the opinion that such results complied with the applicable accounting standards, the requirements under Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 10 August 2016

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