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 2017

FINANCIAL HIGHLIGHTS

- Turnover for the year ended 31 December 2017 was approximately RMB299,268,000 (2016: RMB294,868,000), representing an increase of approximately 1.5% as compared with the previous year.

- Profit for the year ended 31 December 2017 was approximately RMB170,842,000 (2016: RMB142,393,000), representing an increase of approximately 20.0% as compared with the previous year.

- Profit attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB160,209,000 (2016: RMB135,509,000), representing an increase of approximately 18.2% as compared with the previous year.

- Earnings per share of the Company for the year ended 31 December 2017 was approximately RMB3.78 cents (2016: RMB3.20 cents).

- The directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: 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 2017 together with the comparative figures for the corresponding period in 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000*
Income from financial related services	4	**181,215**	201,659
Income from assets management business	4	**118,053**	93,209
Other income	4	**37,390**	3,385
Gain on disposals of subsidiaries		**–**	6,942
Gain on redemption of convertible bonds	15	**8,770**	–
Employee benefit expenses		**(19,528)**	(19,115)
Depreciation and amortisation expenses		**(1,730)**	(2,638)
Operating lease expenses		**(2,450)**	(2,601)
Equity-settled share-based payments		**(8,335)**	(12,120)
Other expenses		**(43,471)**	(47,357)
Share of results of an associate		**492**	7
Change in fair value of derivative financial instruments	15	**1,960**	14,028
Finance costs	6	**(56,337)**	(42,367)
Profit before income tax	7	**216,029**	193,032
Income tax expense	8	**(45,187)**	(50,639)
Profit for the year		**170,842**	142,393

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		**9,359**	(11,259)
– Fair value gain on available-for-sale financial assets		**3,300**	22,833
– Release to profit or loss upon disposals of available-for-sale financial assets		**–**	(32,233)
		12,659	(20,659)
Total comprehensive income for the year		**183,501**	121,734
Profit for the year attributable to:			
Owners of the Company		**160,209**	135,509
Non-controlling interests		**10,633**	6,884
		170,842	142,393
Total comprehensive income attributable to:			
Owners of the Company		**172,868**	114,850
Non-controlling interests		**10,633**	6,884
		183,501	121,734
Earnings per share	10		
– Basic (RMB cents)		**3.78**	3.20
– Diluted (RMB cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**13,070**	10,659
Prepaid land lease		**6,105**	6,512
Interests in an associate		**20,499**	20,007
Restricted bank deposits		**10,000**	–
Finance lease, loan and account receivables	12	**275,120**	392,695
Prepayments, deposits and other receivables	14	**83,038**	30,000
Goodwill		**33,400**	33,400
Available-for-sale financial assets	13	**131,370**	56,430
		572,602	549,703
Current assets			
Finance lease, loan and account receivables	12	**1,101,485**	912,861
Prepayments, deposits and other receivables	14	**258,628**	234,618
Restricted bank deposits		**17,729**	122,831
Cash and bank balances		**32,475**	20,977
		1,410,317	1,291,287
Current liabilities			
Accruals, other payables, deposits received and deferred income		**81,726**	89,508
Provision for taxation		**37,464**	32,146
Bank and other borrowings		**180,801**	95,074
Corporate bonds		**41,725**	–
Convertible bonds	15	**–**	197,895
Derivative financial liabilities	15	**–**	8,909
		341,716	423,532
Net current assets		**1,068,601**	867,755
Total assets less current liabilities		**1,641,203**	1,417,458

	Notes	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Deposits received and deferred income		**31,025**	61,714
Bank and other borrowings		**61,950**	121,335
Corporate bonds		**225,199**	95,216
Promissory note	16	**120,000**	–
		438,174	278,265
Net assets		**1,203,029**	1,139,193
EQUITY			
Share capital	17	**8,292**	8,292
Reserves		**1,194,737**	1,020,506
Equity attributable to owners of the Company		**1,203,029**	1,028,798
Non-controlling interests		**–**	110,395
Total equity		**1,203,029**	1,139,193

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company											
	Share capital	**Share premium**	**Capital reserve**	**Merger and other reserves**	**Statutory reserve**	**Financial assets revaluation 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*
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 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
Disposal of subsidiaries	–	–	(30,000)	–	–	–	–	–	30,000	–	–	–
Arising from partial disposals of subsidiaries	–	–	–	33	–	–	–	–	–	33	7,467	7,500
At 31 December 2016 and 1 January 2017	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
Profit for the year	–	–	–	–	–	–	–	–	160,209	160,209	10,633	170,842
Other comprehensive income for the year	–	–	–	–	–	3,300	9,359	–	–	12,659	–	12,659
Total comprehensive income for the year	–	–	–	–	–	3,300	9,359	–	160,209	172,868	10,633	183,501
Transfer to statutory reserve	–	–	–	–	17,198	–	–	–	(17,198)	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	–	–	–	8,335	–	8,335	–	8,335
Arising from acquisition of additional interests in subsidiaries	–	–	–	(6,972)	–	–	–	–	–	(6,972)	(121,028)	(128,000)
At 31 December 2017	8,292	356,029	247,562	(15,284)	60,948	3,600	(4,539)	20,455	525,966	1,203,029	–	1,203,029

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 Company and its subsidiaries is located at 23rd Floor, Tower 11, 166 Tapu East Road, Xiamen, the PRC. Subsequent to the year ended 31 December 2017, the principal place of business of the Group has been changed to 33/F, Differ Fortune Plaza, No. 503 Gaolin Middle Road, Huli District, Xiamen City, Fujian Province, the PRC with effect from 5 February 2018.

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 consultancy and agency services, finance lease services and asset management services.

2. BASIS OF PREPARATION

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.

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 issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the annual period beginning on 1 January 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Other than as noted below, the adoption of the amendments has no 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.

The adoption of the amendments has led to the additional disclosure presented in the consolidated financial statements.

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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) [1]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 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 continue 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. Other new and revised HKFRSs have been issued but are not yet effective are unlikely to have a material impact on the Group's financial statements upon application.

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 fair value through profit or loss ("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.

The Group's financial assets currently measured at amortised cost will continue with their respective classification and measurement upon the adoption of HKFRS 9.

The available-for-sale financial assets which are currently stated at fair value or cost less impairment will be designated as FVTOCI. However, it is not practicable to provide a reasonable estimate of that effect until the Group performs a detailed review.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost and debt instruments measured at FVTOCI. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, the Group expects that the application of the expected credit loss model may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the recognition of revenue of the Group based on the existing business model of the Group as at 31 December 2017.

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.

The standard will affect primarily the accounting for Group's operating leases as lessee. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB27,180,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

4. REVENUE AND OTHER INCOME

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

	2017	2016
	RMB'000	*RMB'000*
Income from financial related services		
Interest income from:		
– Pawn loans	**–**	7,669
– Entrusted loans	**54,162**	73,710
– Money lending	**31,558**	26,597
Income from financial consultancy services	**28,374**	40,367
Income from supply chain agency services	**5,402**	2,266
Income from guarantee services	**8,888**	9,646
Income from finance lease services	**52,831**	41,404
	181,215	201,659
Income from assets management business		
Income from disposals/executions of distressed financial assets	**20,233**	32,233
Income from disposals of other assets	**5,205**	20,000
Finance income	**44,726**	40,976
Income from provision of asset management solutions	**39,139**	–
Dividend income	**8,750**	–
	118,053	93,209
Other income		
Bank interest income	**995**	1,039
Gain on disposals of property, plant and equipment	**–**	23
Government grants*	**5,825**	1,777
Reversal of impairment loss recognised on finance lease, loan and account receivables	**30,073**	–
Others	**497**	546
	37,390	3,385

* The Group received grants from the relevant PRC government authorities in support of the Group's financial service and asset management 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 asset management services. 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. 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. The total revenue is disclosed in note 4. The Group's non-current assets other than financial instruments are principally located in the PRC.

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**67,763**	–

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**18,581**	15,144
Interest on corporate bonds	**13,596**	5,161
Interest on promissory note	**1,103**	–
Interest on convertible bonds (including imputed interest) *(note 15)*	**23,057**	22,062
	56,337	42,367

7. PROFIT BEFORE INCOME TAX

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

	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration		
– audit service	**781**	672
– non-audit service	**868**	–
Depreciation of property, plant and equipment	**1,323**	2,231
Amortisation of prepaid land lease	**407**	407
Impairment loss on finance lease, loan and account receivables	**21,619**	28,056
Reversal of impairment loss recognised on finance lease, loan and account receivables	**(30,073)**	–
Equity-settled share-based payments	**8,335**	12,120
Employee's costs (including Directors' remuneration)		
Salaries and allowances	**17,684**	16,981
Pension scheme contributions		
– Defined contribution plans	**873**	516
Other benefits	**971**	1,618
	19,528	19,115
Net foreign exchange loss	**977**	258
Operating lease charges in respect of properties	**2,450**	2,601
Loss/(gain) on disposals of property, plant and equipment	**176**	(23)

8. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax		
PRC		
– current year	**44,699**	50,062
– withholding tax	**488**	577
	45,187	50,639

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% (2016: 25%) of the estimated assessable profits during the year, except for subsidiaries established and operated in Ganzhou, 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% (2016: 7%) of interest paid by PRC entities to a non-PRC holding company during the year.

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the year ended 31 December 2017 and 2016.

9. DIVIDENDS

No dividend has been declared by the Company during the year (2016: Nil).

10. 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:

	2017	2016
	RMB'000	*RMB'000*
Profit for the year attributable to the owners of the Company	**160,209**	135,509

	2017 Number of shares *('000)*	2016 Number of shares *('000)*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,236,008**	4,236,008
Basic earnings per shares (RMB cents)	**3.78**	3.20
Dilutive earnings per shares (RMB cents) *(Note)*	**N/A**	N/A

Note:

No diluted earnings per share are presented for the year ended 31 December 2017 (2016: no diluted earnings per share) as the impact of 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.

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2017, the Group spent approximately RMB4,685,000 (2016: RMB1,023,000) on leasehold improvement and acquisition of motor vehicles, furnitures, fixture and office equipment.

12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Non-current assets		
Finance lease receivables	**249,093**	352,690
Loan receivables	**24,505**	11,440
Distressed assets classified as receivables	**1,522**	28,565
	275,120	392,695
Current assets		
Entrusted loan receivables	**553,190**	366,350
Finance lease receivables	**185,098**	238,173
Loan receivables	**213,524**	154,717
Receivables from guarantee customers	**35,477**	48,498
Distressed assets classified as receivables	**76,179**	6,240
Account receivables	**38,017**	98,883
	1,101,485	912,861

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 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 365 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 entrusted loans, finance lease and loan receivables, financial consultancy fee receivables and proceeds receivables from 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.

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:

	2017	2016
	RMB'000	*RMB'000*
0 to 30 days	**119,691**	324,741
31 to 90 days	**121,565**	47,082
91 to 180 days	**500,632**	48,264
Over 180 days	**521,539**	802,166
	1,263,427	1,222,253

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.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	*RMB'000*
Non-current assets		
Unlisted equity securities, at cost *(Note a)*	**77,770**	6,130
Distressed assets *(Note b)*	**53,600**	50,300
	131,370	56,430

Notes:

(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-sale distressed assets are carried at fair value and are denominated in RMB. There is no public market for investments.

During the year ended 31 December 2017, a surplus arising on change in fair value of approximately RMB3,300,000 (2016: RMB22,833,000) was recognised in other comprehensive income and accumulated in the financial assets revaluation reserve.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Non-current Assets		
Amounts paid for properties acquired for asset management business	**83,038**	30,000
	83,038	30,000
Current Assets		
Prepaid expenses	**2,040**	1,240
Deposits paid	**6,495**	349
Amounts paid for land and properties acquired for asset management business	**170,515**	112,700
Other receivables	**79,578**	120,329
	258,628	234,618

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.

15. 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 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.

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 had the right to redeem or repurchase all or part of the outstanding Convertible Bonds before the Maturity Date and the Convertible Bonds secured by share charges by two related companies, personal guarantees by Mr. Hong Mingxian ("Mr. Hong") and Mr. Cai Huatan ("Mr. Cai") and Ng Chi Chung ("Mr. Ng") and corporate guarantees by Expert Corporate Limited ("Expert Corporate") and Ever Ultimate Limited ("Ever Ultimate"). The Group redeemed the Convertible Bonds at a price equal to the sum of principal amount of US$20,000,000 and US$10,000,000 on 15 February 2017 and 29 June 2017 respectively.

Interest expenses are calculated using the effective interest method by applying the effective interest rate of 25% (2016: 21%) to the adjusted liability component arising from such modification.

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 and 1 January 2017	197,895	8,909	206,804
Interest expenses	23,057	–	23,057
Interest paid	(10,928)	–	(10,928)
Change in fair value of derivative financial instruments	–	(1,960)	(1,960)
Adjustment to the carrying amount of liability component of convertible bonds arising from modification of terms and conditions	(2,273)	–	(2,273)
Exchange realignment	(300)	(9)	(309)
Redemption of Convertible Bonds	(207,451)	(6,940)	(214,391)
At 31 December 2017	–	–	–

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:

	At 15 February 2017 (first redemption)	At 29 June 2017 (second redemption)	As at 31 December 2016
Stock price	HK$0.76	HK$0.64	HK$0.70
Volatility	30%	20%	30%
Risk free rate	0.75%	0.31%	0.85%

The change in the fair value of the derivative component during the year ended 31 December 2017 results in a fair value gain of RMB1,960,000 (2016: 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 2017 (2016: Nil).

The gain on redemption of Convertible Bonds of RMB8,770,000 which represented the difference between the redemption price of US$30,000,000 (equivalent to RMB205,621,000) and the total carrying amount of liability and derivative component amounting to RMB214,391,000 has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2017 (2016: nil).

16. PROMISSORY NOTE

	2017	2016
	RMB'000	*RMB'000*
Promissory note	**120,000**	–
Carrying amount repayable:		
More than one year, but not exceeding two years	**120,000**	–
	120,000	–

On 27 October 2017, the Company issued promissory note with a principal amount of RMB120,000,000 as consideration to acquire 37% equity interest in Jiashi Financial Limited ("Jiashi Financial").

The promissory note was unsecured and bears interests of 5.0% per annum. The interests of the promissory note are payable on maturity or redemption. The promissory note will be matured in 1.5 years from the date of issue, being 27 April 2019.

17. SHARE CAPITAL

	Number of ordinary shares	**Nominal value of share capital**	**Equivalent nominal value of share capital**
	'000	*HK$'000*	*RMB'000*
Authorised:			
Ordinary share of HK$0.0025 each			
At 31 December 2016, 1 January 2017 and 31 December 2017	20,000,000	50,000	39,000
Issued and fully paid:			
At 31 December 2016, 1 January 2017 and 31 December 2017	4,236,008	10,590	8,292

18. MAXIMUM EXPOSURE UNDER THE FINANCIAL GUARANTEE CONTRACTS

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

	2017	2016
	RMB'000	*RMB'000*
Financial guarantee issued		
Maximum amount guaranteed	**430,969**	218,710

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:

	2017	2016
	RMB'000	*RMB'000*
Real estate	**20,293**	52,611
Inventories	**47,800**	160,813
Machinery	**1,140**	1,100
Motor vehicles	**570**	1,425
Property rights	**936,161**	13,500
Others	**9,500**	32,500
	1,015,464	261,949

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 2017, the turnover was mainly derived from the provision of (i) asset management services (including investment on land and properties, equities and non-performing loans and provision of asset management solution), (ii) finance lease services and (iii) financial services (including financial consultancy services, express loan services, guarantee services and supply chain agency services).

FINANCIAL REVIEW

Turnover

The turnover increased from approximately RMB294.9 million for the year ended 31 December 2016 to approximately RMB299.3 million for the year ended 31 December 2017, representing an increase of approximately RMB4.4 million or 1.5%. The increase was attributable to the net effect of the following reasons:

Asset management services

In 2017, the Group continued 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 26.7% from approximately RMB93.2 million for the year ended 31 December 2016 to RMB118.1 million for the year ended 31 December 2017. Although the Group has not disposed any property during the year ended 31 December 2017 as compared with four properties has been disposed for the corresponding period in 2016, the increase of the income was mainly due to the fact that (i) more obligors of non-performing loans have settled the debts according to the terms as set out in the relevant contracts and the Group has recorded finance income of approximately RMB44.7 million; (ii) the Group recorded income from disposal/execution of distressed financial assets and other assets of approximately RMB25.4 million; and (iii) the Group received dividend income of approximately RMB8.8 million from its equity investments.

Besides, the Group also provide the asset management solutions to certain clients in PRC and recorded the service income of approximately RMB39.1 million during the year ended 31 December 2017. The Group provided corporate finance and business reorganisations advice to clients. In addition, the Group also assisted with the clients to restructure and market their underlying assets in the most appropriate manner to maximize the selling value. The asset management service incomes are based on the pre-agreed percentage of the selling prices of the underlying assets of clients.

Finance lease services

Following the acquisition of Jiashi International Financial Limited and its subsidiaries in late 2015, the Group further developed its finance lease business. Apart from the finance lease business for machineries, distant marine fisheries industry and car leasing to individuals, the Group has started its finance lease business for properties in late 2016. Besides, the Group also commenced its finance lease business in Hong Kong in first half of 2017. During the year ended 31 December 2017, the Group has recorded the income of approximately RMB10.7 million in relation to the finance lease business in Hong Kong.

Our Group's finance lease services income increased by 27.6% from approximately RMB41.4 million for the year ended 31 December 2016 to RMB52.8 million for the year ended 31 December 2017. The increase of finance lease service was mainly due to the contribution of the finance lease income from Hong Kong.

Financial services

Financial consultancy services

The financial consultancy service income of our Group decreased from approximately RMB40.4 million for the year ended 31 December 2016 to RMB28.4 million for the year ended 31 December 2017. We mainly focused on the financial services which charge our customers based on 2.5% to 5% of the amount of financing obtained by the customers as a result of our consultation. The decrease of the number of the customers which lead to decrease of our income from financial services.

Express loan services

Entrusted loan services

In 2017, the Group is adopting a prudent approach to approve the application of our entrusted loan services from potential customers. In addition, the Group has kept greater amount of funds at banks during the period to be available for early redemption of convertible bonds and potential acquisition for good quality distressed assets. As such, the number of our customers decreased.

Our Group's entrusted loan service income decreased by 26.5% from approximately RMB73.7 million for the year ended 31 December 2016 to RMB54.2 million for the year ended 31 December 2017. The decrease of entrusted loan service income was mainly due to the decrease of the number of our customers and average interest rate charge.

Money lending services

The Group continued to expand the Hong Kong money lending business in 2017. Income from Hog Kong money lending business increased by 81.4% from approximately RMB7.0 million for the year ended 31 December 2016 to RMB12.8 million for the year ended 31 December 2017. In addition, the Group has also provided short-team financing to certain customers in the PRC and recorded the interest income of approximately RMB18.8 million.

Guarantee services

We provided the financing guarantee services during the year ended 31 December 2017 and 2016. Our Group's guarantee service income decreased by 7.9% from approximately RMB9.6 million for the year ended 31 December 2016 to approximately RMB8.9 million for the year ended 31 December 2017. In 2017, the Group is adopting a prudent approach to approve 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.

Supply chain agency services

The Group continued to expand the supply chain business in 2017. The Group provided one-stop supply chain agency services for its customers ranging from sourcing and procurement of materials, production management, financing and negotiation the terms of sale and purchase agreements on behalf of its customers with the suppliers. The supply chain agency fee is based on the pre-agreed percentage of the relevant transaction amount.

During the year ended 31 December 2017, the Group recorded the supply chain agency fee of approximately RMB5.4 million and the relevant total transaction amount was over RMB1 billion.

Other income

Other income increased from approximately RMB3.4 million for the year ended 31 December 2016 to approximately RMB37.4 million for the year ended 31 December 2017, representing an increase of approximately RMB34.0 million or 1,004.6%. Our Group's other income mainly represented reversal of impartment loss recognised an finance lease, loan and account receivables, the government grant and bank interest income. The increase in other income in 2017 was mainly due to the fact that we have received large amount of settlements from certain obligors of non-performing loans which the relevant loan receivables have been impaired in previous years.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB19.1 million for the year ended 31 December 2016 to approximately RMB19.5 million for the year ended 31 December 2017, representing an increase of approximately RMB0.4 million or 2.2%. 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 staff salaries.

Other expenses

The other expenses decreased from approximately RMB47.4 million for the year ended 31 December 2016 to approximately RMB43.5 million for the year ended 31 December 2017, representing a decrease of approximately RMB3.9 million or 8.2%. The decrease in other expenses was mainly attributable to decrease of impairment loss on finance lease, loan and account receivables of approximately RMB6.4 million and partly offset by the slightly increase of the operating expenses.

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 RMB160.2 million for the year ended 31 December 2017, representing an increase of approximately RMB24.7 million, or 18.2%, from approximately RMB135.5 million for the year ended 31 December 2016.

Non-generally accepted accounting principles ("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, gain on redemption of convertible bonds, 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 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 utilised 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 2017 to the nearest measures prepared in accordance with HKFRSs:

	Year ended 31 December 2017					
	As Reported	Equity-settled shares based payments	Gain on redemption of convertible bonds	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*	*RMB'000*
Profit before income tax	216,029	8,335	(8,770)	(1,960)	12,129	225,763
Profit for the year	170,842	8,335	(8,770)	(1,960)	12,129	180,576
Profit for the year attributable to the owners of the Company	160,209	8,335	(8,770)	(1,960)	12,129	169,943
Basic earnings per share *(RMB cents)*	3.78					4.01

	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 business and explore the business opportunities to broaden its income stream. In the first quarter of 2018, the Group have obtained licenses from the Securities and Futures Commission to carry out Type 1 (Dealing in Securities) and Type 9 (Asset Management) regulated activities. The Group would commence a new business segment of financial services in Hong Kong in near future.

The Group continued to explore cooperative opportunities with various well-known and/or state-owned companies. Apart from the formation of 廈門創翼商業保理有限公司 (Xiamen Chuang Yi Commercial Factoring Company Limited) with certain state-owned companies in 2016, the Group entered into the investment agreement with Tsingstone Capital Management (Hong Kong) Limited (清石資產管理（香港）有限公司), an associate of Tsinghua Asset Management Co., Ltd (清控資產管理有限公司) in 2017. We believe that, upon the formation of the companies with these state-owned/well-known companies, the close ties forged are expected to broaden the customer base, bolster the competitiveness and also expand the geographical coverage of our business.

The Group considers the asset management business is the key growth driver and actively expanded the business. Although the Group has not disposed any property during the year ended 31 December 2017 as compared with four properties has been disposed for the corresponding period in 2016, the Group still recorded a tremendous results in 2017. The Group has acquired a number of properties and non-performing debts during the year. The total book value of assets under the asset management business increased from approximately RMB234.0 million as at 31 December 2016 to approximately RMB462.6 million as at 31 December 2017. The Directors expected that it will generate a considerate profits through execution of non-performing loans or disposal of the properties in upcoming years.

In addition, the acquisition of Differ Cultural Tourism Development Company Limited (“Differ Cultural”) and its subsidiaries (collectively “Cultural Group”) was completed in late January 2018 (the “Acquisition”). Before the completion of the Acquisition, the Company only conducted investments on land and properties by way of 1) disposal/executive of the collateral (i.e land and properties) of non-performing loans and 2) the acquisition of lands and properties (which usually embedded certain problems) at a comparative prices below market value. After the completion of the Acquisition, the Company will be able to diversify its investment and leverage on the Cultural Group’s experience in the asset development and management market. The Directors believe that the Acquisition will generate cash flow through sales/lease of properties to the Group, which is essential to the further development of the Group.

Furthermore, 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.

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 maximum the value of 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 2017 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 the Customer A through the lending banks for a period of 24 months. As at 31 December 2017, the outstanding principal amount was RMB178.2 million.

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

Date	:	20 April 2016
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 the Customer A at fair value of approximately RMB232.7 million.

2) Entrusted loan Agreements with Customer B ("Entrusted Loan Agreements")

The Entrusted Loan Agreements were entered into among Differ Dai (as the entrusting party), the lending bank (as the entrusted party and the lender) and 泉州陽光盛世生物科技有限公司 (Quanzhou Sunshine Shengshi Biotechnology Company Limited) ("Sunshine") and 泉州泉美盛世生物科技有限公司 (Quanzhou Quanmei Shengshi Biotechnology Company Limited) (together with Sunshine, as the borrowers, collectively "Customer B"). Pursuant to the Entrusted Loan Agreements, Differ Dai has entrusted the lending bank with an aggregate amount of RMB375,000,000 for the purpose of lending the same to Customer B for a period of 12 months. As at 31 December 2017, the outstanding principal amount was RMB375 million.

The principal terms of Entrusted Loan Agreements are as follows:

Date	:	28 September 2017
Principal	:	RMB375,000,000
Interest rate	:	12.0% per annum
Loan period	:	As mentioned above
Repayment	:	Customer B shall repay the interests on a quarterly 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 Customer B at fair value of approximately RMB517.7 million.

3) Guarantee Service Master Agreement with Customer C ("Guarantee Service Master Agreement")

The Guarantee Service Master Agreement was entered into among the Company and 鼎豐集團（中國）有限公司 (Differ Group (China) Company Limited) ("Differ China") (as the Guarantors), 龍之族（中國）有限公司 (Dragon China Company Limited) ("Dragon"), 石獅富融商貿有限公司 (Shishi Fu Rong Trading Company Limited) ("Fu Rong") and 福建京福輝紡織科技有限公司 (Fujian Jing Fu Huei Textile Technology Company Limited) (together with Dragon and Fu Rong as the borrowers, collectively "Customer C") for a period of two years. Pursuant to which, the Guarantors have guaranteed to pay all indebtedness in an aggregate amount of not exceeding RMB315,000,000 in respect of the facilities due and owing to the lending bank by the Customer C in the event of the default of Customer C.

The principal terms of Guarantee Service Agreements are as follows:

Date	:	14 September 2017
Guarantors	:	the Company and Differ China
Lender	:	the lending bank
Borrowers	:	Customer C
Guarantee Cap	:	Up to RMB315,000,000
Guarantee fee rate	:	2.1% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Consultancy fee rate	:	1.0% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Term	:	2 years
Security and guarantees	:	(i) the pledge of the equity rights from the shareholder of Customer C at fair value of approximately RMB694.7 million; and (ii) personal guarantee of the ultimate shareholder of the Customer C.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (2016: Nil).

COMMITMENT

(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:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**5,342**	791
After one year but within two years	**5,866**	–
After two years but within five years	**15,972**	–
	27,180	791

The Group leases certain properties under operating leases. The leases run for an initial period of 1 to 5 years (2016: 3 to 4 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 2017, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,114,028,000 (2016: RMB1,664,028,000).

(iii) As at 31 December 2017, 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 RMB20,000,000 (2016: RMB5,100,000).

(iv) On 21 August 2017, the Group through one of its wholly-owned subsidiaries, entered into an investment agreement with three independent third parties for establishing a company operated in the PRC and principally engaged in fund management. As at 31 December 2017, the Group had commitment, contract but not provided for, to make capital injection amounted to US5,000,000 (equivalent to RMB32,479,000) to the company, representing 5% of the total registered capital.

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

	2017 *RMB'000*	2016 *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
– Acquisition of property, plant and equipment	**3,874**	–

(vi) As at 31 December 2016, The Group committed to invest in an equity investment fund partnership limited amounted to RMB70,000,000. On 28 October 2016, 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 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 Shi) Equity Investment Fund Partnership Limited (Limited Partnership)) at a consideration of RMB70,000,000.

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

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 27 September 2017, the Group has acquired 25% equity interest in Differ Supply Chain Development Group Limited ("Differ Supply") at the consideration of RMB8 million (the "25% Acquisition"). Differ Supply and its subsidiaries are principally engaged in supply chain business in PRC. Completion of the 25% Acquisition took place on 27 September 2017 and Differ Supply became an indirect wholly-owned subsidiary of the Company. For further details, please refer to the announcement dated 27 September 2017.

On 27 October 2017, the Group has acquired 37% equity interest in Jiashi Financial at the consideration of RMB120 million (the "37% Acquisition"). Jiashi Financial and its subsidiaries are principally engaged in finance lease business in PRC. Completion of the 37% Acquisition took place on 27 October 2017 and Jiashi Financial became an indirect wholly-owned subsidiary of the Company. For further details business, please refer to the announcement dated 27 October 2017.

EVENT AFTER THE REPORTING DATE

On 21 November 2017, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Ms. Shi Hongjiao ("Ms. Shi") to acquire the entire issued share capital of Differ Cultural at a consideration of RMB375,000,000. The Group and Differ Cultural were under common control and managed by Mr. Hong, the substantive shareholder of the Company, via Ms. Shi through a trust arrangement, the Acquisition is considered as a combination of businesses under common control. The consideration is settled by 84,000,000 shares of the Company at issue price of HK$0.582 per share and the remaining by cash after considering the outstanding debts owned by Ms. Shi, Mr. Hong and their respective associate companies to Differ Cultural and its subsidiaries at the completion date as defined in the circular of the Company dated 23 December 2017. The principal activities of Differ Cultural and its subsidiaries are property development and management. The Acquisition was completed on 23 January 2018. Upon the completion of the Acquisition, Differ Cultural become the wholly owned subsidiary of the Company.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

HUMAN RESOURCES

As at 31 December 2017, the Group had a total of 105 employees (2016: 138). The staff costs (included Directors' emoluments) were approximately RMB19.5 million for the year ended 31 December 2017 (2016: RMB19.1 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

Save for those disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2017 (2016: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB50.2 million (2016: RMB143.8 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 31.8% as at 31 December 2017 (2016: 28.2%). The current ratio is 4.1 times as at 31 December 2017 (2016: 3.0 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 RMB27.7 million (2016: RMB122.8 million) as at 31 December 2017 were pledged to secure for the Group's facilities of providing financial services to the customers. Bank borrowings with carrying amount of approximately RMB36 million (2016: RMB77.5 million) were secured by finance lease receivables with carry amount of approximately RMB49.5 million (2016: RMB88.2 million).

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 year ended 31 December 2017:

2017

		Number of share options						
Name or category of participants	**Date of grant**	**At 1 January 2017**	**Granted**	**Exercised**	**Forfeited**	**At 31 December 2017**	**Exercise period** *(Note)*	**Exercise price** *HK$*
Directors								
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	69,586,000	–	–	(24,836,000)	44,750,000	30 April 2017 to 30 April 2021	0.734
Total		82,386,000	–	–	(24,836,000)	57,550,000		

2016

Name or category of participants	Date of grant	Number of share options At 1 January 2016	Granted	Exercised	Forfeited	At 31 December 2016	Exercise period *(Note)*	Exercise price *HK$*
Directors								
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 were determined using the Binomial Option Pricing Model. The fair values of the share options and the significant inputs into the model and assumptions 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

Share options and weighted average exercise price are summarised as follows for the reporting periods presented:

	Number of share options	**Weighted average exercise price** *HK$*
Outstanding at 1 January 2016	–	
Granted	**84,108,000**	0.734
Forfeited	**(1,722,000)**	0.734
Outstanding at 31 December 2016 and 1 January 2017	**82,386,000**	0.734
Forfeited	**(24,836,000)**	0.734
Outstanding at 31 December 2017	**57,550,000**	0.734

The share options outstanding at 31 December 2017 had exercise price of HK$0.734 (2016: HK$0.734) and a weighted average remaining contractual life of 1.71 years (2016: 2.4 years).

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

During the year ended 31 December 2017, 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 2017, 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 2017.

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 2017.

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 Mr. Hong, Mr. Ng. 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 requested 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 2017. 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. Lam Kit Lam and Mr. Zeng Haisheng (members), who have reviewed the financial statements and annual results of the Group for the year ended 31 December 2017.

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 2017 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 2018

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. LAM Kit Lam and Mr. ZENG Haisheng.