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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2016 was approximately RMB294,868,000 (2015: RMB183,150,000), representing an increase of approximately 61.0% as compared with the previous year.

- Profit attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB135,509,000 (2015: RMB103,788,000), representing an increase of approximately 30.6% as compared with the previous year.

- Earnings per share of the Company for the year ended 31 December 2016 was approximately RMB3.20 cents (2015: RMB2.56 cents).

- The directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Differ Group Holding Company Limited (the "Company") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 together with the comparative figures for the corresponding period in 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Income from financial related services	4	**201,659**	162,150
Income from assets management business	4	**93,209**	21,000
Other income	4	**3,385**	4,432
Gain on disposals of subsidiaries	6	**6,942**	–
Employee benefit expenses		**(19,115)**	(12,966)
Depreciation and amortisation expenses		**(2,638)**	(2,603)
Operating lease expenses		**(2,601)**	(1,357)
Equity-settled share-based payments		**(12,120)**	–
Other expenses		**(47,357)**	(24,531)
Share of results of an associate		**7**	–
Change in fair value of derivative financial instruments	16	**14,028**	–
Financial costs	7	**(42,367)**	(3,641)
Profit before income tax	8	**193,032**	142,484
Income tax expense	9	**(50,639)**	(36,960)
Profit for the year		**142,393**	105,524

	Notes	**2016** *RMB'000*	2015 *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		**(11,259)**	(2,895)
– Fair value gain on available-for-sale financial assets		**22,833**	30,700
– Release to profit or loss upon disposals of available-for-sale financial assets		**(32,233)**	(21,000)
		(20,659)	6,805
Total comprehensive income for the year		**121,734**	112,329
Profit for the year attributable to:			
Owners of the Company		**135,509**	103,788
Non-controlling interests		**6,884**	1,736
		142,393	105,524
Total comprehensive income attributable to:			
Owners of the Company		**114,850**	110,593
Non-controlling interests		**6,884**	1,736
		121,734	112,329
Earnings per share			
– Basic (RMB cents)		**3.20**	2.56
– Diluted (RMB cents)	11	**N/A**	2.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**10,659**	14,406
Prepaid land lease		**6,512**	6,919
Interests in an associate		**20,007**	–
Restricted bank deposits		**–**	2,930
Finance lease, loan and account receivables	13	**392,695**	380,591
Prepayments, deposits and other receivables	15	**30,000**	–
Goodwill		**33,400**	33,400
Available-for-sales financial assets	14	**56,430**	–
		549,703	438,246
Current assets			
Available-for-sales financial assets	14	**–**	81,500
Finance lease, loan and account receivables	13	**912,861**	790,096
Prepayments, deposits and other receivables	15	**234,618**	83,155
Restricted bank deposits		**122,831**	94,178
Cash and bank balances		**20,977**	89,510
		1,291,287	1,138,439
Current liabilities			
Accruals, other payables, deposits received and deferred income		**89,508**	106,122
Provision for taxation		**32,146**	18,812
Bank borrowings		**95,074**	124,837
Convertible bonds	16	**197,895**	–
Derivative financial instruments	16	**8,909**	–
		423,532	249,771
Net current assets		**867,755**	888,668
Total assets less current liabilities		**1,417,458**	1,326,914

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Non-current liabilities			
Deposits received and deferred income		**61,714**	93,684
Bank borrowings		**121,335**	218,591
Corporate bonds		**95,216**	16,800
		278,265	329,075
Net assets		**1,139,193**	997,839
EQUITY			
Share capital	17	**8,292**	8,292
Reserves		**1,020,506**	893,503
Equity attributable to owners of the Company		**1,028,798**	901,795
Non-controlling interests		**110,395**	96,044
Total equity		**1,139,193**	997,839

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve	Merger and other reserves	Statutory reserve	Financial assets revaluation reserve	Convertible bonds equity reserve	Translation reserve	Share Options 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*	*RMB'000*
At 1 January 2015	7,800	137,515	277,562	7	15,026	–	–	256	–	142,382	580,548	–	580,548
Profit for the year	–	–	–	–	–	–	–	–	–	103,788	103,788	1,736	105,524
Other comprehensive income for the year	–	–	–	–	–	9,700	–	(2,895)	–	–	6,805	–	6,805
Total comprehensive income for the year	–	–	–	–	–	9,700	–	(2,895)	–	103,788	110,593	1,736	112,329
Transfer to statutory reserve	–	–	–	–	12,748	–	–	–	–	(12,748)	–	–	–
Issue of ordinary shares by placing	353	130,183	–	–	–	–	–	–	–	–	130,536	–	130,536
Share issue expenses	–	(2,098)	–	–	–	–	–	–	–	–	(2,098)	–	(2,098)
Recognition of equity component of convertible bonds	–	–	–	–	–	–	37,425	–	–	–	37,425	–	37,425
Issue of share in respect of conversion of convertible bonds	139	90,429	–	–	–	–	(37,425)	–	–	–	53,143	–	53,143
Arising from acquisition of subsidiaries and deemed partial disposal of subsidiaries	–	–	–	(8,352)	–	–	–	–	–	–	(8,352)	94,308	85,956

	Attributable to owners of the Company												
	Share capital	**Share premium**	**Capital reserve**	**Merger and other reserves**	**Statutory reserve**	**Financial assets revaluation reserve**	**Convertible bonds equity reserve**	**Translation reserve**	**Share Options 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*	*RMB'000*
At 31 December 2015 and 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 year	–	–	–	–	–	–	–	–	–	135,509	135,509	6,884	142,393
Other comprehensive income for the year	–	–	–	–	–	(9,400)	–	(11,259)	–	–	(20,659)	–	(20,659)
Total comprehensive income for the year	–	–	–	–	–	(9,400)	–	(11,259)	–	135,509	114,850	6,884	121,734
Transfer to statutory reserve	–	–	–	–	15,976	–	–	–	–	(15,976)	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	–	–	–	–	12,120	–	12,120	–	12,120
Disposals of subsidiaries	–	–	(30,000)	–	–	–	–	–	–	30,000	–	–	–
Arising from partial disposals of subsidiaries	–	–	–	33	–	–	–	–	–	–	33	7,467	7,500
At 31 December 2016	8,292	356,029	247,562	(8,312)	43,750	300	–	(13,898)	12,120	382,955	1,028,798	110,395	1,139,193

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 Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

2. BASIS OF PRESENTATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies.

2.3 Functional and presentation currency

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

3. ADOPTION OF HKFRSs

3.1 Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following new and revised HKFRSs which are relevant to and effective for the Group's financial statements.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on the Group's financial statements as the Group has not previously used revenue-based depreciation methods.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on the Group's financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss ("FVTPL") should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on the Group's financial statements as the Company is neither an intermediate parent entity nor an investment entity.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendments are applied prospectively.

The adoption of the amendments has no impact on the Group's financial statements as the Group has not acquired or formed a joint operation.

3.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and revised HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and revised HKFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “ Leases “ and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial in changes to the Group's accounting policies and financial statements.

4. REVENUE AND OTHER INCOME

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

	2016	2015
	RMB'000	*RMB'000*
Income from financial related services		
Interest income from:		
– Pawn loans	**7,669**	13,970
– Entrusted loans	**73,710**	50,488
– Money lending	**26,597**	2,866
Consultancy income from:		
– Financial consultancy service	**40,367**	56,760
– Supply chain agency service	**2,266**	–
Income from guarantee services	**9,646**	16,561
Income from finance lease services	**41,404**	21,505
	201,659	162,150
Income from assets management business		
Income from disposal/execution of distressed financial assets	**32,233**	21,000
Income from disposal of other assets	**20,000**	–
Finance income	**40,976**	–
	93,209	21,000
Other income		
Bank interest income	**1,039**	1,639
Gain on disposals of property, plant and equipment	**23**	164
Government grants*	**1,777**	707
Exchange gain	**–**	95
Others	**546**	1,827
	3,385	4,432

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

5. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's executive Directors in order to allocate resources and assess performance of the segment. Executive Directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in provision of financial services which includes the provision of guarantee, express loan, consultancy, supply chain agency services, finance lease services 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 4.

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 4. The Group's non-current assets other than financial instruments are principally located in the PRC (including Hong Kong).

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue.

6. GAIN ON DISPOSALS OF SUBSIDIARIES

On 24 June 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose 100% equity share of DiPro Company Limited and its subsidiaries, namely Differ Financial Development HK Limited, 廈門市問鼎投資諮詢有限公司 (Xiamen City Wending Investment Consulting Company Limited^) and 福建鼎豐典當有限公司 (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. The disposal was completed on 24 June 2016 and the Group recognised a gain on disposals of subsidiaries of approximately RMB6,942,000.

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

	RMB'000
Net assets disposed of:	
Property, plant and equipment	2,360
Loan and account receivables	53,529
Cash and bank balances	2,744
Prepayments and other receivables	88
Accruals and other payables	(522)
Provision for taxation	(141)
	58,058
Gain on disposal of subsidiaries	6,942
Satisfied by cash	65,000
Net cash inflow from disposal:	
Cash consideration	65,000
Cash and bank balances disposed of	(2,744)
	62,256

^ The English names are for identification only

7. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank borrowings	**15,144**	3,300
Interest on corporate bonds	**5,161**	341
Interest on convertible bonds (including imputed interest) *(note 16)*	**22,062**	–
	42,367	3,641

8. PROFIT BEFORE INCOME TAX

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

	2016	2015
	RMB'000	*RMB'000*
Auditor's remuneration	**672**	633
Depreciation of property, plant and equipment	**2,231**	2,196
Amortisation of prepaid land lease	**407**	407
Impairment loss on finance lease, loan and account receivables	**28,056**	6,696
Equity-settled share-based payments	**12,120**	–
Employee benefit expenses (including Directors' remuneration)		
Salaries	**16,981**	11,510
Pension scheme contributions		
– Defined contribution plans	**516**	423
Other benefits	**1,618**	1,033
	19,115	12,966
Net foreign exchange loss/(gain)	**258**	(95)
Operating lease charges in respect of properties	**2,601**	1,357

9. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC		
– current year	**50,062**	35,832
– withholding tax	**577**	1,128
	50,639	36,960

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 year was calculated at 25% (2015: 25%) of the estimated assessable profits during the year, except for subsidiaries newly established and operated in Ganzhou during the year, which are beneficial from a preferential tax policy from the local tax authorities and are entitled to a reduced tax rate of 15% for the years from 2016 to 2020.

Withholding tax was calculated at 7% of interest paid by PRC entities to a non-PRC holding company during the year (2015: 10% of the dividends declared in respect of profits earned by PRC entities to a non-PRC holding company).

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2016 and 2015.

10. DIVIDENDS

No dividend has been declared by the Company during the year (2015: Nil).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016	2015
	RMB'000	*RMB'000*
Profit for the year attributable to the owners of the Company	**135,509**	103,788

	2016	2015
	Number of shares	Number of shares
	('000)	*('000)*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,236,008**	4,046,621
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**–**	1,304
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**4,236,008**	4,047,925
Basic earnings per shares (RMB cents)	**3.20**	2.56
Dilutive earnings per shares (RMB cents) *(Note)*	**N/A**	2.56

Note:

No diluted earnings per share are presented for the year ended 31 December 2016 as the impact to convertible bonds outstanding during the year have an anti-dilutive effect on the basic earnings per share presented for the year and the exercise price of the Company's share options was higher than the average market price for shares during the period when those options are outstanding.

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2016, the Group spent approximately RMB1,023,000 (2015: RMB772,000) on acquisition of motor vehicles, furniture, fixture and office equipment.

13. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Non-current assets		
Finance lease receivables	**352,690**	348,671
Loan receivables	**11,440**	31,920
Distressed assets classified as receivables	**28,565**	–
	392,695	380,591
Current assets		
Pawn loan receivables	**–**	48,100
Entrusted loan receivables	**366,350**	371,800
Finance lease receivables	**238,173**	246,766
Loan receivables	**154,717**	84,200
Receivables from guarantee customers	**48,498**	32,009
Distressed assets classified as receivables	**6,240**	–
Account receivables	**98,883**	7,221
	912,861	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 ranging from one to ten 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, financial consultancy fee receivables and proceeds receivables from disposals of other assets acquired for assets management business. 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.

For distressed assets classified as receivables, these represented the receivables from the obligors of non-performing loans. These loans were acquired from various financial institutions and other outsiders. The borrowers/guarantors are obliged to settle the amount according to the terms set out in relevant loan/guarantee agreements.

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

	2016	2015
	RMB'000	*RMB'000*
0 to 30 days	**324,741**	358,542
31 to 90 days	**47,082**	169,951
91 to 180 days	**48,264**	50,731
Over 180 days	**802,166**	559,454
	1,222,253	1,138,678

Receivables from guarantee customers and distressed assets classified as receivables were excluded from ageing analysis as they were debts settled by the Group on behalf of its guarantee customers and non-performing debts acquired for daily operation which were past due to their original creditors according to relevant loan/guarantee agreements but no exact due date to the Group.

14. AVAILABLE-FOR-SALES FINANCIAL ASSETS

	2016	2015
	RMB'000	*RMB'000*
Non-current assets		
Unlisted equity securities, at cost *(Note a)*	**6,130**	–
Distressed assets *(Note b)*	**50,300**	–
	56,430	–
Current assets		
Distressed assets *(Note b)*	**–**	81,500

Note:

(a) *Unlisted equity securities*

The unlisted available-for-sale equity securities are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant and the probability of the various estimates is significant. Accordingly, the Directors of the Company are of the opinion that fair value cannot be reliably measured.

(b) *Distressed assets*

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

During the year ended 31 December 2016, a surplus arising on change in fair value of approximately RMB22,833,000 (2015: RMB30,700,000) was recognised in other comprehensive income and accumulated in the financial assets revaluation reserve.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 ***RMB'000***	2015 *RMB'000*
Non-Current Assets		
Amounts paid for properties acquired for assets management business	**30,000**	–
	30,000	–
Current Assets		
Prepaid expenses	**1,240**	1,149
Deposits paid	**349**	339
Amounts paid for land and properties acquired for assets management business	**112,700**	62,000
Other receivables	**120,329**	19,667
	234,618	83,155

The carrying amounts of deposits paid and other receivables approximate their fair values as these financial assets which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

16. CONVERTIBLE BONDS

(a) *Zero coupon convertible bonds*

On 26 October 2015, the Company issued certain zero coupon convertible bonds with a principal amount of approximately HK$76,545,000 in connection with the acquisition of Jiashi International Financial Limited and its subsidiaries (collectively "Jiashi Group") (the "Acquisition"). The bonds are convertible at the option of the bondholders into ordinary shares of the Company at an initial conversion price of HK$4.502 between the periods from 26 October 2015 to 25 October 2018.

The convertible bonds have been split into the liability and equity component with the movements as follows:

	Liability component *RMB'000*	**Equity component** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	–	–	–
Issuance during the year	53,143	37,425	90,568
Conversion into ordinary shares	(53,143)	(37,425)	(90,568)
At 31 December 2015	–	–	–

The fair value of the liability component was estimated by an independent professional valuer firm at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The fair value of the equity component was estimated by the same valuer firm by binomial model.

(b) *6% coupon convertible bonds*

On 18 May 2016, the Company issued the convertible bonds (the "Convertible Bonds") in an aggregate principal amount of United States Dollar ("US$") US$30,000,000 at 6% coupon rate per annum (plus 2% administrative fee per annum) with maturity on 17 November 2017 ("Maturity Date") (subject to an extension of a further eighteen months if agreed by the Company and the relevant convertible bondholders ("Bondholders")). 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 of HK$0.0025 each 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, capitalisation of profits or reserves, 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 ("Conversion Price Reset").

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 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 Convertible Bonds are secured by share charges by four related companies, personal guarantees given by Mr. Hong Mingxian ("Mr. Hong"), Mr. Cai Huatan ("Mr. Cai") and Ms. Shi Hongjiao ("Ms. Shi") and corporate guarantee by Expert Corporate Limited ("Expert Corporate") and Ever Ultimate Limited ("Ever Ultimate").

The Group determined that both the Conversion Price Reset and the denominated currency of the Convertible Bonds in US$, 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 carrying values and movements of the liability component and derivative component of the Convertible Bonds are as follows:

	Liability component *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
At 1 January 2016	–	–	–
Issuance during the year	175,387	22,425	197,812
Interest expenses	22,062	–	22,062
Interest paid	(9,392)	–	(9,392)
Change in fair value of derivative financial instruments	–	(14,028)	(14,028)
Exchange realignment	9,838	512	10,350
At 31 December 2016	197,895	8,909	206,804

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 31 December 2016
Stock price	HK$0.70
Volatility	30%
Risk free rate	0.85%

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 year ended 31 December 2016 results in a fair value gain of RMB14,028,000, which has been included in the "Change in fair value of derivative financial instruments" in the consolidated statement of comprehensive income for the year ended 31 December 2016.

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

17. 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 1 January 2015	5,000,000	50,000	39,000
Share subdivision *(Note (c))*	15,000,000	–	–
At 31 December 2015, 1 January 2016 and 31 December 2016	20,000,000	50,000	39,000
Issued and fully paid:			
Ordinary share of HK$0.0025 each			
At 1 January 2015	1,000,000	10,000	7,800
Issue of ordinary shares by placing *(Note (a))*	42,000	420	353
Issue of ordinary shares in respect of conversion of convertible bonds *(Note (b))*	17,002	170	139
Share subdivision *(Note (c))*	3,177,006	–	–
At 31 December 2015, 1 January 2016 and 31 December 2016	4,236,008	10,590	8,292

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

(a) In connection with the placing, an aggregate of 42,000,000 new ordinary shares of the Company of HK$0.01 each were issued at a price of HK$3.70 per share on 16 October 2015.

(b) On 2 November 2015, approximately 17,002,000 shares were issued in respect of conversion of convertible bonds.

(c) On 30 November 2015, pursuant to the written resolutions passed by the shareholders of the Company, the authorised share capital of HK$50,000,000 was divided into 20,000,000,000 subdivided shares. All subdivided shares will rank pari passu with each other in all respects with the shares in issue prior to the share subdivision.

18. MAXIMUM EXPOSURE UNDER THE FINANCIAL GUARANTEE CONTRACTS

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

	2016	2015
	RMB'000	*RMB'000*
Financial guarantee issued		
Maximum amount guaranteed	**218,710**	344,630

To mitigate such risk, the Group requests the customers to provide collateral as appropriate. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the Group will proceed with sale of collateral. In order to maintain the credit risk at desirable levels, the Group's average loan-to-value ratio was kept at a level that could ensure the recoverability of the outstanding guarantee amount. At the reporting date, the Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers as follows:

	2016	2015
	RMB'000	*RMB'000*
Real estate	**52,611**	186,563
Inventories	**160,813**	586,688
Machinery	**1,100**	10,937
Motor vehicles	**1,425**	5,855
Property rights	**13,500**	–
Others	**32,500**	–
	261,949	790,043

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 the PRC. During the year ended 31 December 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) assets management services (including investment on land and properties, equities and non-performing loans).

FINANCIAL REVIEW

Turnover

The turnover increased from approximately RMB183.2 million for the year ended 31 December 2015 to approximately RMB294.9 million for the year ended 31 December 2016, representing an increase of approximately RMB111.7 million or 61.0%. The increase was attributable to the net effect of the following reasons:

Express loan services

Entrusted loan services

In light of the tightened credit control by PRC banks and the strong demand for financing services to SMEs, the Group continued to expand the entrusted loan business (also known as proprietary lending business) in the PRC. By effective management of its financial resources and using part of the proceeds from issuance of convertible bonds and corporate bonds during the year, the Group was able to generate more entrusted loan interest income.

Our Group's entrusted loan service income increased sharply by 46.0% from approximately RMB50.5 million for the year ended 31 December 2015 to RMB73.7 million for the year ended 31 December 2016. Although the outstanding entrusted loan receivables decrease from RMB371.8 million as at 31 December 2015 to RMB366.4 million as at 31 December 2016, the increase of entrusted loan service income was mainly due to the increase of average entrusted loan receivables during the year.

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. Income from Hong Kong money lending business increased sharply by 252.9% from approximately RMB2.0 million for the year ended 31 December 2015 to RMB7.0 million for the year ended 31 December 2016. In addition, due to the strong demand for financing from SMEs, the Group has provided more short-term financing to customers in the PRC and recorded the interest income of approximately RMB19.6 million for the year ended 31 December 2016 as compared with only approximately RMB0.9 million for the corresponding period in last year.

Pawn loan services

Our Group's pawn loan service income decreased by 45.1% from approximately RMB14.0 million for the year ended 31 December 2015 to approximately RMB7.7 million for the year ended 31 December 2016. The Group has disposed of this business in late June 2016. The proceeds from the disposals enabled the Group to have more capital to focus on other scalable business activities that generate higher profits.

Financial services

The financial consultation service income of our Group decreased from approximately RMB56.8 million for the year ended 31 December 2015 to RMB42.6 million for the year ended 31 December 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 macro economic environment of the PRC economy in 2016, banks across the country tightened their credit approval process. 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 base has remained stable, the amount of financing obtained from PRC banks became more modest, thus resulting in a decline in income from financial services.

Assets management services

In 2016, the Group has put greater effort on expanding the assets management business in order to capture the opportunities presented by the abundant value assets in Fujian Province. The Group is actively looking for the good quality assets which potentially offer high-percentage returns.

Our Group's income from assets management services increased by 343.9% from approximately RMB21 million for the year ended 31 December 2015 to RMB93.2 million for the year ended 31 December 2016. The increase was mainly due to the fact that the Group has disposed four properties during the year ended 31 December 2016 as compared with only two properties has been disposed for the corresponding period in 2015. Besides, certain obligors of non-performing loans have settled the debts according to the terms set out in the relevant contracts and the Group has recorded finance income from non-performing loans.

Finance lease services

Following the Acquisition in late October 2015, 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 agricultural industry, specifically in distant marine fisheries, agricultural drones, and personal consumption, specifically, tourism and car leasing to individuals. In addition, the Group has started its finance lease business for properties during the year.

Our Group's finance lease services income increased by 92.5% from approximately RMB21.5 million for the year ended 31 December 2015 to RMB41.4 million for the year ended 31 December 2016. The increase of finance lease service was mainly due to the contribution of the finance lease income from the Jiashi Group.

Guarantee services

We mainly provided financial guarantee services during the year ended 31 December 2016 and 2015. Our Group's guarantee service income decreased by 41.8% from approximately RMB16.6 million for the year ended 31 December 2015 to 9.6 million for the year ended 31 December 2016. In 2016, the macro economic environment led to more prominent credit risks. The Group has taken a more prudent approach towards vetting potential customers' applicants. The outstanding guarantee amount decreased from approximately RMB344.6 million as at 31 December 2015 to approximately RMB218.7 million as at 31 December 2016. As such, the number of guarantee service decreased and the income from our guarantee services decreased accordingly.

Other income

Other income decreased from approximately RMB4.4 million for the year ended 31 December 2015 to approximately RMB3.4 million for the year ended 31 December 2016, representing a decrease of approximately RMB1.0 million or 23.6%. Our Group's other income mainly represented the bank interest income and the government grant. The decrease in other income was mainly due to the fact that we have received less bank interest during the year ended 31 December 2016.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB13.0 million for the year ended 31 December 2015 to approximately RMB19.1 million for the year ended 31 December 2016, representing an increase of approximately RMB6.1 million or 47.4%. Our Group's employee benefit expenses mainly comprised staff salaries, Directors' emoluments and other benefits. The increase in employee benefit expenses was mainly attributable to the increase of average number of staff as a result of completion of the Acquisition in late 2015 and business expansion in 2016.

Other expenses

The other expenses increased from approximately RMB24.5 million for the year ended 31 December 2015 to approximately RMB47.4 million for the year ended 31 December 2016, representing an increase of approximately RMB22.8 million or 93.0%. The increase in other expenses was mainly attributable to (i) increase of provision of bad debts of RMB21.4 million; and (ii) increase of operating expenses due to the Acquisition in late 2015.

Profit for the year attributable to the owners of the Company

Our Group's profit for the year attributable to the owners of the Company was approximately RMB135.5 million for the year ended 31 December 2016, representing an increase of approximately RMB31.7 million, or 30.6%, from approximately RMB103.8 million for the year ended 31 December 2015.

Non-generally accepted accounting principles ("Non-GAAP") Financial Measures

To supplement 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 derivative financial instruments and imputed interests on convertible bonds, which have been and might continue to be significant non-cash expenses/(income) 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 year ended 31 December 2016 to the nearest measures prepared in accordance with HKFRSs:

	Year ended 31 December 2016				
	As Reported	**Equity-settled shares based payments**	**Changes in fair value of the embedded derivative of the convertible bonds**	**Imputed interests on convertible bonds**	**Non-GAAP**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit before income tax	193,032	12,120	(14,028)	12,670	203,794
Profit for the year	142,393	12,120	(14,028)	12,670	153,155
Profit for the year attributable to the owners of the Company	135,509	12,120	(14,028)	12,670	146,271
Basic earnings per share *(RMB cents)*	3.20				3.45

OUTLOOK

The Group has continued to report remarkable business results. The Group is seeking to develop new businesses and explore the business opportunities to broaden its income stream.

In order to increase our capital to capture more business opportunities, the Company has issued the convertible bonds of US$30 million and the corporate bonds of HK$88.2 million during the year ended 31 December 2016. The funds raised can enhance the Group's capital base and accelerate our development especially on asset management business. During the year ended 31 December 2016, the Group acquired a number of properties and non-performing debts and certain of them have been disposed/executed and the Group recorded the income from assets management business of RMB93.2

million during the year. Besides, the Group committed to invest a few of equity rights of the private companies/funds under the asset management business. For instance, the Group committed to invest 6.25% equity interest in 中南成長(天津市)股權投資基金合伙企業(有限合伙) ("Zhongnan Chengzhang (Tianjin City) Equity Investment Fund Partnership Limited (Limited Partnership)") for the consideration of RMB70.0 million (the "Fund"). The Fund mainly invests in the equity interest of certain PRC companies, which are of high quality and high growth potentials. These PRC companies cover a wide variety of industries, including pharmaceutical and biomedical engineering, investment, energy and natural resources, construction materials, exhibition, etc. This can provide the Group with a good opportunity to enhance its assets management business in investing quality assets.

The Group considers the finance lease business as another key growth driver. The launching of free-trade zone in Fujian, the issue of policies on "one belt one road" initiative and the National 13th Five-Year Plan are all leading to substantial business opportunities for finance lease industry. The Group has expanded its financing leasing business to encompass industries, such as agriculture and personal spending that are sustainable, fast growing and encouraged by the government policies, in order to capture more business opportunities.

In addition, the Group has entered into an investment cooperation agreement with 廈門海翼投資有限公司 (Xiamen CCRE Investment Company Limited), 廈門華信石油控股有限公司 (Xiamen CEFC Petroleum Holdings Limited) and 廈門軟件產業投資發展有限公司 (Xiamen Software Industry Investment Development Company Limited) in relation to the formation of a company to provide commercial factoring related services in the PRC. The services include but not limited to, sales and purchase of account receivables, account receivables management and collection, credit analysis, commercial factoring and related consultancy services. Driven by favourable state policies and the market with huge amount of account receivables, commercial factoring has huge potential for development. We believe that, upon the formation of the company with these well-known and/or state-owned companies, the close ties forged are expected to broaden the customer base, bolster the competitiveness and also expand the geographical coverage of our business.

In conclusion, our Directors have an optimistic view on our overall business and financial prospects in future. We will continue to actively capture the opportunities presented by the current rapidly changing economic environment in the PRC, further expand our market share and reinforce our leading position, so as to maintain sustainable growth momentum and maximize the value for shareholders.

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 31 December 2016 were as follow:

(1) Entrusted loan Master Agreement with Customer A ("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 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	:	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 shareholder of Customer A at fair value of approximately RMB190,652,000

(2) The Finance Lease Agreement with Customer B ("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 Customer B immediately afterwards for a period of approximately 5 years for a series of rental payments payable by 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 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 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 Customer B at a nominal consideration of RMB3,200,000
Internal rate of return	:	14.3%
Security and guarantees	:	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.

CONTINGENT LIABILITIES

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

COMMITMENTS

(i) Operating lease commitments

Future minimum rental payable under non-cancellable operating lease of the Group in respect of buildings at the reporting date are as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**791**	2,008
Later than one year and not later than five years	**–**	4,246
	791	6,254

The Group leases certain properties under operating leases. The leases run for an initial period of 3 to 4 years (2015: 1 to 5 years), with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of these leases include any contingent rentals.

(ii) As at 31 December 2016, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,664,028,000 (2015: RMB530,500,000).

(iii) At 31 December 2016, the Group had commitment, contracted but not provided for, to make direct injections for the investment of unlisted equity securities classified as available-for-sale financial assets, which is operating in PRC of approximately RMB5,100,000 (2015: Nil).

(iv) The Group committed to invest in an equity investment fund partnership limited amounted to RMB70,000,000. On 28 October 2016, 贛州市問鼎商務諮詢有限公司(Ganzhou Wen Ding Business Consulting Company Limited^) ("Wen Ding"), an indirectly wholly-owned subsidiary of the Company entered into the equity transfer agreement with 福建省鼎豐創業投資有限公司 ("Fujian Differ Venture Capital Company Limited^") (the "Vendor"), pursuant to which the Vendor conditionally agreed to dispose of and Wen Ding conditionally agreed to acquire the Fund at a consideration of RMB70,000,000.

^ *The English names are for identification only.*

(v) At the reporting date, the Group had the following other capital commitments:

	2016	2015
	RMB'000	*RMB'000*
Contracted, but not provided for		
– Asset acquired for finance lease (as lessor) (US$3,900,000, equivalent to RMB26,770,000)	**26,770**	–

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

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 further details, please refer to note 6 of this announcement.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

EVENT AFTER THE REPORTING DATE

On 14 February 2017, with the written consent of Bondholders, the Company executed the deed of modification, pursuant to which the terms and conditions of the Convertible Bonds are amended and modified. The Company will have the right to redeem or repurchase all or part of the outstanding Convertible Bonds before the Maturity Date and the Convertible Bonds will be secured by share charges by two related companies, personal guarantees to be given by Mr. Hong, Mr. Cai, Mr. Ng and corporate guarantees to be given by Expert Corporate and Ever Ultimate. On 15 February 2017, the Company has repurchased the Convertible Bonds in the sum of US$20,000,000.

HUMAN RESOURCES

As at 31 December 2016, the Group had a total of 138 employees (2015: 147). The staff costs (included Directors' emoluments) were approximately RMB19.1 million for the year ended 31 December 2016 (2015: RMB13.0 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 31 December 2016 (2015: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB143.8 million (2015: RMB183.7 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 28.2% as at 31 December 2016 (2015: 22.8%). The current ratio is 3.0 times as at 31 December 2016 (2015: 4.6 times). During the year, the Group did not use any financial instruments for hedging purpose.

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB122.8 million (2015: RMB97.1 million) as at 31 December 2016 were pledged to secure for the Group's facilities of providing financial services to the customers.

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 (the "Share Options") to the eligible persons. The following table discloses movements in the Company's Share Options during the year ended 31 December 2016:

		Number of Share Options						
Name or category of participants	Date of grant	At 1 January 2016	Granted	Exercised	Cancelled	At 31 December 2016	Exercise period	Exercise price *HK$*
Director								
Mr. Hong	25 April 2016	–	6,400,000	–	–	6,400,000	30 April 2017 to 30 April 2021	0.734
Mr. Ng	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	–	(1,722,000)	69,586,000	30 April 2017 to 30 April 2021	0.734
Total			84,108,000	–	(1,722,000)	82,386,000		

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. In addition, the vesting of Share Options shall be subject to the achievement of performance targets during the assessment periods up to the above four vesting dates.

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$0.710
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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 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, protecting and enhancing shareholders' value. The Company's corporate governance practices are based on the principles and code provision as set out in the Corporate Governance Code (the "CG code") in Appendix 14 to the Listing Rules.

Throughout the year ended 31 December 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 year ended 31 December 2016.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or any of their respective associates (as defined in the Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 December 2016.

All the independent non-executive Directors were delegated with the authority to review on an annual basis the compliance of the terms of the non-competition undertaking and the enforcement of the non-competition undertaking given by Ms. Shi/Mr. Hong, Mr. Cai, Expert Corporate and Ever Ultimate (collectively, the "Controlling Shareholders"). Each of the Controlling Shareholders confirmed that (a) they have provided all information necessary for the enforcement of the non-competition undertaking, as requrested by all independent non-executive Directors from time to time; and (b) each of the Controlling Shareholders had fully complied with the non-competition undertaking for the year ended 31 December 2016. All independent non-executive Directors also confirmed that they were not aware of any non-compliance with the non-competition undertaking given by the Controlling Shareholders during the same period.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors, namely Mr. Chan Sing Nun (chairman), Mr. Tsang Hin Man Terence and Mr. Zeng Haisheng (members), who have reviewed the financial statements and annual results of the Group for the year ended 31 December 2016.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

Hong Kong, 28 March 2017

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.