

# 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  
**2020**



## **CORPORATE INFORMATION**

### **EXECUTIVE DIRECTORS:**

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

### **NON-EXECUTIVE DIRECTORS:**

Mr. CAI Huatan (*Honorary Chairman*)  
Mr. WU Qinghan

### **INDEPENDENT NON-EXECUTIVE DIRECTORS:**

Mr. CHAN Sing Nun  
Mr. LAM Kit Lam  
Mr. CHEN Naike

### **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 Centre  
No. 503 Gaolin Middle Road  
Huli District  
Xiamen City  
Fujian Province, PRC

### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE**

16/F, 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**

Mr. CHAN Sing Nun (*Chairman*)  
Mr. LAM Kit Lam  
Mr. WU Qinghan

### **MEMBERS OF REMUNERATION COMMITTEE**

Mr. LAM Kit Lam (*Chairman*)  
Mr. NG Chi Chung  
Mr. CHAN Sing Nun

### **MEMBERS OF NOMINATION COMMITTEE**

Mr. HONG Mingxian (*Chairman*)  
Mr. LAM Kit Lam  
Mr. 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**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17/F, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### **PRINCIPAL BANKERS**

China Construction Bank  
Bank of China  
Bank of Communications

### **COMPANY WEBSITE**

[www.dfh.cn](http://www.dfh.cn)

### **STOCK CODE**

06878

Differ Group Holding Company Limited  
Interim Report 2020

**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 2020, together with the unaudited comparative figures for the corresponding period in 2019.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2020*

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Income from financial related services	4	71,642	56,122
Income from assets management business	4	122,759	132,754
Income from trading of commodities	4	2,551,968	–
Other income	4	25,244	11,993
Costs of property sold		(85,818)	(74,451)
Costs of trading of commodities		(2,549,129)	–
(Loss)/gain on disposal of investment properties		(120)	24,667
Gain on disposal of subsidiaries		–	46,210
Gain on disposal of an associate		–	3,056
Change in fair value of investment properties		32,383	56,492
Fair value (loss)/gain of other financial assets		(1,925)	6,727
Employee benefit expenses		(25,133)	(26,467)
Depreciation expenses		(8,942)	(7,526)
Short-term lease expenses		(306)	(982)
Equity-settled share-based payments		(354)	(1,055)
Other expenses		(28,224)	(31,772)
Share of results of associates		(7,863)	120
Share of results of a joint venture		(1,251)	–
Finance costs	6	(48,311)	(15,496)
<b>Profit before income tax</b>	7	<b>46,620</b>	180,392
Income tax expense	8	(23,508)	(40,277)
<b>Profit for the period</b>		<b>23,112</b>	140,115

**Differ Group Holding Company Limited**  
Interim Report 2020



		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Unaudited)
		<b>RMB'000</b>	<b>RMB'000</b>
<i>Notes</i>			
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		(4,717)	6,545
– Net change in debt investments measured at fair value through other comprehensive income		<b>3,000</b>	–
		<b>21,395</b>	146,660
Total comprehensive income for the period		<b>21,395</b>	146,660
Profit for the period attributable to:			
Owners of the Company		22,035	140,551
Non-controlling interests		1,077	(436)
		<b>23,112</b>	140,115
Total comprehensive income attributable to:			
Owners of the Company		20,318	147,096
Non-controlling interests		1,077	(436)
		<b>21,395</b>	146,660
Earnings per share			
– Basic ( <i>RMB cents</i> )	10	<b>0.34</b>	2.25
– Diluted ( <i>RMB cents</i> )		<b>0.34</b>	2.25

Differ Group Holding Company Limited  
Interim Report 2020

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2020*

	<i>Notes</i>	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	173,487	173,133
Investment properties		790,627	747,800
Interest in an associate		7,790	15,653
Interest in a joint venture		14,427	15,678
Finance lease, loan and account receivables	12	85,799	98,558
Goodwill		33,400	33,400
Other financial assets	13	95,500	95,000
Prepayments, deposits and other receivables	14	83,700	319,060
		<b>1,284,730</b>	<b>1,498,282</b>
<b>Current assets</b>			
Inventories of properties		3,159,787	3,064,836
Other inventories		315	513
Finance lease, loan and account receivables	12	1,257,644	867,917
Prepayments, deposits and other receivables	14	596,918	228,080
Contract assets		5,129	3,624
Other financial assets	13	118,029	44,738
Tax receivables		27,907	28,485
Restricted bank deposits		67,237	38,714
Cash and bank balances – general accounts		132,332	139,770
Cash and bank balances – held on behalf of customers		10,793	22,959
		<b>5,376,091</b>	<b>4,439,636</b>

**Differ Group Holding Company Limited**  
Interim Report 2020



	<i>Notes</i>	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
<b>Current liabilities</b>			
Accounts and bills payable	15	416,493	493,756
Accruals, other payables, deposits received and deferred income		638,042	633,022
Contract liabilities	16	1,846,893	1,351,221
Lease liabilities		6,671	14,896
Provision for taxation		141,574	153,719
Bank and other borrowings		366,609	493,375
Corporate bonds		57,915	51,175
		<u>3,474,197</u>	<u>3,191,164</u>
<b>Net current assets</b>		<u>1,901,894</u>	<u>1,248,472</u>
<b>Total assets less current liabilities</b>		<u>3,186,624</u>	<u>2,746,754</u>
<b>Non-current liabilities</b>			
Deposits received		7,542	7,507
Lease liabilities		91,826	89,699
Bank and other borrowings		1,013,808	689,910
Corporate bonds		218,835	248,310
Deferred tax liabilities		126,441	120,077
		<u>1,458,452</u>	<u>1,155,503</u>
<b>Net assets</b>		<u>1,728,172</u>	<u>1,591,251</u>
<b>EQUITY</b>			
Share capital	17	13,428	12,832
Reserves		1,684,569	1,574,321
<b>Equity attributable to owners of the Company</b>		<u>1,697,997</u>	<u>1,587,153</u>
<b>Non-controlling interests</b>		<u>30,175</u>	<u>4,098</u>
<b>Total equity</b>		<u>1,728,172</u>	<u>1,591,251</u>

**Differ Group Holding Company Limited**  
Interim Report 2020

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2020

	Attributable to owners of the Company											
	Share capital	Share premium	Merger and other reserve	Share options reserve	Statutory reserve	Assets revaluation reserve	Financial assets revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
For the six months ended 30 June 2020 (Unaudited)												
At 1 January 2020	12,832	1,305,160	(1,018,984)	25,808	152,903	-	8,000	(24,735)	1,126,169	1,587,153	4,098	1,591,251
Profit for the period	-	-	-	-	-	-	-	-	22,035	22,035	1,077	23,112
Other comprehensive income for the period	-	-	-	-	-	-	3,000	(4,717)	-	(1,717)	-	(1,717)
Total comprehensive income for the period	-	-	-	-	-	-	3,000	(4,717)	22,035	20,318	1,077	21,395
Equity-settled share based transactions	-	-	-	354	-	-	-	-	-	-	-	354
Issue of ordinary shares by placing	596	89,576	-	-	-	-	-	-	-	90,172	-	90,172
Capital injection of non-controlling interests	-	-	-	-	-	-	-	-	-	-	25,000	25,000
Transfer to statutory reserve	-	-	-	-	4,945	-	-	-	(4,945)	-	-	-
At 30 June 2020	13,428	1,394,736	(1,018,984)	26,162	157,848	-	11,000	(29,452)	1,143,259	1,697,997	30,175	1,728,172
For the six months ended 30 June 2019 (Unaudited)												
At 1 January 2019, as previously reported	10,585	862,545	(205,249)	24,184	114,165	16,829	2,300	(17,973)	804,600	1,611,986	29,846	1,641,832
Adoption of merger accounting	-	-	9,535	-	-	-	-	(2)	9,472	19,005	-	19,005
At 1 January 2019, as restated	10,585	862,545	(195,714)	24,184	114,165	16,829	2,300	(17,975)	814,072	1,630,991	29,846	1,660,837
Profit for the period	-	-	-	-	-	-	-	-	140,551	140,551	(436)	140,115
Other comprehensive income for the period	-	-	-	-	-	-	-	6,545	-	6,545	-	6,545
Total comprehensive income for the period	-	-	-	-	-	-	-	6,545	140,551	147,096	(436)	146,660
Acquisition of subsidiaries under common control	2,247	442,614	(444,861)	-	-	-	-	-	-	-	-	-
Realisation of assets revaluation reserve upon disposal of asset	-	-	-	-	-	(16,829)	-	-	16,829	-	-	-
Equity-settled share based transactions	-	-	-	1,055	-	-	-	-	-	1,055	-	1,055
Transfer to statutory reserve	-	-	-	-	9,303	-	-	-	(9,303)	-	-	-
At 30 June 2019	12,832	1,305,159	(640,575)	25,239	123,468	-	2,300	(11,430)	962,149	1,779,142	29,410	1,808,552



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

*For the six months ended 30 June 2020*

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Net cash (used in)/generated from operating activities	(188,708)	112,958
Net cash used in investing activities	(37,164)	(49,393)
Net cash generated from/(used in) from financing activities	<u>217,751</u>	<u>(122,418)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,121)</b>	<b>(58,853)</b>
Cash and cash equivalents at the beginning of the period	139,770	85,917
Effect of foreign exchange rate changes, net	<u>683</u>	<u>(744)</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>132,332</u></b>	<b><u>26,320</u></b>





**Differ Group Holding Company Limited**  
Interim Report 2020

**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 Centre, 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 related services and commodity trading business.

**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 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

**2.2 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.

**Differ Group Holding Company Limited**  
Interim Report 2020



**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 2019 except for the adoption of the following standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on or after 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

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

**4. REVENUE AND OTHER INCOME**

Disaggregation of the Group's revenue from major products or service lines:

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 (Unaudited) RMB'000
<b>Income from financial related services</b>		
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Income from financial consultancy services	1,623	15,613
Income from supply chain agency services	–	237
Income from financial securities services	1,958	1,538
<b>Revenue from other sources</b>		
Income from guarantee services	5,041	5,106
Interest income from:		
– Entrusted loans and money lending	55,777	25,905
– Finance lease services	7,243	7,723
	<u>71,642</u>	<u>56,122</u>

**Differ Group Holding Company Limited**  
Interim Report 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 <b>(Unaudited)</b> <b>RMB'000</b>
<b>Income from assets management business</b>		
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Income from sales of properties	116,116	130,452
<b>Revenue from other sources</b>		
Rental income and sublease rental income	4,422	2,165
Asset management fee income	1,402	–
Others	819	137
	<u>122,759</u>	<u>132,754</u>
<b>Income from trading of commodities</b>		
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Income from trading of commodities	<u>2,551,968</u>	–
<b>Timing of revenue recognition within the scope HKFRS 15</b>		
At a point in time	2,670,042	132,227
Transferred over time	<u>1,623</u>	<u>15,613</u>
	<u>2,671,665</u>	<u>147,840</u>
<b>Other income</b>		
Bank and other interest income	12,260	475
Government grants	3,228	3,383
Reversal of impairment loss of loan and account receivables	–	1,029
Sales of electronic devices	8,621	6,180
Others	1,135	926
	<u>25,244</u>	<u>11,993</u>

**Differ Group Holding Company Limited**  
Interim Report 2020



**5. SEGMENT INFORMATION**

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Company's executive directors for the purposes of resource allocation and assessment of segment performance. The Company's executive directors have identified the reportable segments of the Group as follows:

- (1) Financial services – provision of guarantee, express loan, consultancy, supply chain agency services, finance lease services, financial securities services and assets management (investments in distressed assets, equities and management of fund) in the PRC and Hong Kong;
- (2) Property development and investment – property development project and properties investment activities in the PRC; and
- (3) Trading of commodities – trading of commodities in the PRC

During the second half year of 2019, property development and investment become a reportable segment as a result of the growing importance of the property development and investment business to the total revenue and assets and liabilities of the Group. Comparatives in the segment information as presented in this note are re-presented accordingly during the period to conform to current period's presentation. In addition, the Group has commenced trading of commodities, which has been identified as a reportable segment as a result of its importance to the total revenue of the Group.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and inter-segment revenue. Segment results include the Group's share of profit/loss arising from the activities of the Group's associates and joint ventures but exclude equity-settled share-based payments and unallocated corporate expenses. Corporate expenses are expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

Segment assets include all assets with the exception of cash and bank balances are managed on a group basis.

Segment liabilities include all liabilities with the exception of corporate liabilities such as accruals and other payables, other borrowings and corporate bonds that are managed on a group basis.

**Differ Group Holding Company Limited**  
Interim Report 2020

**Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable segment:

**For the six months ended 30 June 2020**

	Financial services (Unaudited) RMB'000	Property development and investment (Unaudited) RMB'000	Trading of commodities (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue				
Revenue from external customers	75,262	119,139	2,551,968	2,746,369
Segment results	72,380	11,445	195	84,020
Equity-settled share-based payments				(354)
Unallocated corporate expenses				(37,046)
Profit before income tax				46,620

**For the six months ended 30 June 2019**

	Financial services (Unaudited) RMB'000 (Re-presented)	Property development and investment (Unaudited) RMB'000 (Re-presented)	Total (Unaudited) RMB'000 (Re-presented)
Segment revenue			
Revenue from external customers	58,287	130,589	188,876
Segment results	89,716	107,499	197,215
Equity-settled share-based payments			(1,055)
Unallocated corporate expenses			(15,768)
Profit before income tax			180,392

**Differ Group Holding Company Limited**  
Interim Report 2020



**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segment:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
<b>Segment assets</b>		
Financial services	2,014,592	1,738,454
Property development and investment	4,622,909	4,139,701
Trading of commodities	22,429	11,994
	<hr/>	<hr/>
Total segment assets	6,659,930	5,890,149
<b>Unallocated</b>		
– Cash and bank balances	891	47,769
	<hr/>	<hr/>
<b>Total assets</b>	<b>6,660,821</b>	<b>5,937,918</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Segment liabilities</b>		
Financial services	248,575	289,209
Property development and investment	3,889,542	3,322,874
Trading of commodities	69,128	60,387
	<hr/>	<hr/>
Total segment liabilities	4,207,245	3,672,470
<b>Unallocated</b>		
– Accruals and other payables	14,613	9,475
– Other borrowings	434,041	365,237
– Corporate bonds	276,750	299,485
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>4,932,649</b>	<b>4,346,667</b>
	<hr/> <hr/>	<hr/> <hr/>

**Differ Group Holding Company Limited**  
Interim Report 2020

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 principally sourced from the PRC (including Hong Kong). 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:

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 <b>(Unaudited)</b> <b>RMB'000</b>
Customer A ( <i>Note</i> )	<b>400,102</b>	–

*Note:* This is a customer from trading of commodities segment (2019: no revenue from a customer contributing over 10% of the total revenue of the Group).

**6. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 <b>(Unaudited)</b> <b>RMB'000</b>
Interest on bank and other borrowings	<b>52,180</b>	20,298
Interest on corporate bonds	<b>8,549</b>	8,594
Interest on lease liabilities	<b>825</b>	753
	<b>61,554</b>	29,645
Less: amount capitalised on properties under development	<b>(13,243)</b>	(14,149)
	<b>48,311</b>	15,496

**Differ Group Holding Company Limited**  
Interim Report 2020



**7. PROFIT BEFORE INCOME TAX**

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

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 <b>(Unaudited)</b> <b>RMB'000</b>
Cost of inventories recognised as expenses	2,634,947	74,451
Depreciation of property, plant and equipment	8,942	7,526
Employee costs (including Directors' remuneration)	22,121	23,159
Salaries and other benefits	3,012	3,308
Pension scheme contributions – defined contribution plans	25,133	26,467
Equity-settled share-based payments	354	1,055
Impairment loss on finance lease, loan and account receivables	1,026	2,187
Short-term lease expenses	306	982
Reversal of impairment loss of loan and account receivables	–	(1,029)
	<b>23,508</b>	<b>40,277</b>

**8. INCOME TAX EXPENSE**

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 <b>(Unaudited)</b> <b>RMB'000</b>
Current tax		
Hong Kong profits tax ("Profits Tax")	227	462
PRC enterprise income tax ("EIT")	14,675	28,218
PRC land appreciation tax ("LAT")	2,364	1,565
PRC withholding tax	262	237
Deferred tax	5,980	9,795
	<b>23,508</b>	<b>40,277</b>

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.

EIT arising from subsidiaries operated in the PRC for the six months ended 30 June 2020 as calculated at 25% (2019: 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.





**Differ Group Holding Company Limited**  
Interim Report 2020

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business tax and all property development expenditures. The tax is incurred upon transfer of property ownership. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

Withholding tax was calculated at 7% (2019: 7%) of interest paid by PRC entities to a non-PRC holding company during the period.

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of qualifying cooperation of the Group is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% for the six months ended 30 June 2020 and 2019. Hong Kong Profits Tax of a qualifying entity of the Group is calculated in accordance with the two-tiered profits tax rate regime. The Profits Tax of other Group entities in Hong Kong are calculated at 16.5%.

**9. DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

**10. EARNINGS PER SHARE**

The calculations of basic earnings per share for the six months ended 30 June 2020 is based on the profit attributable to owners of the Company of approximately RMB22,035,000 (2019: RMB140,551,000 and on the weighted average number of ordinary shares of 6,391,052,715 (2019: 6,237,829,869) issued throughout the six months ended 30 June 2020.

Diluted earnings per share for the six months ended 30 June 2020 and 2019 are the same as the basic earnings per share because the impact of the potential dilutive ordinary shares outstanding is anti-dilutive.

**11. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2020, the Group spent approximately RMB9,296,000 (2019: RMB5,650,000) on leasehold improvement and acquisition of motor vehicles, furniture, fixtures and office equipment.

**Differ Group Holding Company Limited**  
Interim Report 2020



**12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES**

	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	<b>As at 31 December 2019 (Audited) RMB'000</b>
<b>Non-current assets</b>		
Finance lease receivables	<b>85,799</b>	98,558
<b>Current assets</b>		
Entrusted loan receivables	–	869
Finance lease receivables	<b>169,958</b>	157,138
Loan receivables	<b>950,031</b>	613,152
Receivables from guarantee customers	<b>25,707</b>	28,788
Account receivables	<b>111,948</b>	67,970
	<b>1,257,644</b>	867,917

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 contract term 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 contract term for each loan contract is normally one to two years.

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

**Differ Group Holding Company Limited**  
Interim Report 2020

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, net of impairment loss, as of each reporting date is as follows:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
0 to 30 days	180,214	467,345
31 to 90 days	318,895	7,776
91 to 180 days	113,513	100,000
Over 180 days	705,114	362,566
	<u>1,317,736</u>	<u>937,687</u>

**13. OTHER FINANCIAL ASSETS**

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
<b>Non-current:</b>		
<b>Financial assets measured at fair value through profit or loss ("FVTPL")</b>		
– Unlisted equity securities ( <i>Note (a)</i> )	34,500	34,000
– Distressed assets ( <i>Note (b)</i> )	60,000	60,000
– Fund investment	1,000	1,000
	<u>95,500</u>	<u>95,000</u>
<b>Current:</b>		
<b>Financial assets measured at FVTPL</b>		
– Equity securities listed in Hong Kong	9,127	11,738
<b>Financial assets measured at fair value through other comprehensive income</b>		
– Distressed assets ( <i>Note (b)</i> )	108,902	33,000
	<u>118,029</u>	<u>44,738</u>
	<u>213,529</u>	<u>139,738</u>

*Notes:*

- (a) The balance represented shares in an unlisted PRC company. The Group has classified the shares as FVTPL as the Group considers these investment were not held for long term strategic purpose.
- (b) The distressed assets represented equity and debt instruments which there is no public market for investments.

**Differ Group Holding Company Limited**  
Interim Report 2020



**14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	<b>As at 31 December 2019 (Audited) RMB'000</b>
<b>Non-current assets</b>		
Amounts paid for properties acquired for assets management business	83,700	83,680
Consideration receivable for disposal of subsidiaries	–	235,380
	<u>83,700</u>	<u>319,060</u>
<b>Current assets</b>		
Amounts paid for land and properties acquired for assets management business	218,167	–
Consideration receivable for disposal of subsidiaries	216,573	–
Prepaid expenses, other receivables and deposits paid	162,178	228,080
	<u>596,918</u>	<u>228,080</u>

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

**15. ACCOUNTS AND BILLS PAYABLE**

	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	<b>As at 31 December 2019 (Audited) RMB'000</b>
Accounts payable from property development	392,585	452,847
Accounts payable from financial services		
– clearing house	334	791
– cash client	13,444	29,988
Bills payable	10,130	10,130
	<u>416,493</u>	<u>493,756</u>

**Differ Group Holding Company Limited**  
Interim Report 2020

Included in accounts and bills payable are creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Less than 1 month	94,796	455,652
1 to 3 months	3,442	10,772
More than 3 months but less than 12 months	313,125	20,742
More than 12 months	5,130	6,590
	<u>416,493</u>	<u>493,756</u>

**16. CONTRACT LIABILITIES**

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
Contract liabilities related to property sales	<u>1,846,893</u>	<u>1,351,221</u>

**17. SHARE CAPITAL**

	Number of ordinary shares '000	Nominal value of share capital HK\$'000	Equivalent nominal value of share capital RMB'000
<b>Authorised:</b>			
Ordinary share of HK\$0.0025 each			
At 31 December 2019, 1 January 2020 and 30 June 2020	<u>20,000,000</u>	<u>50,000</u>	<u>39,000</u>
<b>Issued and fully paid:</b>			
At 31 December 2019 and 1 January 2020	6,363,388	15,908	12,832
Issue of ordinary shares by placing (note a)	<u>265,000</u>	<u>663</u>	<u>596</u>
<b>At 30 June 2020</b>	<u>6,628,388</u>	<u>16,571</u>	<u>13,428</u>

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

- (a) In connection with the placing, an aggregate of 265,000,000 new ordinary shares of the Company of HK\$0.0025 each were issued at a price of HK\$0.38 per share on 12 June 2020.

**Differ Group Holding Company Limited**  
Interim Report 2020



**18. CONTINGENT LIABILITIES**

As at 30 June 2020, the Group has issued the following significant guarantees:

- (a) The Group has arranged mortgage loan facility with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayments. The outstanding guarantees amounted to approximately RMB1,353,068,000 (31 December 2019: RMB1,127,810,000) at the reporting date. The guarantees provided by the Group to the banks would be released upon (i) the satisfaction of mortgage loans by the purchasers of properties; or (ii) receiving the real estate owner certificates of the respective properties by the banks from the buyers as security for the mortgage loan facilities granted. No provision for the Group's obligation under the guarantees has been made as the directors considered that it was not probable that the repayments of the loans would be in default. The directors also considered that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the buyer default payments to the banks. The Group has not recognised any income in respect of these guarantees as its fair value is considered to be minimal by the directors.
- (b) The Group had given financial guarantee to banks for banking facilities granted to certain customers of the Group, of maximum amount of approximately RMB321,470,000 (31 December 2019: RMB328,232,000). The Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers in total amount of approximately RMB1,145,500,000 (31 December 2019: RMB1,151,549,000).

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

**19. COMMITMENTS**

**(i) Operating lease commitments**

*Group as lessor*

Future minimum lease payments receivable under non-cancellable operating lease at the Group were as follows:

	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	<b>As at 31 December 2019 (Audited) RMB'000</b>
Within one year	9,880	7,874
After one year but within two years	11,351	10,590
After two years but within five years	29,351	26,643
Over five years	31,031	29,015
	<b>81,613</b>	<b>74,122</b>

Leases are negotiated for terms of 2 to 15 years (2019: 2 to 15 years).

**Differ Group Holding Company Limited**  
Interim Report 2020

- (ii) As at 30 June 2020, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB860,538,000 (2019: RMB850,538,000).
- (iii) As at 30 June 2020, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to a joint venture of RMB20,910,000 (2019: RMB20,910,000).
- (iv) At the reporting date, the Group had the following capital and other commitments:

	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	As at 31 December 2019 (Audited) RMB'000
Contracted, but not provided for		
– Investment properties under construction	<b>86,117</b>	84,443
– Property development	<b>996,484</b>	799,365
– Acquisition of property, plant and equipment	<b>49,805</b>	49,161

**20. 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:

	<b>Six months ended 30 June</b>	
	<b>2020 (Unaudited) RMB'000</b>	2019 (Unaudited) RMB'000
Short-term employee benefits	<b>3,020</b>	3,250
Equity-settled share based payments	<b>229</b>	719
	<b>3,249</b>	3,969



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the six months ended 30 June 2020, the turnover of the Group was mainly derived from the (i) provision of financial related services (including finance lease services, express loan services, consultancy services, guarantee services and security brokerage services), (ii) assets management business (including a) property development and investment and b) distressed assets, equities investment and fund management) and (iii) commodity trading business.

### **FINANCIAL REVIEW**

#### **Turnover**

The turnover increased from approximately RMB188.9 million for the six months ended 30 June 2019 to approximately RMB2,746.4 million for the six months ended 30 June 2020, representing an increase of approximately RMB2,557.5 million or 1,354.1%. The increase was attributable to the net effect of the following reasons:

#### **(i) Financial related services**

##### ***a.) Express loan services***

The Group has provided money lending services and entrusted loan services to customers in the PRC and Hong Kong. Our customers are mainly small and medium enterprises. Our Group's express loan service income increase by 115.3% from approximately RMB25.9 million for the six months ended 30 June 2019 to RMB55.8 million for the six months ended 30 June 2020. The increase of express loan service income was mainly due to the increase of average loan receivables during the period.

##### ***b.) Finance lease business***

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

Our Group's finance lease services income slightly decreased by 6.2% from approximately RMB7.7 million for the six months ended 30 June 2019 to RMB7.2 million for the six months ended 30 June 2020. The decrease was mainly due to the Group's prudent and conservative strategy to develop this business.



**c.) *Guarantee services***

We provided the financing guarantee services during the six months ended 30 June 2020 and 2019. Our Group's guarantee service income slightly decreased by 1.3% from approximately RMB5.1 million for the six months ended 30 June 2019 to approximately RMB5.0 million for the six months ended 30 June 2020. The Group is adopting a prudent approach to approve the application of our guarantee services from potential customers. The decrease of income from guarantee services was mainly due to the decrease of the number of the customers of guarantee services.

**d.) *Financial consultancy services***

The financial consultancy service income of our Group decreased from approximately RMB15.6 million for the six months ended 30 June 2019 to RMB1.6 million for the six months ended 30 June 2020. Our Group mainly provide financial and business solutions to various customers. The decrease of the demand of financial consultancy services which lead to decrease of our income from financial consultancy services.

**(ii) *Assets management business***

**a.) *Property development and investment***

The income from assets management business is mainly contributed by the sales of properties of She People Ancient City ( 畚鄉古城 ), 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. She People Ancient City ( 畚鄉古城 ) is a commercial cultural development with total site area of approximately 173,934 sq.m. and a total gross floor area of approximately 311,585 sq.m. The construction of She People Ancient City ( 畚鄉古城 ) was completed in December 2019 and small part of which were delivered to the purchasers during the six months ended 30 June 2020. The revenue from She People Ancient City ( 畚鄉古城 ) for the six months 30 June 2020 was approximately RMB69.4 million. In addition, Differ Sky Realm ( 鼎豐天境 ) 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 99,729 sq.m and a total gross floor area of approximately 377,169 sq.m upon completion. Most of the Phase 3 of Differ Sky Realm ( 鼎豐天境 ) were delivered to the purchasers in 2019 and part of the remaining were sold and delivered to the purchasers for the six months ended 30 June 2020. The revenue from the Differ Sky Realm ( 鼎豐天境 ) for the six months ended 30 June 2020 was approximately RMB41.8 million. Furthermore, Chu Zhou Fu Cheng ( 處州府城 ) is a commercial development in the theme of cultural tourism. The said development covers a total site area of approximately 74,721 sq.m and total gross floor area of approximately 97,929 sq.m. The construction of Chu Zhou Fu Cheng ( 處州府城 ) was completed in 2019 and part of which were recognised as revenue of approximately RMB4.9 million for the six months ended 30 June 2020 in accordance with HKFRSs.



**b.) *Distressed assets, equities investment and fund management***

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB6.6 million during the six months ended 30 June 2020. Such income mainly represented the income from rental income and asset management fee income.

**(iii) *Supply chain agency services / Commodity trading business***

Before July 2019, the Group provided supply chain agency services to its customers. Under normal circumstances, the Group has entered the supply chain agency agreements with its customers and mainly provided the services including sourcing of materials (e.g. chemical products) and negotiation the term of sale and purchase agreements on behalf of the customers with their designated 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 2019, the Group recorded the supply chain agency fee of approximately RMB0.2 million and the relevant total transaction amount was approximately RMB49.8 million.

The Group explored the possibility of business restructuring from supply chain agency services to commodity trading business in the second half of 2019. The Group considered that the experiences of supply chain agency services give the Group an advantage in sourcing and procurement of various commodities. The Group further considered that the existing client base and network from supply chain agency services give the Group an advantage in locating the buyers and sellers. Based on the foregoing, the Group concluded that engaging in commodity trading business under a different business model to be a business transformation from supply chain agency services and poses an opportunity for the Group to diversify its source of income. Started from August 2019, the Group was no longer acting as an agency of the supply chain business. The Group engaged in commodity trading business and provided various commodities (e.g. aluminum ingot) to the customers under the following business model.

The Group proactively seek various suppliers for the availability of different kinds of commodities and the relevant quantities and unit price which can be offered to the Group. For lucrative offers from suppliers, the Group will contact different potential customers and negotiate the selling terms with them. The Group will enter into the sales and purchase agreement with the customers and there is no credit period granted to them. The Group will arrange handover of the relevant commodities to its customers when the sales invoices have been settled. Revenue from the commodity trading business is recognised when the control of goods is transferred to the customers and the relevant cost of sales (i.e. purchase costs from the suppliers) is recognised simultaneously. During the six months ended 30 June 2020, the Group recorded the income from commodity trading business of approximately RMB2,552.0 million and the relevant cost of trading of commodities and gross profits were approximately RMB2,549.1 million and RMB2.9 million respectively.



**Differ Group Holding Company Limited**  
Interim Report 2020

**Other income**

Other income increased from approximately RMB12.0 million for the six months ended 30 June 2019 to approximately RMB25.2 million for the six months ended 30 June 2020, representing an increase of approximately RMB13.2 million or 110.5%. Our Group's other income for the six months ended 30 June 2020 mainly represented bank and other interest income, sales of electronic devices and government grants.

**Costs of property sold**

The Group recorded cost of property development of approximately RMB85.8 million for the six months ended 30 June 2020 (2019: RMB74.5 million). It mainly represented the land costs, construction costs and other relevant costs for part of i) She People Ancient City ( 畚鄉古城 ), ii) Phase 3 of Differ Sky Realm ( 鼎豐天境 ) and iii) Chu Zhou Fu Cheng ( 處州府城 ) projects.

**Employee benefit expenses**

The employee benefit expenses slightly decreased from approximately RMB26.5 million for the six months ended 30 June 2019 to approximately RMB25.1 million for the six months ended 30 June 2020, representing a decrease of approximately RMB1.4 million or 5.0%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits.

**Other expenses**

The other expenses decreased from approximately RMB31.8 million for the six months ended 30 June 2019 to approximately RMB28.2 million for the six months ended 30 June 2020, representing a decrease of approximately RMB3.6 million or 11.2%. Our Group's other expenses mainly comprised legal and professional fee, advertising expense, cost of electronic device sold, various office expenses and business tax and other taxes. The decrease was mainly due to the decrease of various expenses during the initial period of the spread of novel coronavirus pandemic (COVID-19).

**Change in fair value of 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 2020, the carrying amount of investment properties represents i) parts of Differ One City ( 鼎豐壹城 ) project which are under construction for shopping mall and hold to earn rentals in future, ii) an investment property in Xiamen which are held to earn rentals under operating lease and iii) parts of Chu Zhou Fu Cheng ( 處州府城 ) project, which are held for capital appreciation or held to earn rentals. The fair value gains on the Group's investment properties of approximately RMB32.4 million (2019: RMB56.5 million) for the six months ended 30 June 2020 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions.

**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 RMB22.0 million for the six months ended 30 June 2020, representing a decrease of approximately RMB118.6 million, or 84.3%, from approximately RMB140.6 million for the six months ended 30 June 2019.



## OUTLOOK

It is anticipated that global economic uncertainties will persist in 2020 amid the outbreak of COVID-19. The Chinese Central government and local governments in different cities have introduced various temporary measures to contain the COVID-19 outbreak during the first half year of 2020, which had a more or less direct impact of the progress of the construction, pre-sale and delivery of various property projects of the Group. The Group has adopted a prudent approach and closely monitor the financial position. The Board is optimistic about the asset management business and considers that the Chinese property market will bounce back in near future. During the period, the Group has acquired certain companies and land plots in Fujian and further acquired 49% of shares of the company which hold the land plots located in Shandong, the Group expects that the housing demand in these cities will remain robust while the overall real estate sale volume will mildly increase in near future.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES / EVENT AFTER THE REPORTING DATE

- (a) On 11 February 2020, Xiamen Ding Feng Sheng Enterprise Management Co., Ltd (廈門鼎豐盛企業管理有限公司), an indirect 50% owned subsidiary of the Company (as the purchaser) and Shanghang County Natural Resources Bureau (上杭縣自然資源局) (as the vendor) entered into the land use rights grant contract in relation to the acquisition of the land plot. The consideration is RMB390,700,000 and the land plot is located in Lincheng Town, Shanghang County, Fujian Province, the PRC. The transaction was completed on 4 August 2020.
- (b) On 18 June 2020, Differ Cultural Tours Limited (鼎豐文化旅遊有限公司), an indirect wholly-owned subsidiary of the Company (as the purchaser), entered into a conditional sale and purchase agreement with Mr. Cai Fangxiang (“Mr. Cai”) (as the vendor) to acquire 49% equity interest in Weihai Zhongtian Real Estate Limited ((威海中天房地產有限公司) (formerly known as Weihai Rong Jing Property Development Limited (威海融璟房地產開發有限公司)) (“Weihai Real Estate”) and 51% equity interest in Shanghang Fengda Real Estate Co., Ltd\* (上杭豐達置業有限公司) (“Shanghang Fengda”) and the debt of RMB95,164,200 in the aggregate consideration of RMB211,120,000 (the “Acquisition”). The consideration is settled by 580,000,000 shares of the Company at issue price of HK\$0.40 per share. The principal business of Weihai Real Estate and its property development and the sale of construction material and the principal business of Shanghang Fengda is property development. The Acquisition was completed on 10 July 2020. Upon the completion of the Acquisition, Weihai Real Estate became an indirect wholly-owned subsidiary of the Company and Shanghang Fengda became an indirect 51% 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 2020.

## DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 30 June 2020, 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 Mingxian ("Mr. Hong")	Interest in controlled corporation (Note 1)	3,001,200,000	-	3,001,200,000	45.27%
	Beneficial owner	-	6,400,000	6,400,000	0.10%
Mr. Ng Chi Chung ("Mr. Ng")	Interest in controlled corporation (Note 2)	822,000,000	-	822,000,000	12.40%
	Beneficial owner	305,898,000	6,400,000	312,298,000	4.71%

*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 3,001,200,000 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 822,000,000 Shares under the SFO.

**Differ Group Holding Company Limited**  
Interim Report 2020

Save as disclosed above, as at 30 June 2020, 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 2020, 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> )	3,001,200,000	45.27%
Ms. Shi Hongjiao (“Ms. Shi”)	Interest of spouse ( <i>Note 2</i> )	3,007,600,000	45.37%
Ever Ultimate	Beneficial owner ( <i>Note 3</i> )	822,000,000	12.40%
Ms. Ting Pui Shan (“Ms. Ting”)	Interest of spouse ( <i>Note 4</i> )	1,134,298,000	17.11%
Jianda Value Investment Fund L.P.	Person having a security interest in shares ( <i>Note 5</i> )	850,000,000	12.82%
Li Yining	Person having a security interest in shares ( <i>Note 5</i> )	850,000,000	12.82%
Cinda International Holdings Limited	Person having a security interest in shares ( <i>Note 5</i> )	850,000,000	12.82%
Wu Haitao	Person having a security interest in shares ( <i>Note 5</i> )	850,000,000	12.82%

**Differ Group Holding Company Limited**  
Interim Report 2020

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Tian Sheng Universal Limited	Person having a security interest in shares ( <i>Note 5</i> )	850,000,000	12.82%
Caitong Securities Co., Limited	Person having a security interest in shares ( <i>Note 5</i> )	850,000,000	12.82%
China Cinda Asset Management Co., Limited	Person having a security interest in shares ( <i>Note 5</i> )	850,000,000	12.82%
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 interest in shares ( <i>Note 5</i> )	850,000,000	12.82%
Cinda Securities Co., Limited	Person having a security interest in shares ( <i>Note 5</i> )	850,000,000	12.82%
Mr. Cai	Beneficial owner ( <i>Note 6</i> )	580,000,000	8.75%
Ms Cai Manhong ("Ms. Cai")	Interest of spouse ( <i>Note 6</i> )	580,000,000	8.75%

*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 3,001,200,000 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 822,000,000 Shares under the SFO.
4. Ms. Ting is the spouse of Mr. Ng.
5. 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 850,000,000 Shares and assets in a designated securities account of Expert Corporate as a security for the repayment obligation of the Company of US\$4,630,000.
6. Mr. Cai is the vendor of the Acquisition and Ms. Cai is his spouse.

**Differ Group Holding Company Limited**  
Interim Report 2020

Save as disclosed above and as at 30 June 2020, 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.

**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. Part of the Group's borrowings and corporate bonds are denominated in the currencies other than RMB. Such currencies are HK\$ and United States dollars and their RMB equivalent amounts are approximately RMB281,347,000 and RMB434,040,000 as at 30 June 2020 respectively. 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 corporate bonds and bank and other borrowings.

**INTERIM DIVIDENDS**

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

**HUMAN RESOURCES**

As at 30 June 2020, the Group had a total of 408 employees (31 December 2019: 401). The staff costs (included Directors' emoluments) were approximately RMB25.1 million for the six months ended 30 June 2020 (2019: RMB26.5 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. Contributions to the MPF Scheme are in accordance with the statutory limits prescribed by the MPF ordinance. The Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.



## **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 2020 (2019: Nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2020, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB199.6 million (31 December 2019: RMB178.5 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 24.9% as at 30 June 2020 (31 December 2019: 25.0%). The current ratio is 1.55 times as at 30 June 2020 (31 December 2019: 1.39 times). The Group did not use any financial instruments for hedging purpose.

The capital structure of the Group consists of net debts, which include the bank and other borrowings, corporate bonds and net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

On 2 June 2020, pursuant to a placing and subscription agreement (“P&S Agreement”), Expert Corporate, an existing shareholder of the Company, should place 265,000,000 ordinary shares of the Company to certain placees at HK\$0.38 per share (“Placing Price”) (“Placing”), and should also subscribe for 265,000,000 new ordinary shares issued by the Company at the same price (“Subscription”). The Placing Price represented a discount of approximately 9.52% to the closing price of HK\$0.42 per share as quoted on the Stock Exchange on the date of the P&S Agreement.

The Placing was successfully placed to not less than six placees and was completed on 5 June 2020 and the Subscription was completed on 12 June 2020. The gross proceeds and the net proceeds received, after share issue expenses, was HK\$100,700,000 (equivalent to approximately RMB90,630,000) and HK\$100,191,246 (equivalent to approximately RMB90,172,000) respectively. The transaction results in an increase of issue share capital (nominal value of shares) and share premium of HK\$662,500 (equivalent to approximately RMB596,000) and HK\$99,528,746 (equivalent to approximately RMB89,576,000) respectively.

The Board consider that the Subscription represent an opportunity to raise additional funds for the Company to strengthen its financial position while both the Placing and Subscription will broaden the shareholders base of the Company to facilitate future development and can also increase the liquidity of the shares. The Company intended to use the net proceeds from the Subscription for the repayment of indebtedness of the Group and the Company has fully used the net proceeds as intend for the six months ended 30 June 2020.



## **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 5.55% 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.

**Differ Group Holding Company Limited**  
Interim Report 2020

The following table discloses movements in the Company's share options during the six months ended 30 June 2020:

Name or category of participants	Date of grant	Number of share options				At 30 June 2020	Exercise period	Exercise price HK\$
		At 1 January 2020	Granted	Exercised	Cancelled			
<b>Director</b>								
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
<b>Employees</b> (in aggregate)	25 April 2016	24,336,000	-	-	(2,104,000)	22,232,000	30 April 2017 to 30 April 2021	0.734
<b>Total</b>		<u>37,136,000</u>	<u>-</u>	<u>-</u>	<u>(2,104,000)</u>	<u>35,032,000</u>		

*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 RMB67.2 million as at 30 June 2020 (31 December 2019: RMB38.7 million) were pledged to secure for the Group's facilities of providing guarantee services to the customers and the bills payable. Bank borrowings with carrying amount of approximately RMB6.0 million (31 December 2019: RMB12 million) were secured by finance lease receivables with carrying amount of approximately RMB15.1 million (31 December 2019: RMB17.1 million). Bank borrowings with carrying amount of RMB505.0 million were secured by inventories of properties with carrying amount of RMB1,127.5 million, and investment properties with carrying amount of RMB385.0 million (31 December 2019: approximately RMB603.8 million were secured by inventories of properties with carrying amount of RMB1,318.5 million, and investment properties with carrying amount of RMB401 million). Other borrowings with carrying amount of RMB375.1 million (31 December 2019: RMB139.5 million) were secured by charged of 510,000 shares of one of the subsidiaries and inventories of properties with carrying amount of RMB610.6 million.

## **PURCHASE, SALE OR REDEMPTION OF THE SECURITIES**

During the six months ended 30 June 2020, 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 2020, 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 2020.

## **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 2020.

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. Each of them 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 them had fully complied with the non-competition undertaking for the six months ended 30 June 2020. All independent non-executive Directors also confirmed that they were not aware of any non-compliance with the non-competition undertaking given by them during the same period.

## **AUDIT COMMITTEE**

The audit committee of the Company currently comprises two independent non-executive directors, namely Mr. Chan Sing Nun (chairman of audit committee), Mr. Lam Kit Lam and one non-executive director, Mr. Wu Qinghan. The unaudited consolidated results of the Group for the six months ended 30 June 2020 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, 26 August 2020

*As at the date of this report, the executive Directors are Mr. HONG Mingxian and Mr. NG Chi Chung; the non-executive Directors are Mr. CAI Huatan and Mr. WU Qinghan; and the independent non-executive Directors are Mr. CHAN Sing Nun, Mr. LAM Kit Lam and Mr. CHEN Naike.*