

Differ Group Holding Company Limited
鼎豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6878



Interim Report 2018

CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

Mr. HONG Mingxian (*Chairman*)
 Mr. NG Chi Chung (*Chief Executive Officer*)
 Mr. CAI Huatan (*Honorary Chairman*)

NON-EXECUTIVE DIRECTORS:

Mr. CAI Jianfeng
 Mr. WU Qinghan

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. CHAN Sing Nun
 Mr. LAM Kit Lam
 Mr. ZENG Haisheng

REGISTERED OFFICE

Cricket Square, Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

33/F, Differ Fortune Plaza
 No. 503 Gaolin Middle Road
 Huli District
 Xiamen City
 Fujian, Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1602, Euro Trade Centre
 13-14 Connaught Road Central
 Central, Hong Kong

COMPANY SECRETARY

TAM Wai Tak Victor

AUDITOR

BDO Limited

AUTHORISED REPRESENTATIVES

HONG Mingxian
 TAM Wai Tak Victor

MEMBERS OF AUDIT COMMITTEE

CHAN Sing Nun (*Chairman*)
 LAM Kit Lam
 ZENG Haisheng

MEMBERS OF REMUNERATION COMMITTEE

LAM Kit Lam (*Chairman*)
 ZENG Haisheng
 CHAN Sing Nun

MEMBERS OF NOMINATION COMMITTEE

ZENG Haisheng (*Chairman*)
 LAM Kit Lam
 CHAN Sing Nun

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
 Cricket Square, Hutchins Drive
 P.O. Box 2681, Grand Cayman
 KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
 Level 22, Hopewell Centre
 183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

China Construction Bank
 Bank of China
 Bank of Communications

COMPANY WEBSITE

www.dfh.cn

STOCK CODE

6878

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Differ Group Holding Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
	Notes	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000 (Restated)
Income from assets management business	4	352,377	51,918
Income from financial related services	4	77,344	100,075
Fair value gain on investment properties		62,623	–
Other income	4	13,326	18,768
Costs of property development		(233,787)	–
Employee benefit expenses		(16,676)	(14,908)
Depreciation and amortisation expenses		(1,841)	(1,572)
Operating lease expenses		(3,182)	(1,011)
Equity-settled share-based payments		(2,214)	(6,609)
Other expenses		(20,067)	(15,069)
Share of (loss)/gains of associates		(2,787)	143
Share of results of joint venture		–	10,910
Gain on bargain purchase arising from acquisition of a subsidiary		–	1,861
Change in fair value of derivative financial instruments		–	1,986
Loss on redemption of convertible bonds		–	(2,582)
Financial costs	6	(19,518)	(22,145)
Profit before income tax	7	205,598	121,765
Income tax expense	8	(62,277)	(23,173)
Profit for the period		143,321	98,592

		Six months ended 30 June	
<i>Note</i>	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000 (Restated)	
	Other comprehensive income		
	Items that may be reclassified to profit or loss in subsequent periods		
	– Exchange differences on translating foreign operation	5,516	1,385
	– Fair value change on fair value through other comprehensive income	3,400	(300)
	– Surplus on revaluation upon transfer of property, plant and equipment to investment properties	20,750	–
	Total comprehensive income for the period	172,987	99,677
	Profit for the period attributable to:		
	Owners of the Company	107,142	92,814
	Non-controlling interests	36,179	5,778
		143,321	98,592
	Total comprehensive income attributable to:		
	Owners of the Company	136,808	93,899
	Non-controlling interests	36,179	5,778
		172,987	99,677
	Earnings per share		
	– Basic (<i>RMB cents</i>)	2.48	2.19
	– Diluted (<i>RMB cents</i>)	2.48	2.19

10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Unaudited) RMB'000 (Restated)	As at 1 January 2017 (Unaudited) RMB'000 (Restated)
	<i>Notes</i>			
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	11	19,347	19,847	12,270
Prepaid land lease		–	6,105	6,512
Investment properties		536,800	321,000	–
Interests in associates		27,162	20,499	20,007
Interest in a joint venture		–	–	91,916
Restricted bank deposits		–	10,000	–
Finance lease, loan and account receivables	12	310,524	275,120	392,695
Prepayments, deposits and other receivables	15	83,630	83,038	30,000
Goodwill		33,400	33,400	33,400
Financial assets at fair value through profit or loss	13	72,758	–	–
Financial assets at fair value through other comprehensive income	14	116,000	–	–
Available-for-sales financial assets		–	131,370	56,430
		1,199,621	900,379	643,230
Current assets				
Financial assets at fair value through profit or loss	13	46,999	–	–
Properties held for development		–	41,403	75,434
Properties under development		635,101	627,860	202,440
Finance lease, loan and account receivables	12	926,342	1,101,485	912,861
Tax prepaid		–	16,396	4,231
Prepayments, deposits and other receivables	15	375,085	540,890	329,470
Restricted bank deposits		11,218	17,729	122,831
Cash and bank balances		155,811	60,537	48,293
		2,150,556	2,406,300	1,695,560

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Unaudited) RMB'000 (Restated)	As at 1 January 2017 (Unaudited) RMB'000 (Restated)
<i>Notes</i>			
Current liabilities			
Trade payables	16 228,104	141,710	47,308
Accruals, other payables, deposits received and deferred income	17 127,635	92,184	158,783
Contract liabilities	18 869,666	912,085	299,030
Provision for taxation	16,741	37,932	32,146
Bank and other borrowings	57,375	180,801	95,074
Corporate bonds	–	41,725	–
Convertible bonds	–	–	197,895
Derivative financial liabilities	–	–	8,909
	<u>1,299,521</u>	<u>1,406,437</u>	<u>839,145</u>
Net current assets	<u>851,035</u>	<u>999,863</u>	<u>856,415</u>
Total assets less current liabilities	<u>2,050,656</u>	<u>1,900,242</u>	<u>1,499,645</u>
Non-current liabilities			
Deposits received and deferred income	17 82,158	31,025	60,855
Contract liabilities	–	–	859
Bank and other borrowings	33,263	61,950	121,335
Corporate bonds	232,388	225,199	95,216
Promissory note	–	120,000	–
Guaranteed notes	121,524	–	–
Deferred tax liabilities	106,129	90,473	–
	<u>575,462</u>	<u>528,647</u>	<u>278,265</u>
Net assets	<u>1,475,194</u>	<u>1,371,595</u>	<u>1,221,380</u>
EQUITY			
Share capital	19 9,716	8,292	8,292
Reserves	1,365,193	1,299,197	1,107,106
Equity attributable to owners of the Company	<u>1,374,909</u>	<u>1,307,489</u>	<u>1,115,398</u>
Non-controlling interests	<u>100,285</u>	<u>64,106</u>	<u>105,982</u>
Total equity	<u>1,475,194</u>	<u>1,371,595</u>	<u>1,221,380</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger and other reserve RMB'000	Share options reserve RMB'000	Statutory reserve RMB'000	Property revaluation reserve RMB'000	Financial assets revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
For the six months ended 30 June 2018 (Unaudited)													
At 1 January 2018, as previously reported	8,292	356,029	247,562	(15,284)	20,455	60,948	-	3,600	(4,539)	525,966	1,203,029	-	1,203,029
Adoption of merger accounting (note 23)	-	-	-	29,224	-	-	-	-	4	75,232	104,460	64,106	168,566
At 1 January 2018, as restated	8,292	356,029	247,562	13,940	20,455	60,948	-	3,600	(4,535)	601,198	1,307,489	64,106	1,371,595
Profit for the period	-	-	-	-	-	-	-	-	-	107,142	107,142	36,179	143,321
Other comprehensive income for the period	-	-	-	-	-	-	20,750	3,400	5,516	-	29,666	-	29,666
Total comprehensive income for the period	-	-	-	-	-	-	20,750	3,400	5,516	107,142	136,808	36,179	172,987
Equity-settled share based transactions	-	-	-	-	2,214	-	-	-	-	-	2,214	-	2,214
Arising from the Acquisition	172	41,156	-	(375,263)	-	-	-	-	-	-	(333,935)	-	(333,935)
Issue of ordinary shares by placing	1,252	261,081	-	-	-	-	-	-	-	-	262,333	-	262,333
Transfer to statutory reserve	-	-	-	-	-	11,005	-	-	-	(11,005)	-	-	-
At 30 June 2018	9,716	658,266	247,562	(361,323)	22,669	71,953	20,750	7,000	981	697,335	1,374,909	100,285	1,475,194
For the six months ended 30 June 2017 (Unaudited)													
At 1 January 2017, as previously reported	8,292	356,029	247,562	(8,312)	12,120	43,750	-	300	(13,898)	382,955	1,028,798	110,395	1,139,193
Adoption of merger accounting (note 23)	-	-	-	25,500	-	-	-	-	(5)	61,105	86,600	(4,413)	82,187
At 1 January 2017, as restated	8,292	356,029	247,562	17,188	12,120	43,750	-	300	(13,903)	444,060	1,115,398	105,982	1,221,380
Profit for the period	-	-	-	-	-	-	-	-	-	92,814	92,814	5,778	98,592
Other comprehensive income for the period	-	-	-	-	-	-	-	(300)	1,385	-	1,085	-	1,085
Total comprehensive income for the period	-	-	-	-	-	-	-	(300)	1,385	92,814	93,899	5,778	99,677
Acquisition of a subsidiary under common control	-	-	-	(500)	-	-	-	-	-	-	(500)	-	(500)
Arising from step acquisition of a subsidiary	-	-	-	(25,000)	-	-	-	-	-	-	(25,000)	116,047	91,047
Equity-settled share based transactions	-	-	-	-	6,609	-	-	-	-	-	6,609	-	6,609
Transfer to statutory reserve	-	-	-	-	-	8,716	-	-	-	(8,716)	-	-	-
At 30 June 2017, as restated	8,292	356,029	247,562	(8,312)	18,729	52,466	-	-	(12,518)	528,158	1,190,406	227,807	1,418,213

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

7

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000 (Restated)
Net cash generated from operating activities	495,874	132,381
Net cash used in investing activities	(456,911)	(74,171)
Net cash generated from/(used in) financing activities	57,689	(64,449)
Net increase/(decrease) in cash and cash equivalent	96,652	(6,239)
Cash and cash equivalents at the beginning of the period	60,537	48,293
Effect of foreign exchange rate changes, net	(1,378)	1,079
Cash and cash equivalents at the end of the period	155,811	43,133

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 (collectively the "Group") is located at 33/F, Differ Fortune Plaza, No.503 Gaolin Middle Road, Huli District, Xiamen City, Fujian Province, 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 assets management business, finance lease services and financial services.

2. BASIS OF PRESENTATION**2.1 Statement of compliance**

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"). The unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 Basis of preparation

On 23 January 2018, a major transaction and connection transaction in relation to the acquisition of the entire issued share capital of Differ Cultural Tourism Development Company Limited ("Differ Cultural") was completed ("Acquisition"). Differ Cultural and its subsidiaries (the "Differ Cultural Group") are principally engaged in property development and management business. The details of the Acquisition are set out in the Company's circular dated 23 December 2017.

As the Group and Differ Cultural Group were under common control of Mr. Hong Mingxian ("Mr. Hong") and he will continue to control the Group and Differ Cultural Group upon completion of the Acquisition, the Acquisition is considered as a combination of business under common control and accounted for under the principles of merger accounting, pursuant to which the consolidated financial statements of the Group have been prepared as if Differ Cultural Group had been the subsidiaries of the Group since the beginning of year 2017.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been prepared as if Differ Cultural Group had been the subsidiaries of the Group throughout the six months ended 30 June 2017 and 2018, or since their respective dates of incorporation/establishment where this is a shorter period. The consolidated statements of financial position of the Group as at 1 January 2017 and 31 December 2017 have been restated to include the assets and liabilities of the companies now comprising the Group. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination.

2.3 Functional and presentation currency

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

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2017 except for the adoption of the following standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on 1 January 2018.

HKFRS9	Financial Instrument
HKFRS15	Revenue from contracts with customers

The adoption of these new HKFRSs did not have significant impact on the Group's results of operations and financial position.

4. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		<i>(Restated)</i>
Income from assets management business		
Sales of properties	346,775	–
Income/fair value change of financial assets	3,911	20,233
Rental income	1,691	–
Finance income	–	22,935
Dividend income	–	8,750
	352,377	51,918
Income from financial related services		
Interest income from express loan services:		
– Entrusted loans	33,144	21,036
– Money lending	10,867	13,401
Income from financial consultancy services	2,810	28,539
Income from supply chain agency services	655	3,242
Income from guarantee services	9,365	3,018
Income from finance lease services	20,503	30,839
	77,344	100,075
Other income		
Bank interest income	437	558
Gain on step acquisition	–	15,590
Government grants	12,387	2,377
Others	502	243
	13,326	18,768

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 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.

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

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Customer 1	-	20,233
	<u> </u>	<u> </u>

6. FINANCE COSTS

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Interest on bank and other borrowings	9,632	7,349
Interest on corporate bonds	7,354	5,191
Interest on promissory note	1,965	-
Interest on guaranteed notes	567	-
Interest on convertible bonds (including imputed interest)	-	9,605
	<u> </u>	<u> </u>
	19,518	22,145
	<u> </u>	<u> </u>

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000 (Restated)
Depreciation of property, plant and equipment	1,807	1,368
Amortisation of prepaid land lease	34	204
Employee benefit expenses (including Directors' remuneration)		
Salaries and other benefits	14,568	12,991
Pension scheme contributions – defined contribution plans	2,108	1,917
	16,676	14,908
Equity-settled share-based payments	2,214	6,609
Impairment loss on finance lease, loan and account receivables	6,458	2,068
Operating lease charges in respect of properties	3,182	1,011
	31,112	26,515

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000 (Restated)
Current tax		
PRC corporate income tax	41,891	22,966
PRC land appreciation tax ("LAT")	4,459	–
PRC withholding tax	271	207
Deferred tax	15,656	–
	62,277	23,173

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

Enterprise income tax arising from subsidiaries operated in the PRC for the six months ended 30 June 2018 as calculated at 25% (2017: 25%) of the estimated assessable profits during the period, 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 reduce tax rate of 15% for the years from 2016 to 2020.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation value, with certain allowable deductions.

Withholding tax was calculated at 7% of interest paid by PRC entities to a non-PRC holding company during the period (2017: Nil).

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2018 (2017: Nil).

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

10. EARNINGS PER SHARE

The calculations of basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to owners of the Company of approximately RMB107,142,000 (2017 (restated): RMB92,814,000) and on the weighted average number of ordinary shares of 4,316,544,444 (2017: 4,236,009,880) issued throughout the six months ended 30 June 2018.

Diluted earnings per share for the six months ended 30 June 2018 is the same as the basic earnings per share because the impact of the potential dilutive ordinary shares outstanding is anti-dilutive (2017: no potential ordinary shares in issue).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group spent approximately RMB8,451,000 (2017 (restated): RMB1,522,000) on leasehold improvement and acquisition of motor vehicles, furniture, fixtures and office equipment.

12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
Non-current assets		
Finance lease receivables	243,964	249,093
Loan receivables	6,560	24,505
Account receivables	60,000	–
Distressed assets classified as receivables	–	1,522
	310,524	275,120
Current assets		
Entrusted loan receivables	546,865	553,190
Finance lease receivables	105,252	185,098
Loan receivables	217,701	213,524
Receivables from guarantee customers	22,654	35,477
Distressed assets classified as receivables	11,243	76,179
Account receivables	22,627	38,017
	926,342	1,101,485

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 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:

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
0 to 30 days	107,352	119,691
31 to 90 days	27,415	121,565
91 to 180 days	60,820	500,632
Over 180 days	1,007,382	521,539
	<u>1,202,969</u>	<u>1,263,427</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Unaudited) RMB'000
Non-current Assets		
Unlisted equity securities	<u>72,758</u>	<u>-</u>
Current Assets		
Listed equity securities	<u>46,999</u>	<u>-</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Unaudited) RMB'000
Distressed assets	116,000	–

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Unaudited) RMB'000 (Restated)
Non-current Assets		
Amounts paid for properties acquired for assets management business	83,038	83,038
Deposit paid	592	–
	83,630	83,038
Current Assets		
Amounts paid for land and properties acquired for assets management business	177,664	170,515
Prepaid expenses, other receivables and deposits paid	159,466	180,627
Other tax prepaid	37,955	34,076
Amount due from related parties	–	155,672
	375,085	540,890

The directors considered that the carrying amounts of deposits paid and other receivables approximate their fair values.

16. TRADE PAYABLES

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Unaudited) RMB'000 (Restated)
Trade payables	228,104	141,710

Trade payables represents the payables for the acquisition costs of distressed assets and construction costs of properties. The ageing analysis of trade payables are as follows:

	As at 30 June 2018 (Unaudited) <i>RMB'000</i>	As at 31 December 2017 (Unaudited) <i>RMB'000</i> (Restated)
0 to 30 days	195,010	140,051
31 to 90 days	32,725	1,137
91 to 180 days	332	485
Over 180 days	37	37
	<u>228,104</u>	<u>141,710</u>

17. ACCRUALS, OTHER PAYABLES, DEPOSITS RECEIVED AND DEFERRED INCOME

	As at 30 June 2018 (Unaudited) <i>RMB'000</i>	As at 31 December 2017 (Unaudited) <i>RMB'000</i> (Restated)
Current liabilities		
Accruals, other payables, deposits received and other tax payables	81,678	59,100
Deposits received from finance lease customers	45,957	28,175
Amount due to related parties	-	4,909
	<u>127,635</u>	<u>92,184</u>
Non-current liabilities		
Deposits received from finance lease customers	82,158	31,025

18. CONTRACT LIABILITIES

	As at 30 June 2018 (Unaudited) <i>RMB'000</i>	As at 31 December 2017 (Unaudited) <i>RMB'000</i> (Restated)
Consideration received for per-sale of properties	864,865	906,119
Deferred income	4,801	5,966
	<u>869,666</u>	<u>912,085</u>

19. 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 2017, 31 December 2017, 1 January 2018 and 30 June 2018	20,000,000	50,000	39,000
Issued and fully paid:			
Ordinary share of HK\$0.0025 each			
At 1 January 2017, 31 December 2017 and 1 January 2018	4,236,008	10,590	8,292
Issue of ordinary shares in respect of the Acquisition (<i>Note a</i>)	84,000	210	172
Issue of ordinary shares by placing (<i>Note b</i>)	610,378	1,526	1,252
At 30 June 2018	4,930,386	12,326	9,716

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

- (a) On 23 January 2018, 84,000,000 shares were issued to Expert Corporate Limited in respect of the settlement of part of the consideration of Acquisition.
- (b) In connection with the placing, an aggregate of 610,378,000 new ordinary shares of the Company of HK\$0.0025 each were issue at a price of HK\$0.53 per share on 29 June 2018.

20. MAXIMUM EXPOSURE UNDER THE GUARANTEE CONTRACTS

(i) **Guarantee Services**

As at 30 June 2018, the Group's maximum exposure under the financial guarantee contracts is RMB657.3 million (31 December 2017: RMB431.0 million). To mitigate such risk, the Group requests the customers to provide collateral as appropriate. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the Group will proceed with sale of collateral. As at 30 June 2018, the Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers in total amount of RMB886.2 million (31 December 2017: RMB1,015.5 million).

(ii) **Assets Management Business**

The Group has arranged mortgage loan facility for certain purchasers of property units and provided guarantees to banks to secure obligations of repayments by purchasers. The outstanding guarantees amounted to approximately RMB596.3 million as at 30 June 2018 (31 December 2017: RMB469.7 million).

21. COMMITMENTS

(i) Operating lease commitments

Group as Lessee

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

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Unaudited) RMB'000 (Restated)
Within one year	6,505	5,420
After one year but within two years	5,846	5,866
After two years but within five years	11,647	15,972
	23,998	27,258

The Group leases certain properties under operating leases. The leases run for an initial period of 3 months to 5 years (2017: 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 30 June 2018, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,837,928,000 (31 December 2017: RMB1,114,028,000).
- (iii) At the reporting date, the Group had the following other capital commitments:

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Unaudited) RMB'000 (Restated)
Contracted, but not provided for		
– Investment of unlisted equity securities	–	20,000
– Property development	582,071	610,025
– Acquisition of property, plant and equipment	–	3,874
	582,071	633,900

22. RELATED PARTY DISCLOSURES

(i) Compensation of key management personnel

Key management includes members of the board of directors and other members of key management of the Group. The compensation paid or payable to key management personnel is shown below:

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Short-term employee benefits	2,131	2,290
Pension scheme contributions	57	60
Equity-settled share based payment	1,158	1,931
	3,346	4,281

(ii) Except as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties during the period:

Company Name	Relationship	Type of transaction	Transaction amount	
			Six months ended 30 June	
			2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Dragon Holdings Company Limited* (龍之旅控股有限公司) ("Dragon Holdings")	Related company*	Guarantee service income (note a)	890	-
Jingning Outdoor Residence Tour Investment Development Company Limited* (景寧外舍古鎮旅遊投資發展有限公司) ("Jingning Outdoor")	Related company*	Guarantee service income (note b)	3,656	-

Note a:

In order to satisfy the conditions precedent of the Acquisition, the guarantee service agreement was entered into between Jingning Differ Real Estate Limited* (景寧鼎豐置業有限公司) (“Jingning Differ”) (as the guarantors) and Dragon Holdings (as the customer) on 19 January 2018 (“Guarantee Service Agreement 1”). The key terms of the Guarantee Service Agreement 1 are as follows:

Guarantor	:	Jingning Differ
Borrower	:	Dragon Holdings
Guarantee Cap	:	RMB73 million together with any interests, penalty interests, compensation and other related fees and expenses owed to a local branch of a PRC commercial bank
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	:	from 23 January 2018 to 31 May 2018

Note b:

In order to satisfy the conditions precedent of the Acquisition, the guarantee service agreement was entered into between Jingning Differ (as the guarantor) and Jingning Outdoor (as the customer) on 19 January 2018 (“Guarantee Service Agreement 2”). The key term of the Guarantee Service Agreement 2 are as follows:

Guarantor	:	Jingning Differ
Borrower	:	Jingning Outdoor
Guarantee Cap	:	RMB250 million together with any interests, penalty interests, compensation and other related fees and expenses owed to a local branch of a PRC commercial bank
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	:	from 23 January 2018 to 30 September 2022

^ The English name is for identification only.

* Related companies are controlled by Mr. Hong.

23. BUSINESS COMBINATIONS UNDER COMMON CONTROL

The Group adopts merger accounting for common control combinations in respect of the acquisition of 100% equity interest of Differ Cultural on 23 January 2018.

Statements of adjustments for business combinations under common control on the Group's financial position as at 1 January 2017 and 31 December 2017 and the results for the six months ended 30 June 2017 and 2018 are summarised as follows:

	The Group before the Acquisition RMB'000	Effect of adoption of merger accounting RMB'000	Total RMB'000
Six months ended 30 June 2018			
Revenue	429,721	–	429,721
Profit/(loss) before income tax	207,729	(2,131)	205,598
Income tax expenses	(62,277)	–	(60,088)
Profit/(loss) for the period	145,452	(2,131)	143,321
Six months ended 30 June 2017			
Revenue	151,993	–	151,993
Profit before income tax	102,732	19,033	121,765
Income tax expenses	(22,708)	(465)	(23,173)
Profit for the period	80,024	18,568	98,592

	The Group before the Acquisition RMB'000	Effect of adoption of merger accounting RMB'000	Total RMB'000
As at 31 December 2017			
ASSETS			
Non-current assets	572,602	327,777	900,379
Current assets	1,410,317	995,983	2,406,300
	<hr/>	<hr/>	<hr/>
Total assets	1,982,919	1,323,760	3,306,679
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Non-current liabilities	438,174	90,473	528,647
Current liabilities	341,716	1,064,721	1,406,437
	<hr/>	<hr/>	<hr/>
Total liabilities	779,890	1,155,194	1,935,084
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Capital and reserves			
Share capital	8,292	–	8,292
Reserves	1,194,737	104,460	1,299,197
	<hr/>	<hr/>	<hr/>
	1,203,029	104,460	1,307,489
Non-controlling interests	–	64,106	64,106
	<hr/>	<hr/>	<hr/>
Total equity	1,203,029	168,566	1,371,595
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	The Group before the Acquisition RMB'000	Effect of adoption of merger accounting RMB'000	Total RMB'000
As at 1 January 2017			
ASSETS			
Non-current assets	549,703	93,527	643,230
Current assets	1,291,287	404,273	1,695,560
Total assets	<u>1,840,990</u>	<u>497,800</u>	<u>2,338,790</u>
LIABILITIES			
Non-current liabilities	278,265	–	278,265
Current liabilities	423,532	415,613	839,145
Total liabilities	<u>701,797</u>	<u>415,613</u>	<u>1,117,410</u>
EQUITY			
Capital and reserves			
Share capital	8,292	–	8,292
Reserves	1,020,506	86,600	1,107,106
Non-controlling interests	1,028,798	86,600	1,115,398
	110,395	(4,413)	105,982
Total equity	<u>1,139,193</u>	<u>82,187</u>	<u>1,221,380</u>

Note:

Adjustments were made to eliminate the investment costs and capitals of the Differ Cultural Group against reserves and non-controlling interests.

No other significant adjustments were made to the net assets and net profit/(loss) of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

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 six months ended 30 June 2018, the turnover was mainly derived from the provision of (i) assets management business (including investments in properties, equities and distressed assets), (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 RMB152.0 million for the six months ended 30 June 2017 to approximately RMB429.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB277.7 million or 182.7%. The increase was attributable to the net effect of the following reasons:

Assets management business

The Acquisition of Differ Cultural Group was completed on 23 January 2018. Differ Cultural Group manages two major residential and commercial property projects, being Differ Sky Realm (鼎豐天境) and Chu Zhou Fu Cheng (處州府城), all of which were located in Lishui, the PRC. Both projects are scheduled to be completed in phases between 2018 and 2021. Differ Sky Realm is a residential development comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. The said development covers a total site area of approximately 99,728 sq. m and a total gross floor area of approximately 377,169 sq. m upon completion. The Phase 1 of Differ Sky Realm was completed and delivered to the purchasers in the second quarter of 2018. The Phase 1 of Differ Sky Realm covers a total gross floor area of approximately 75,256 sq. m., of which approximately 94% of the saleable area was sold as at 30 June 2018. The revenue for the Phase 1 of Differ Sky Realm for the six months ended 30 June 2018 was approximately RMB346.8 million.

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB5.6 million during the six months ended 30 June 2018. Such income mainly represented the income/fair value change of financial assets and rental income.

Finance lease services

Our Group mainly provide the finance lease services for machineries, distant fishing vessels, properties and motor vehicles.

Our Group's finance lease services income decreased by 33.5% from approximately RMB30.8 million for the six months ended 30 June 2017 to RMB20.5 million for the six months ended 30 June 2018. The decrease was mainly due to decrease of contribution of the finance lease income from Hong Kong during the six months ended 30 June 2018.

Financial services

Financial consultancy services

The financial consultancy service income of our Group decreased from approximately RMB28.5 million for the six months ended 30 June 2017 to RMB2.8 million for the six months ended 30 June 2018. 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 consultancy services.

Express loan services

Entrusted loan services

Our customers of entrusted loan services are mainly small and medium enterprises (“SMEs”). In light of the tightened credit control by PRC banks and the strong demand for financing services to SMEs, the demand of our entrusted loan services increased.

Our Group’s entrusted loan service income increased by 57.6% from approximately RMB21.0 million for the six months ended 30 June 2017 to RMB33.1 million for the six months ended 30 June 2018. The increase of entrusted loan service income was mainly due to the increase of average entrusted loan receivables during the period.

Money lending services

The Group has also provided short-term financing to certain customers in Hong Kong and the PRC and recorded the interest income of approximately RMB10.9 million.

Guarantee services

We provided the financing guarantee services during the six months ended 30 June 2018 and 2017. Our Group’s guarantee service income increased by 210.3% from approximately RMB3.0 million for the six months ended 30 June 2017 to approximately RMB9.4 million for the six months ended 30 June 2018. The Group is adopting a prudent approach to approve the application of our guarantee services from potential customers. Although the number of guarantee service decrease, the increase of income from guarantee services was mainly due to the fact that the Group has received relatively large amount of guarantee fees from i) certain sizable guarantee customers and ii) related parties as a result of the Acquisition.

Supply chain agency services

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 term 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 six months ended 30 June 2018, the Group recorded the supply chain agency fee of approximately RMB0.7 million.

Fair value gain on investment properties

The Group's investment properties are situated in the PRC and are held under the lease term from 40 to 50 years. As at 30 June 2018, the carrying amount of investment properties represents i) two investment properties in Xiamen which are held to earn rentals under operating lease and ii) Chu Zhou Fu Cheng projects, which under construction and certain parts of that are held for capital appreciation or held to earn rentals in future. The fair value gains on the Group's investment properties of approximately RMB62.6 million for the six months ended 30 June 2018 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions.

Other income

Other income decreased from approximately RMB18.8 million for the six months ended 30 June 2017 to approximately RMB13.3 million for the six months ended 30 June 2018, representing a decrease of approximately RMB5.5 million or 29.0%. Our Group's other income for the six months ended 30 June 2018 mainly represented government grants and bank interest income. The decrease in other income was mainly the fact that there was a gain on step acquisition of Lishui Fu Feng Cultural Tours Limited, one of the PRC subsidiary of Differ Cultural of approximately RMB15,590,000 for the six months ended 30 June 2017, no such case occurred for the corresponding period in 2018.

Cost of property development

The Group recorded cost of property development of approximately RMB233.8 million for the six months ended 30 June 2018. It mainly represented the land costs, construction costs and other relevant costs for Phase 1 of Differ Sky Realm.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB14.9 million for the six months ended 30 June 2017 to approximately RMB16.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB1.8 million or 11.9%. Our Group's employee benefit expenses mainly comprised staff salaries, Directors' emoluments and other benefits. The increase in employee benefit expenses was mainly attributable to the increase of staff salaries as a result of completion of the Acquisition and business expansion.

Other expenses

The other expenses increased from approximately RMB15.1 million for the six months ended 30 June 2017 to approximately RMB20.1 million for the six months ended 30 June 2018, representing an increase of approximately RMB5.0 million or 33.2%. The increase was mainly due to the increase of impairment loss on financial lease, loan and account receivables of approximately RMB4.9 million.

Profit for the period attributable to the owners of the Company

Our Group's profit for the period attributable to the owners of the Company was approximately RMB107.1 million for the six months ended 30 June 2018, representing an increase of approximately RMB14.3 million, or 15.4%, from approximately RMB92.8 million for the six months ended 30 June 2017.

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 has 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 have started the relevant financial services in Hong Kong in the second half of 2018.

The Group considers the assets management business is the key growth driver and actively expanded the business. The acquisition of Differ Cultural Group was completed in January 2018. The Acquisition has demonstrated that the Group is capable of diversifying its asset classes. It successfully extended its asset classes from non-performing asset to value asset. In view of the favorable economy and policies, in-depth experience in handling assets in the similar class by Differ Cultural Group, and the capital appreciation potential of the value assets in our portfolio, the Board believes that the Acquisition will generate significant returns in the next few years. The Group is looking for the other value assets in PRC continuously.

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 30 June 2018 were as follow:

1) Entrusted loan Agreements with Customer A (“Entrusted Loan Agreements”)

The Entrusted Loan Agreements were entered into among 廈門市鼎豐貸投資諮詢有限公司 (Xiamen Differ Dai Investment Consulting Company Limited) (“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 A”). 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 A for a period of 12 months. As at 30 June 2018, 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 A 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 A at fair value of approximately RMB517.7 million.

2) Guarantee Service Master Agreement with Customer B (“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 (Long Zhi Zu China Company Limited) (“Long China”), 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 Hui Textile Technology Company Limited) (together with Long China and Fu Rong as the borrowers, collectively “Customer B”) 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 B in the event of the default of Customer B.

The principal terms of Guarantee Service Master Agreement are as follows:

Date:	14 September 2017
Guarantors:	the Company and Differ China
Lender:	the lending bank
Borrowers:	Customer B
Guarantee Cap:	Up to RMB315,500,000
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 B at fair value of approximately RMB694.4 million; and (ii) personal guarantee of the ultimate shareholder of the Customer B.

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 30 June 2018, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Companies” contained in the Listing Rules, were as follows:

Long positions in Shares, Underlying Shares or Debentures of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the total issued share capital of the Company
Mr. Hong	Interest in controlled corporation (Note 1)	1,968,200,000	–	1,968,200,000	39.92%
	Beneficial owner	–	6,400,000	6,400,000	0.12%
Mr. Ng Chi Chung ("Mr. Ng")	Interest in controlled corporation (Note 2)	1,115,800,000	–	1,115,800,000	22.63%
	Beneficial owner	12,098,000	6,400,000	18,498,000	0.37%

Notes:

- These Shares were held by Expert Corporate Limited (“Expert Corporate”), which was wholly and beneficially owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 1,968,200,000 Shares under the SFO.
- These Shares were held by Ever Ultimate Limited (“Ever Ultimate”), which was wholly and beneficially owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 1,115,800,000 Shares under the SFO.

Save as disclosed above, as at 30 June 2018, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2018, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions in Shares, Underlying Shares or Debentures of the Company

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Expert Corporate	Beneficial owner (<i>Note 1</i>)	1,968,200,000	39.92%
Ms. Shi Hongjiao (“Ms. Shi”)	Interest of spouse (<i>Note 2</i>)	1,974,600,000	40.04%
Ever Ultimate	Beneficial owner (<i>Note 3</i>)	1,115,800,000	22.63%
Ms. Ting Pui Shan (“Ms. Ting”)	Interest of spouse (<i>Note 4</i>)	1,134,298,000	23.00%
Jianda Value Investment Fund L.P.	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	15.21%
Li Yining	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	15.21%
Cinda International Holdings Limited	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	15.21%
Wu Haitao	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	15.21%
Tian Sheng Universal Limited	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	15.21%
Caitong Securities Co., Limited	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	15.21%
China Cinda Asset Management Co., Limited	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	15.21%

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Ministry of Finance of Zhejiang Province, the People's Republic of China (中華人民共和國 浙江省財政廳)	Person having a security intend in shares (<i>Note 5</i>)	750,000,000	15.21%
Sinoday Limited	Person having a security intend in shares (<i>Note 5</i>)	750,000,000	15.21%
Asia United Fund	Investment manager	650,808,000	13.20%

Notes:

1. These Shares were held by Expert Corporate, which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 1,968,200,000 Shares under the SFO.
2. Ms. Shi is the spouse of Mr. Hong.
3. These Shares were held by Ever Ultimate, which was wholly and beneficial owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 1,115,800,000 Shares under the SFO.
4. Ms. Ting is the spouse of Mr. Ng.
5. On 7 June 2018, Expert Corporate had executed a share and account charge in favour of the subscribers of the senior guaranteed notes, pursuant to which Expert Corporate charged the securities of at least 750,000,000 Shares and assets in a designated securities account of Expert Corporate as a security for the repayment obligation of the Company under the subscription agreement.

Save as disclosed above and as at 30 June 2018, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

FOREIGN EXCHANGE RISK MANAGEMENT

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

TREASURY POLICIES

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

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

On 21 November 2017, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with 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 substantial 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.

Save as disclosed above, there was no significant investment and material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2018.

EVENT AFTER THE REPORTING DATE

On 27 July 2018, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Wang Jianxiong to acquire the entire issued share capital of Karhoe Company Limited ("Karhoe") and the sale loan of RMB235,379,000 at the consideration of RMB260,000,000. The principal activities of Karhoe and its subsidiaries are property development and management. The aforesaid acquisition was completed on 13 August 2018. For further details, please refer to the announcement dated 27 July 2018.

INTERIM DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

HUMAN RESOURCES

As at 30 June 2018, the Group had a total of 264 employees (31 December 2017 (restated): 226). The staff costs (included Directors' emoluments) were approximately RMB16.7 million for the six months ended 30 June 2018 (2017 (restated): RMB14.9 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 report, there was no specific plan for material investments or capital assets as at 30 June 2018 (2017: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB167.0 million (31 December 2017 (restated): RMB78.3 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 13.3% as at 30 June 2018 (31 December 2017 (restated): 19.0%). The current ratio is 1.65 times as at 30 June 2018 (31 December 2017 (restated): 1.71 times). The Group did not use any financial instruments for hedging purpose.

During the six months ended 30 June 2018, pursuant to a placing and subscription agreement, Ever Ultimate Limited, an existing shareholder of the Company, placed 610,378,000 ordinary shares of the Company to certain placees at HK\$0.53 per share, and subscribed for 610,378,000 new ordinary shares issued by the Company at the same price. The aggregate cash consideration received, before share issue expenses, was approximately HK\$323,500,000 (equivalent to approximately RMB265,270,000). This transaction resulted in an increase of the issue share capital and share premium of HK\$1,526,000 (equivalent to approximately RMB1,252,000) and HK\$321,974,000 (equivalent to approximately RMB264,019,000). Share issue expenses of approximately HK\$3,583,000 (equivalent to approximately RMB2,938,000) were charged to the share premium account accordingly.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme was adopted by the Company on 26 November 2013. Eligible participants of the Scheme include (a) full time or part time employees of our Group (including any Directors or directors of any subsidiary or any invested entity); (b) any suppliers, customers, consultants, agents, advisers, service providers; (c) any shareholder of any member of our Group or any invested entity or any holder of any securities issued by any member of our Group or any invested entity and partner or joint venture partner of our Company or any subsidiary or any invested entity; and (d) and person who, in the sole discretion of the Board, has contributed or may contribute to our Group or any invested entity eligible for any options under the Scheme. The Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted.

An offer of the grant of any option under the Scheme may be accepted within 21 business days from the date of grant together with a remittance of HK\$1.00 by way of consideration for the grant thereof. No option shall be granted to any eligible person if any further grant of options would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person in the 12 month period up to and including such further grant would exceed 1% of the total number of shares in issue, unless such further grant has been duly approved by the Company’s shareholders in general meeting.

The exercise price of the option shall be determined at the discretion of the Board which shall be the highest of: (i) the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (ii) the average closing price of the Company’s shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company’s shares. Details of the principal terms are set out in the paragraph headed “Share Option Scheme” under the section headed “Statutory and General Information” of the Prospectus.

The total number of shares in respect of which options may be granted under the Scheme shall not exceed 400,000,000 shares, being 8.11% of the total number of shares in issue as at the date of the report. On 25 April 2016, the Company granted an aggregate of 84,108,000 share options to the eligible persons.

The following table discloses movements in the Company's share options during the six months ended 30 June 2018:

Name or category of participants	Date of grant	Number of share options				At 30 June 2018	Exercise period	Exercise price HK\$
		At 1 January 2018	Granted	Exercised	Cancelled			
		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	44,750,000	-	-	(14,312,000)	30,438,000	30 April 2017 to 30 April 2021	0.734
Total		57,550,000	-	-	(14,312,000)	43,238,000		

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

The fair values of the Share Options granted under the Share Options Scheme on 26 November 2013 were determined using the Binomial Option Pricing Model. The fair values of the Share Options and the significant inputs into the model and assumption were as follows:

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

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB11.2 million as at 30 June 2018 (31 December 2017: RMB27.7 million) were pledged to secure for the Group's facilities of providing financial services to the customers. Bank borrowings with carrying amount of approximately RMB30.0 million (31 December 2017: RMB36.0 million) were secured by finance lease receivables with carrying amount of approximately RMB44.2 million (31 December 2017: RMB49.5 million).

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

Throughout the six months ended 30 June 2018, 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 report since the directors take the view that the Company shall support directors arising from corporate activities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2018.

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 six months ended 30 June 2018.

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 undertakings, 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 six months ended 30 June 2018. 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 of audit committee), Mr. Lam Kit Lam and Mr. Zeng Haisheng. The unaudited consolidated results of the Group for the six months ended 30 June 2018 have been reviewed by the audit committee. The Board is of the opinion that such results complied with the applicable accounting standards, the requirements under Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 28 August 2018

As at the date of this report, 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.