



**鼎豐集團控股有限公司**

**Differ Group Holding Company Limited**

**Stock Code: 6878.HK**

## **2017 Annual Results**

**March 2018**



***PRC's Leading Provider of Short- to Medium-term  
Financing and Financing-related Solutions***

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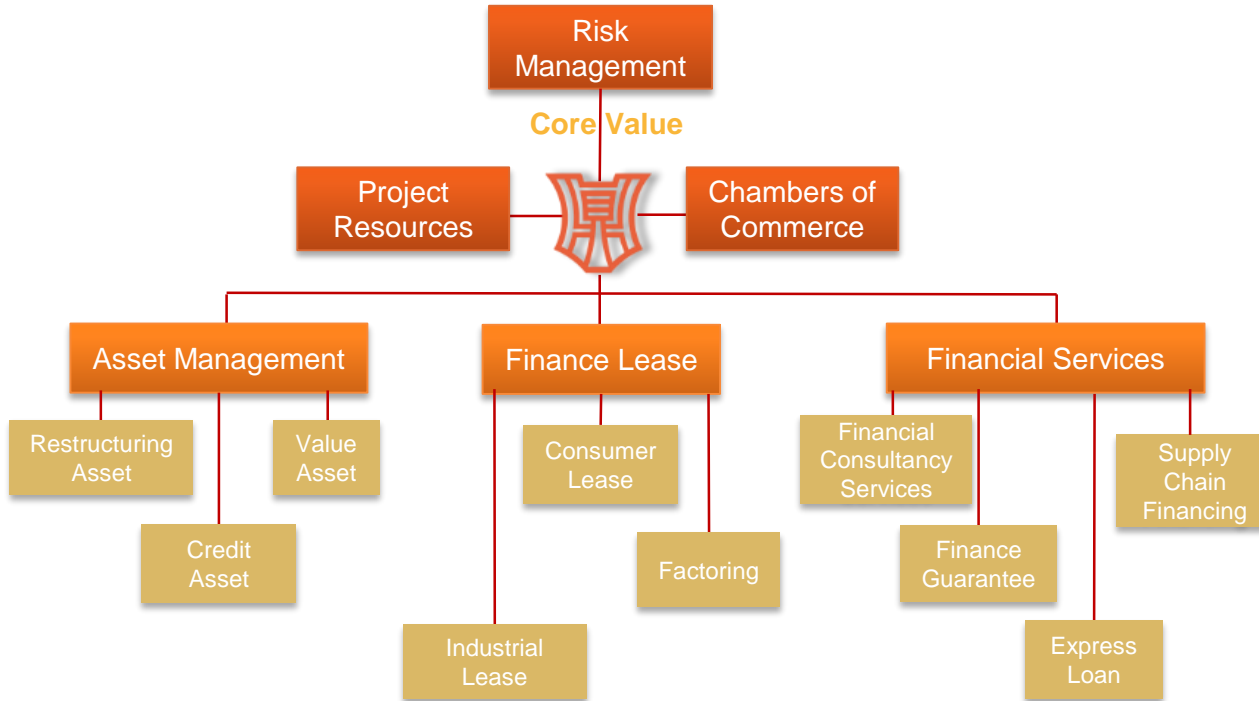
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# Agenda

- 1 Overview
- 2 Financial Analysis
- 3 Business Overview & Growth Strategies
- 4 Risk Management
- 5 Appendix

# DFH: The Preferred Financial Services Platform for SMEs

*Possesses Years of Financial Industry Experience with a High Calibre Professional Team, Risk Management System and Cooperation Network in Financial Field*



# DFH: The Preferred Financial Services Platform for SMEs (Cont'd)



Headquartered in Xiamen, the Group is positioned to greatly benefit from Fujian Free-Trade zone and “One Belt One Road” policies



Diversified business offerings with timely and flexible management strategies



The Group’s geographical advantage fosters strong relationship with Chamber of Commerce and Banks (Built long term relationship with over 10 banks, far surpassing its peer)

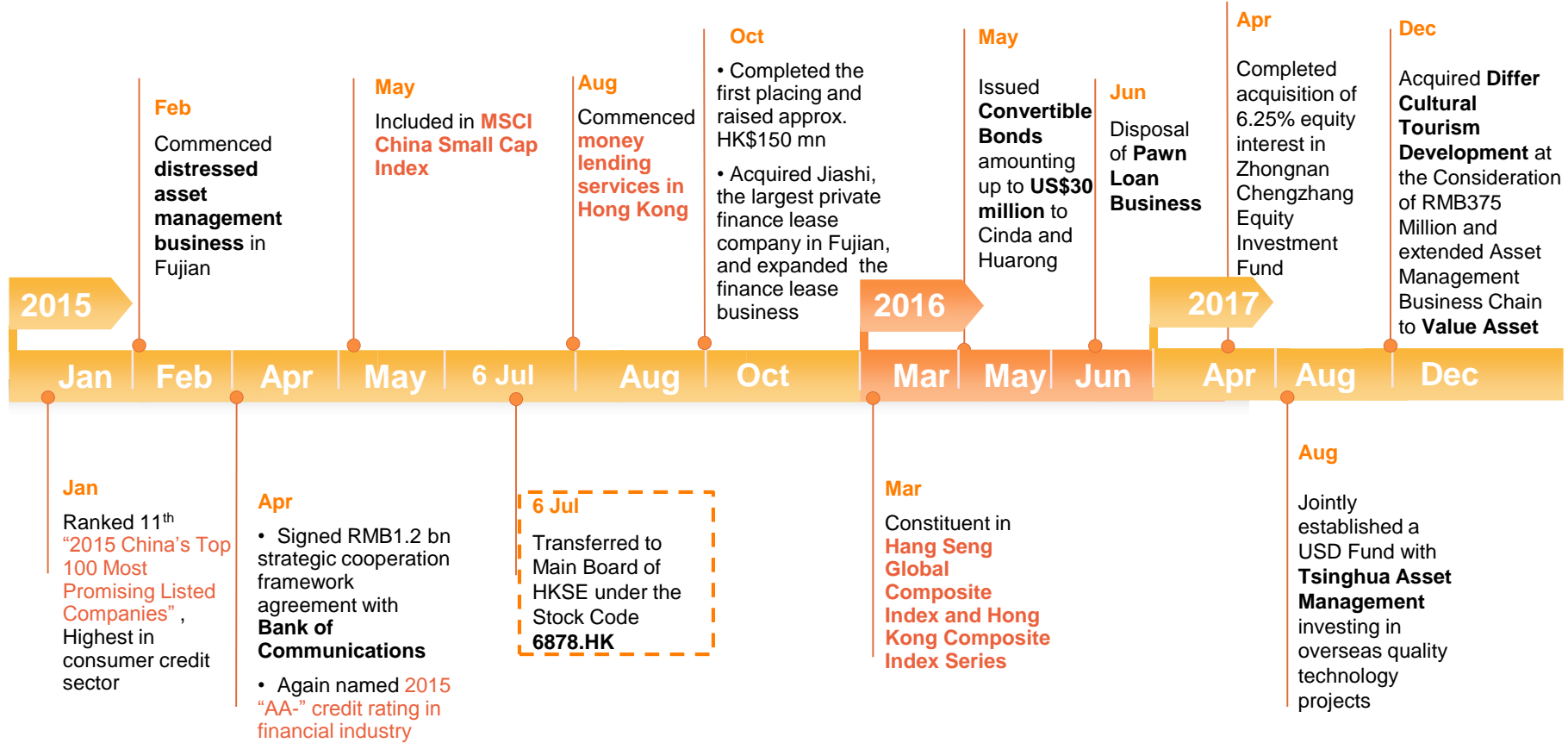


Low bad debt rate of 1.6% has been recorded in 2017 with the stringent application approval process and efficient and effective risk management system



As at 27 March 2018, market capitalization at HK\$2.42 billion; P/E and P/B ratios at 15.56 and 1.89 times respectively

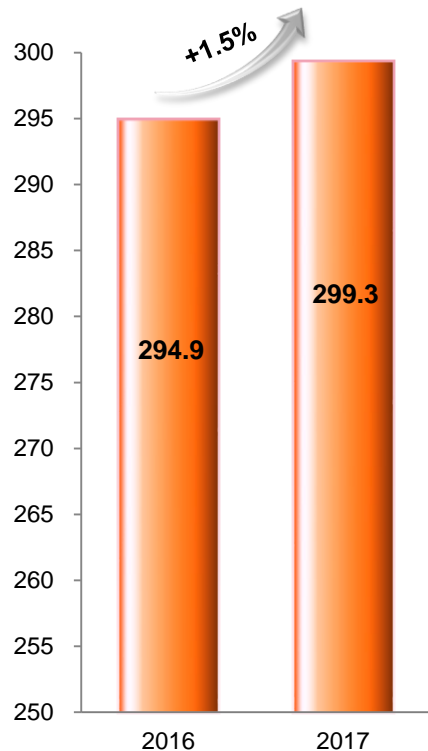
# Milestones



# 2017 Annual Results Highlights

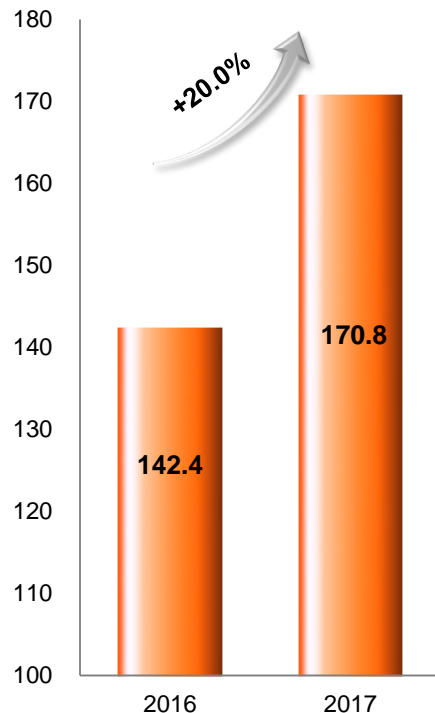
## Turnover

(RMB million)



## Profit

(RMB million)



Completed acquisition of the entire issued share capital of Jiashi, further deepen its finance lease business

Consolidated capital base, speed up development of distressed asset management

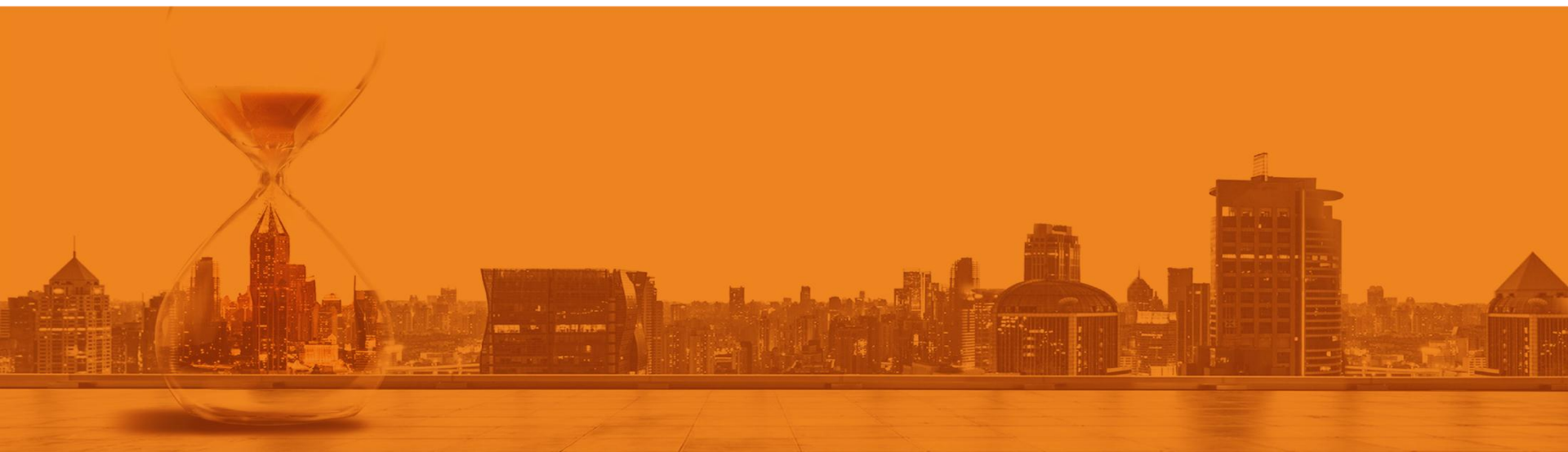
Extended its assets management business chain to value asset



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# Financial Analysis





# 2017 Annual Results Summary

For the year ended 31 December

(RMB'000)	2016	2017	Change
Turnover	294,868	<b>299,268</b>	+1.5%
Asset Management Services	93,209	<b>118,053</b>	+26.7%
Finance Lease Services	41,404	<b>52,831</b>	+27.6%
Financial Services*	160,255	<b>128,384</b>	-19.9%
Profit	142,393	<b>170,842</b>	+20.0%
Profit Attributable to Shareholders	135,509	<b>160,209</b>	+18.2%
Basic Earnings per Share (RMB cents)	3.20	<b>3.78</b>	+18.1%
Net Asset Value per Share (RMB cents)	24.3	<b>28.4</b>	+16.8%
Average Return on Equity (%)	14.0%	<b>14.4%</b>	+0.4p.p
Average Return on Asset (%)	7.9%	<b>8.9%</b>	+1p.p

The Group has continued to expand the asset management business in order to capture the opportunities presented by abundant supply of distressed assets

The increase in revenue was mainly attributable to the income from different types of finance lease services

The decrease was mainly due to the group making an effort to focus its resources in asset management business and its finance leasing business

The increase in profit was mainly attributable to revenue generated from assets management services and finance lease services

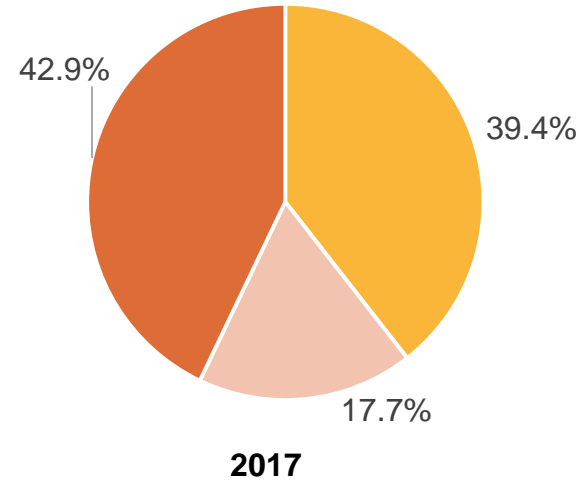
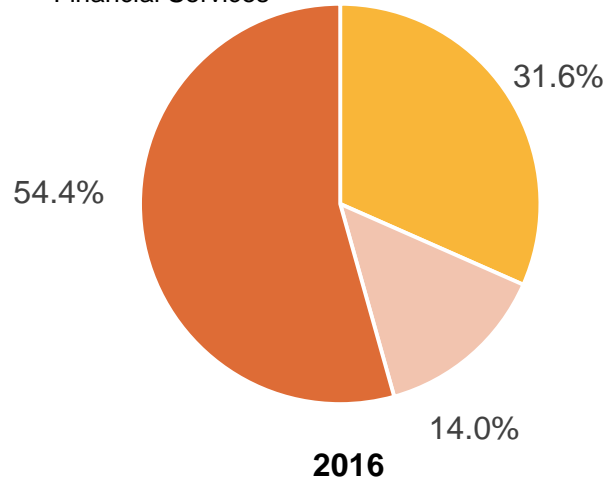
\*Including express loan services, financial consultancy services, supply chain financing and guarantee services.

# Revenue Analysis

*Growth in Revenue as Business Diversification Fulfills Market Demand*

## Revenue Breakdown by Business (%)

- Asset Management Services
- Finance Lease Services
- Financial Services\*



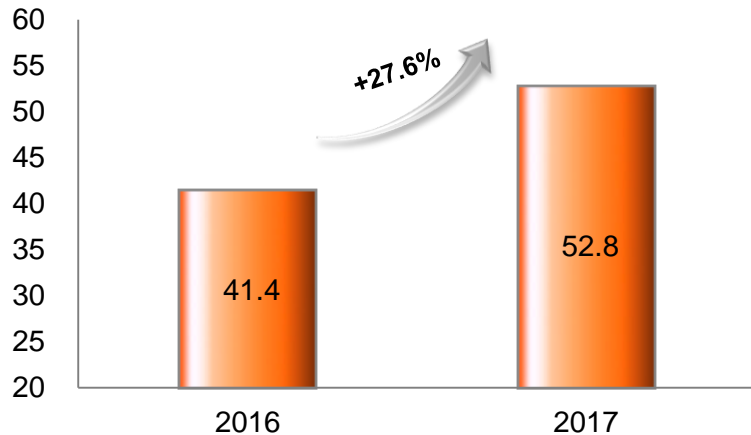
- In 2017, the Group adjusted its development focus and concentrated on the businesses with greater profitability and higher sustainability. Revenue from financial lease and asset management business recorded considerable growth with a higher proportion**

# Revenue Breakdown by Business

## Finance Lease Services

Average Internal Rate of Return (IRR): **Approx. 12-17%**

(RMB million)

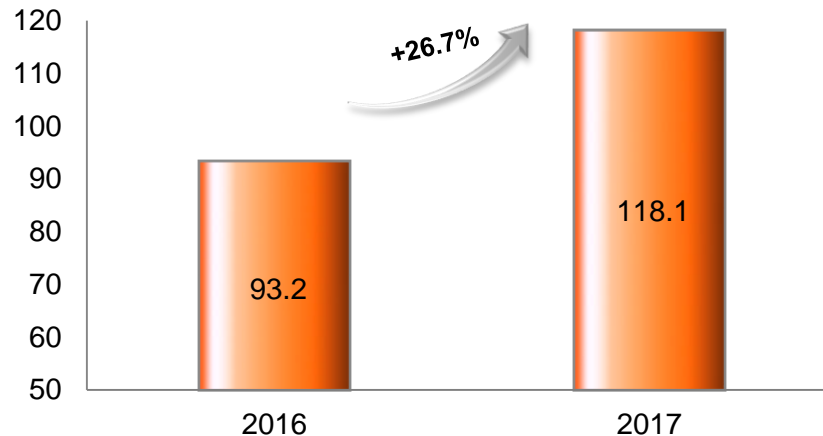


- Following the acquisition of Jiashi in late 2015, the Group expanded its finance lease business
- Apart from the finance lease business for distant marine fisheries and industries related to individual consumption, the Group has started its finance lease business for properties in late 2016
- In 2017, the Group completed the acquisition of the entire issued share capital of Jiashi to further deepen the business

## Asset Management Services

Rate of Return: **More than 30%**

(RMB million)



- Recorded increase in revenue despite no property disposal in 2017 (2016: 4)
- More debtors settled the non-performing debts according to relevant contract terms and recorded profit at RMB64.9 million
- Generated revenue of RMB14.1 million from equity investments
- Provided asset management solutions and generated income of approximately RMB39.1 million

# Other Income, Cost and Expense Analysis

For the year ended 31 December

(RMB'000)	2016	2017	Change
Other Income	3,385	<b>37,390</b>	+1004.6%
Employee Benefit Expenses	19,115	<b>19,528</b>	+2.2%
Other Expenses	47,357	<b>43,471</b>	-8.2%
Bad Debts Provision	28,056	<b>21,619</b>	
Professional fees	7,503	<b>11,048</b>	
Tax	2,909	<b>4,710</b>	
Others	8,889	<b>6,094</b>	
Financial Costs	42,367	<b>56,337</b>	+33.0%
Total Expenses	126,198	<b>131,851</b>	+4.5%

The increase was mainly attributable to the successful repayment of RMB30 million in bad debts provision from asset management previously provided. The amount was recorded as other income in accordance with the accounting standards rather than the main business income.

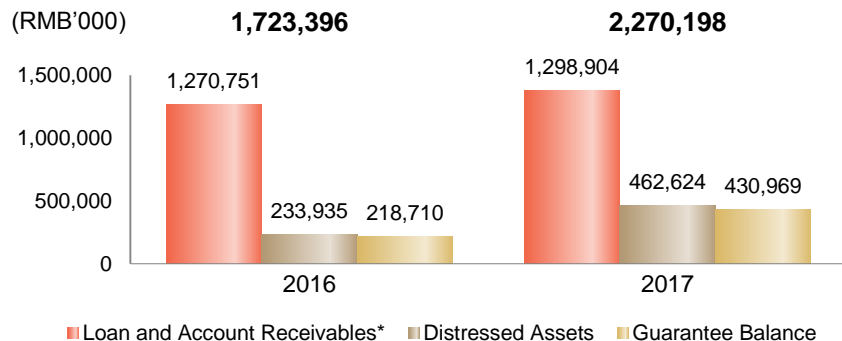
In 2017, employee benefit expenses was similar to 2016. It is expected to increase significantly in 2018 due to the acquisition of Differ Cultural in January 2018.

- The decrease in other expenses was mainly due to the bad debts provision declined to RMB21.6 million.
- The significant provision for bad debts in 2016 was mainly attributable to the acquisition on several non-property related NPL packages during the year and approximately RMB14 million has been recorded as bad debts provision in 2016.
- No such type of asset package has been acquired in 2017

- Corporate bonds and borrowings increased to approximately RMB630 million (2016: approximately RMB520 million)
- Gearing ratio increased to 31.8% (2016: 28.2%), keeping at a healthy level

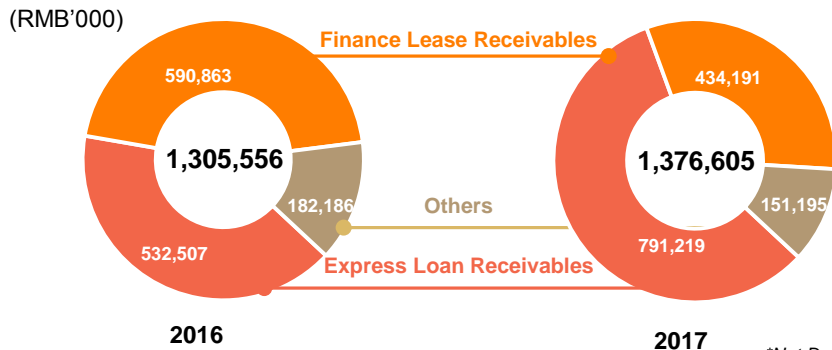
# Financial Resources and Bad Debts

## Financial Resources Distribution



\*Exclude non-performing assets of credit guarantee

## Loan and Account Receivables Analysis



\*Net Debt-To-Capital Ratio = (total borrowings- cash) / total capital

\*\*Loss Receivables Ratio= Provision of Bad Debts (Excluding Asset Management Segment) / Total Loan and Account Receivables

## Key Financial Data

	As of 31 December	
(RMB'000)	2016	2017
Total Borrowings (including Bank Loans, Corporate Bonds and Convertible Bonds)	518,429	<b>629,675</b>
Cash and Bank Balances (including bank deposits)	143,808	<b>60,204</b>
Net Debt-To-Capital Ratio*	32.9%	<b>47.3%</b>
Overdue Repayment Ratio	7.4%	<b>2.8%</b>
Loss Receivables Ratio**	2.1%	<b>1.6%</b>

# Operating Capital Management

As of 31 December		
(RMB'000)	2016	2017
Bank Deposits and Cash Equivalents	20,977	<b>32,475</b>
Restricted Bank Deposits	122,831	<b>27,729</b>
Loan and Account Receivables	1,305,556	<b>1,376,605</b>
Net Current Assets	867,755	<b>1,068,601</b>
Net Assets	1,139,193	<b>1,203,029</b>

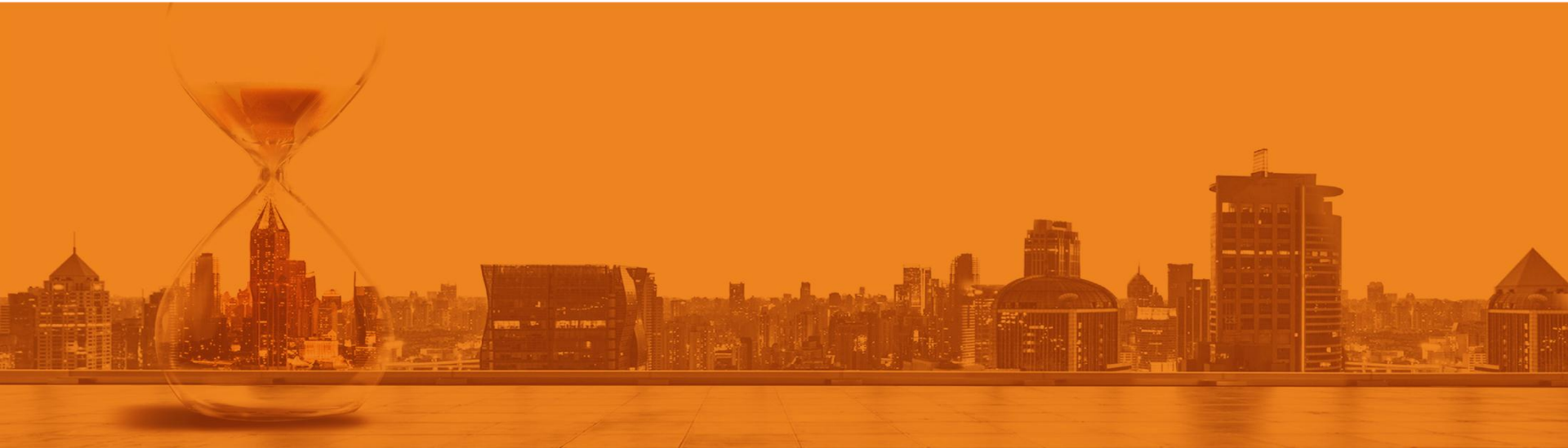
Balance reduced due to the downsizing of guarantee business



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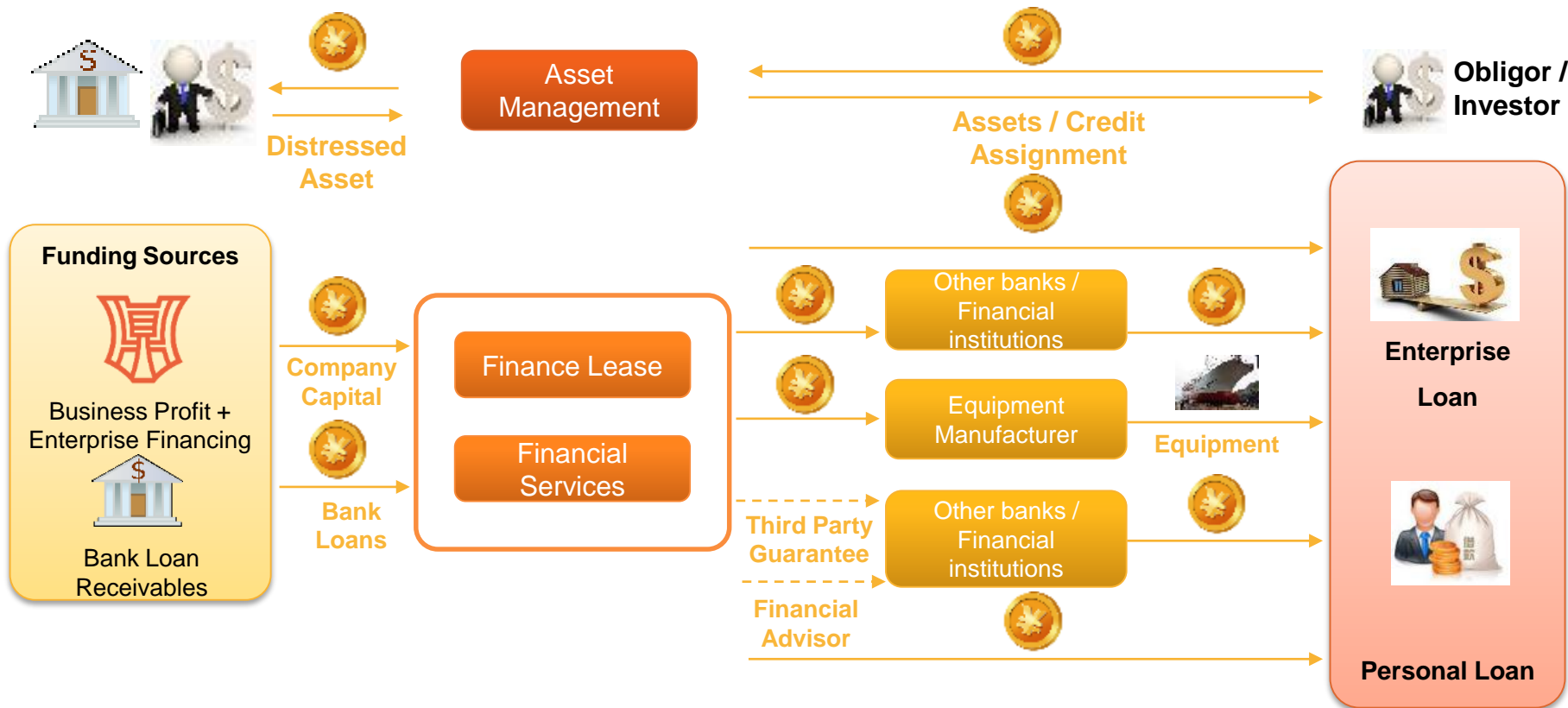
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# Business Overview & Growth Strategies



# Revenue Model

## Diversified Platform to Meet Various Needs

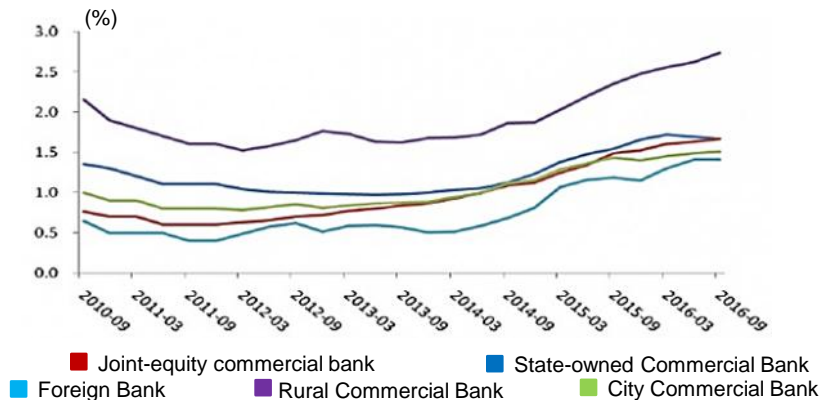




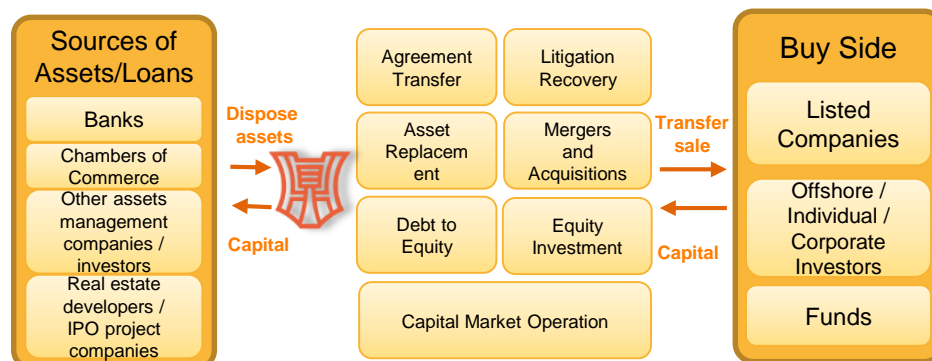
# Asset Management

## Distressed Asset – Including Restructuring Asset and Credit Asset

Continuous increase of NPL ratio in commercial banks<sup>1</sup>



Business Model



Dealing with the growth of distressed assets<sup>2</sup>

~ ¥4,400 bn

Loan balance of Fujian Province

1.74%

Percentage of non-performing debts

(Up to 2017)<sup>3</sup>

8.9%  
YoY

- Rate of return: **Over 30%**
- **Advantages of platform:** Possesses years of financial industry experience with efficient risk management system and strong cooperation network
- **Experienced in execution:** Professional local team who are familiar with the local network and legal process leading to short turnaround time

# Asset Management



## Value Asset

### Business Model and Advantages

- Acquire premium projects with high growth potential. Increase asset value by optimizing our resources
- The new team - Differ Cultural Tourism, will further ensure the sustainable development of non-performing assets and value assets, and to exert synergies



Abundant resources from chamber of commerce

Extensive business network

Favourable relationship with the government and financial institutions

Possess years of experience in industries

Create a professional investment management platform with the ability of “financing, investment, management, exit” and a healthy risk control system

Able to create a higher profit by optimizing our resources

### Project Invested

#### Differ Sky Realm

Jingning County, Lishui City, Zhejiang Province  
Total gross floor area: approx. 380,000 sq m  
Fabulous residential community with landscape and comprehensive peripheral facilities in Jingning

- Market value of RMB2.14 billion \*
- Under pre-sale and expected to deliver in 2018Q2



#### Chu Zhou Fu Cheng

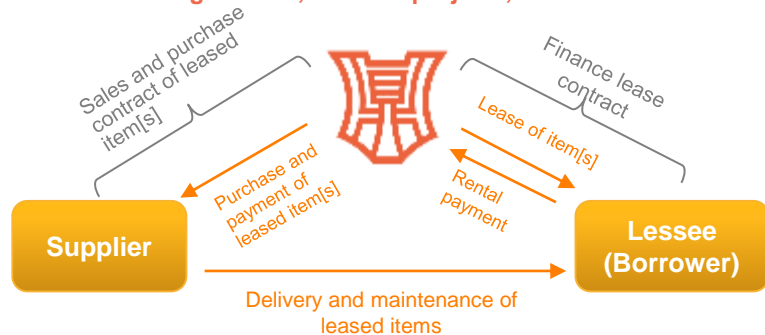
Lishui City, Zhejiang Province  
Total gross floor area: approx. 100,000 sq m  
The first Ming-Qing Dynasties Theme Street in the south of Zhejiang with remarkable cultural and historical attractions

- Market value of RMB980 million \*
- Commercial street will be put into leasing in 2018Q4, Villa area will be put into leasing in 2018Q2

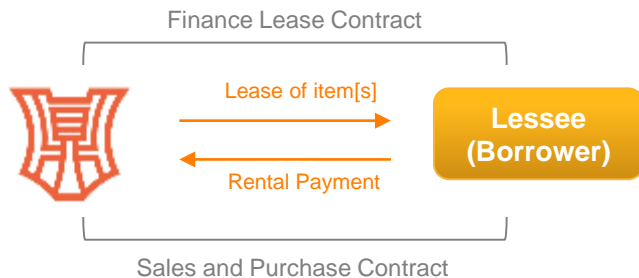
# Finance Lease

*Flexible and Innovative Financing Method to Support Continued Growth of the Livelihood Economy*

**Direct Rental: Fishing vessels, Tourism projects, Industrial machineries**



**Leaseback : Second-hand cars, Industrial machineries , Real estates**



*Develop and Expand*

**Market-leading Advantages, Broadening Business Scope and Enlarging Market Share**

**One of the Few Finance Lease Companies with Bank Credit Line**

**Leveraged Multiple Can be Further Increased to 10 Times (Upside potential: 400-700 million)**

**Focus on Industries Closely Related to Livelihood**

# Growth Strategies

## Building a clear framework to further develop comprehensive financial services and diversified asset management businesses



### Asset Management : Exert synergies through distressed asset and value asset

- The disposal of distressed asset can create high profit in short turnaround time, and mid and long-term sustainable income can be achieved through value asset management
- Continue to acquire high-quality asset with great potential return and strive to achieve economic of scale and synergies



### Finance Lease : Bright outlook supported by favourable policies

- Distant marine fisheries: According to the 13th Five-Year Plan, number of distant marine fishing vessels in Fujian will increase to 850 vessels by 2020, which is also in line with “one belt one road” initiative
- Personal consumption: Increase in per capita income, and continued urbanization further boost the demand of tourism consumption
- Property leasing: Stay aligned with national policies and grasp the historical development opportunities, and generate synergies with value asset management



### Expand diversified business and continue to explore cooperation opportunities

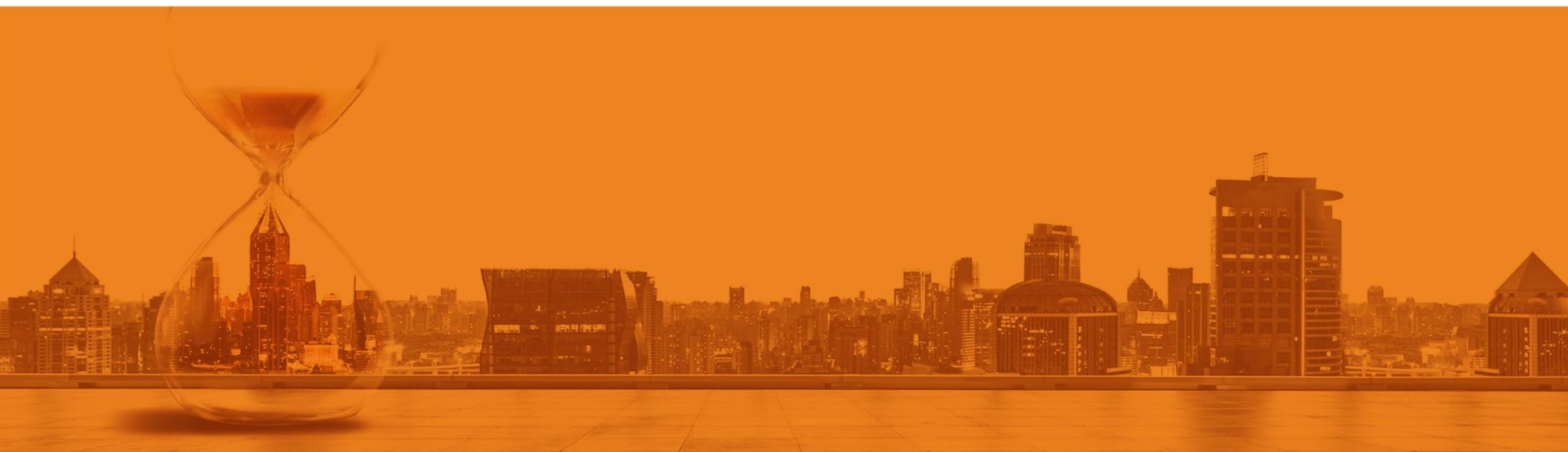
- Extend financial services and asset management business leveraging on the qualifications of Type 1 (Dealing in Securities) and Type 9 (Asset Management) in Hong Kong issued by SFC
- Explore cooperation opportunities with well-known fund like Tsinghua Asset Management through qualification of Type 9 (Asset Management) in Hong Kong, striving to achieve complementation of domestic and overseas development



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# Risk Management



# Risk Management



- Business Background
- Assets and Liabilities
- Cash Flow
- Repayment Sources
- Intended Use of Loan
- Credit Records
- Third Party Guarantee
- Inspection on:
  - Status and ownership
  - Valuation of collaterals
- 6 yes votes in a 7 members committee
- Veto right by chairman
- Committee comprises of 2 EDs and department heads

**Approval Process**

**Before Approval**

Ensure compliance with PRC laws and regulations

**After Approval**

- Monitor customers' financial conditions and collaterals regularly
- Maintain reasonable loan-to-value ratio of collaterals

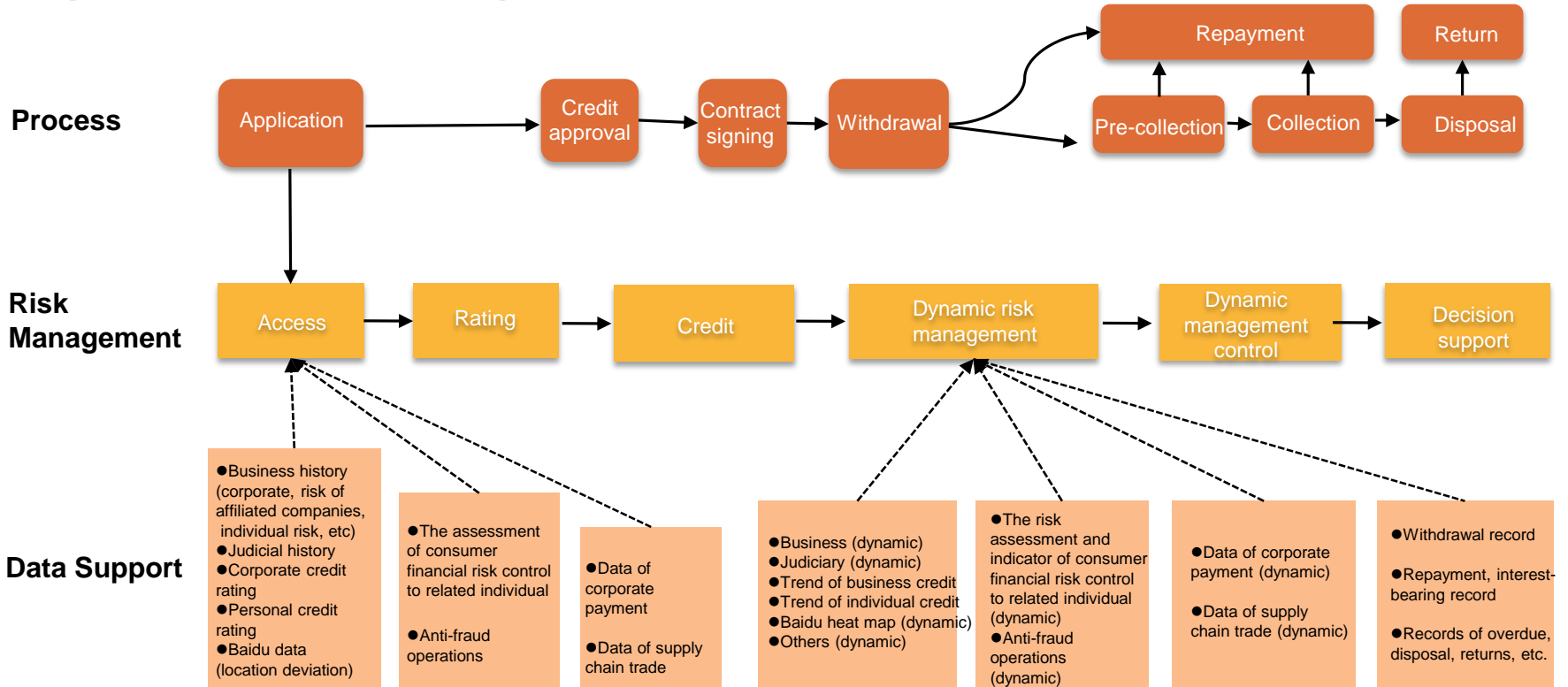


Experienced approval committee: Members with more than 20 years of professional experience

**Collection Management**

- Professional team of accountants, lawyers and debt collection experts

# Big Data Risk Management



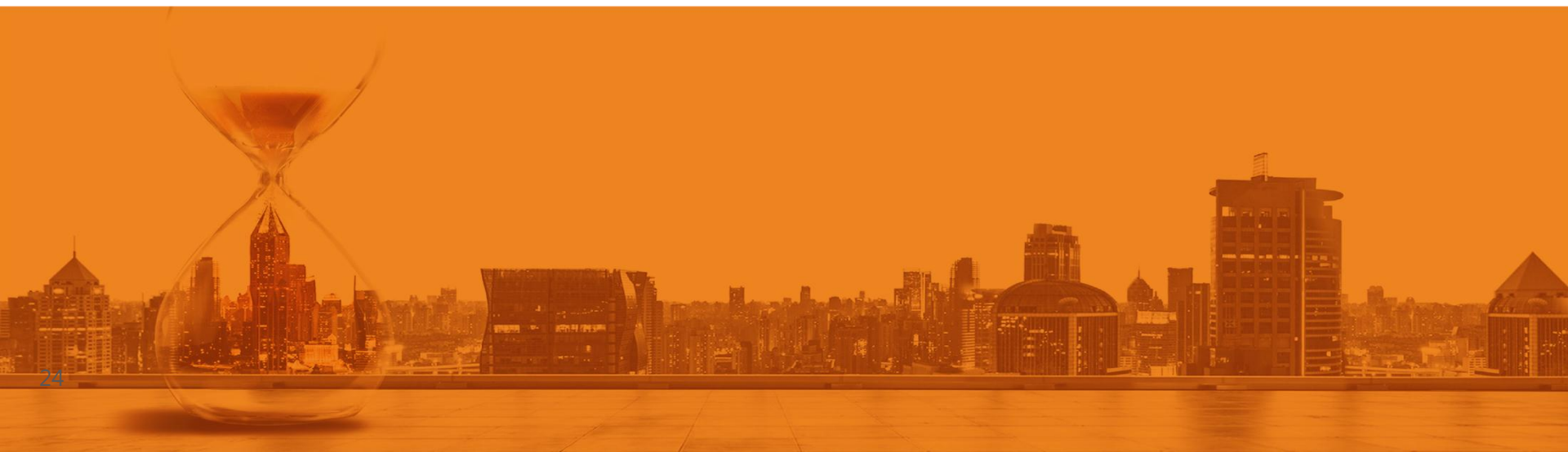




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# Q&A



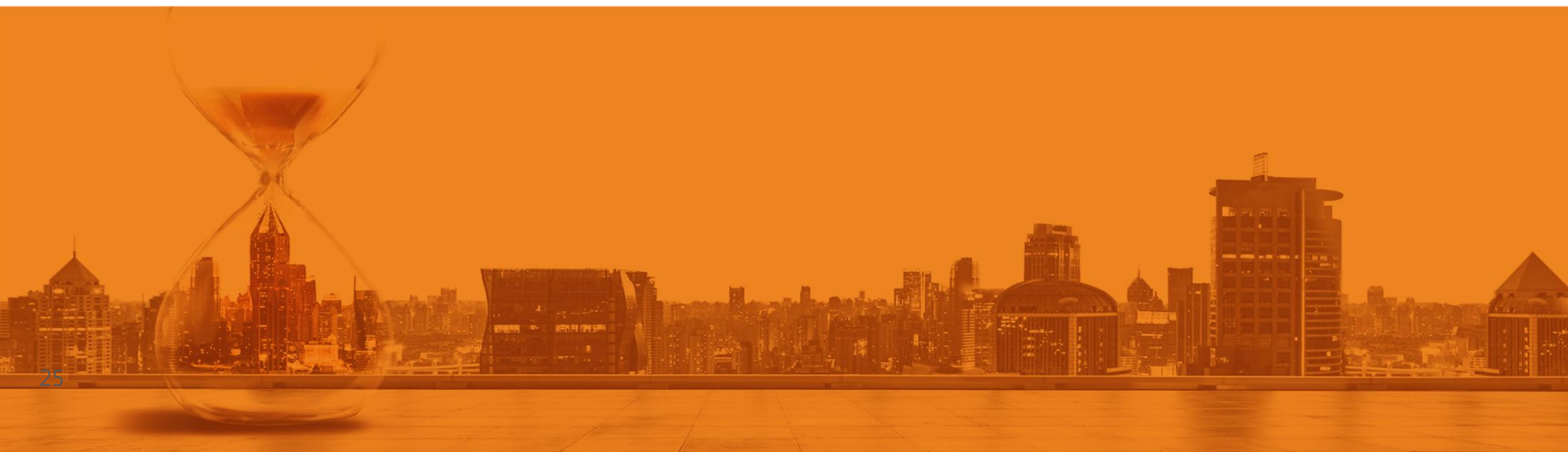




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# Appendix



# Shareholding Structure



**鼎豐集團控股有限公司**

**Differ Group Holding Company Limited**

(Stock Code: 6878.HK)

**No. of Issued Shares (as at 28 March 2018): 4,320,009,880 Shares**

# Experienced Management Team

## **Mr. HONG Mingxian** Chairman and Executive Director

- Responsible for overall strategic direction, management and planning
- Founding Chairman of Capital Association of Fujian Chamber of Commerce, Honorary Chairman of Fujian Youth Entrepreneurship Promotion Association, Founding Chairman of Xiamen City Quanzhou Chamber of Commerce, and Honorary Chairman of Guangzhou Quanzhou Chamber of Commerce
- 15+ years of experience in corporate management
- Senior economist

## **Mr. NG Chi Chung** CEO and Executive Director

- Responsible for overall business development and management
- 15+ years of experience in corporate management

## **Mr. CAI Huatan** Executive Director and Honorary Chairman

- Responsible for overall expanding strategy formulation of the Group
- Responsible for overseeing the compliance of the Group
- 30+ years of experience in management and public administration

## **Mr. HUANG Bin** President

- Group's President, responsible for the operations of the group
- Former general manager of Agricultural Bank of China
- Former deputy director of the Fujian Provincial Rural Credit Cooperatives Union Reform Office, Chairman of the Quanzhou Rural Commercial Bank
- Set up [www.gulangjinfu.com](http://www.gulangjinfu.com) internet financial platform to provide fund custody service at national joint-equity commercial banks for customers. It is the first and only online loan institution in Xiamen providing fund custody service at banks

## **Mr. Victor TAM** CFO and Company Secretary

- Responsible for financial reporting and company secretarial matters
- 15 years of experience in auditing and financial management
- A member of ACCA and HKICPA

## **Mr. Ronie CHENG** Director Corporate Finance

- Responsible for corporate finance and fund raising activities within the Group
- 20+ years of experience in auditing, private equity fund and listed companies in the financial industries
- A fellow member of ICAEW

# Statement Of Comprehensive Income

RMB'000	For the year ended 31 December	
	2016	2017
<b>Income from financial related services</b>	201,659	<b>181,215</b>
<b>Income from assets management services</b>	93,209	<b>118,053</b>
Other Income	3,385	<b>37,390</b>
Gain on disposal of subsidiaries	6,942	--
Employee benefit expenses	(19,115)	<b>(19,528)</b>
Depreciation and amortisation expenses	(2,638)	<b>(1,730)</b>
Operating lease expenses	(2,601)	<b>(2,450)</b>
Equity-settled share-based payments	(12,120)	<b>(8,335)</b>
Other expenses	(47,357)	<b>(43,471)</b>
Share of results of an associate	7	<b>492</b>
Change in fair value of derivative financial instruments	14,028	<b>1,960</b>
Loss on redemption of convertible bonds	-	<b>8,770</b>
Financial costs	(42,367)	<b>(56,337)</b>
<b>Profit before income tax</b>	193,032	<b>216,029</b>
Income tax expense	(50,639)	<b>(45,187)</b>
<b>Profit for the period</b>	142,393	<b>170,842</b>
Profit for the period attributable to shareholders	135,509	<b>160,209</b>
Exchange differences on translating foreign operation	(11,259)	<b>9,359</b>
Fair value change on available-for-sale financial assets	22,833	<b>3,300</b>
Release to profit or loss upon disposals of available-for-sale financial assets	(32,233)	--
Total comprehensive income for the period	121,734	<b>183,501</b>
Total comprehensive income attributable to shareholders	114,850	<b>172,868</b>
<b>Basic earnings per share (RMB cents)</b>	3.20	<b>3.78</b>

# Consolidated Statement of Financial Position

RMB'000	As of December 31, 2016	As of December 31, 2017
<b>Non-current Assets</b>	549,703	572,602
Property, Plant and Equipment	10,659	13,070
Prepaid Land Lease	6,512	6,105
Interests in an Associate	20,007	20,499
Restricted Bank Deposits	-	10,000
Finance Lease, Loan and Accounts Receivables	392,695	275,120
Prepayments, Deposits and Other Receivables	30,000	83,038
Goodwill	33,400	33,400
Available-for-sales Financial Assets	56,430	131,370
<b>Current Assets</b>	1,291,287	1,410,317
Finance Lease, Loan and Accounts Receivables	912,861	1,101,485
Prepayments, Deposits and Other Receivables	234,618	258,628
Restricted Bank Deposits	122,831	17,729
Cash and Bank Balances	20,977	32,475
<b>Current Liabilities</b>	423,532	341,716
Accruals, Other Payables, Deposits Received and Deferred Income	89,508	81,726
Provision for Taxation	32,146	37,464
Bank and other borrowings	95,074	180,801
Corporate Bonds	--	41,725
Convertible Bonds	197,895	--
Derivative Financial Instruments	8,909	--
<b>Net Current Assets</b>	867,755	1,068,601
<b>Total Assets Less Current Liabilities</b>	1,417,458	1,641,203
<b>Non-current Liabilities</b>	278,265	438,174
Deposits Received and Deferred Income	61,714	31,025
Bank Borrowings	121,335	61,950
Cooperate Bonds	95,216	225,199
Promissory note	-	120,000
<b>Net assets</b>	1,139,193	1,203,029
<b>Equity Attributable to Owners of the Company</b>	1,028,798	1,203,029
Share Capital	8,292	8,292
Reserves	1,020,506	1,194,737
Non-controlling interests	110,395	--
<b>Total Equity</b>	1,139,193	1,203,029



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