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If you have sold or transferred all your shares in Differ Group Holding Company Limited (the “**Company**”), you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or transferee(s), or to the bank, licensed securities dealer or registered institution in securities or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

VERY SUBSTANTIAL ACQUISITION TRANSACTION
IN RELATION TO
THE PARTICIPATION OF
THE ACQUISITION OF
LAND PLOTS IN ZHEJIANG PROVINCE

Capitalised terms used in this cover shall have the same meanings as defined in this circular under the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 5 – 19 of this circular.

A notice convening the extraordinary general meeting of the Company (the “**EGM**”) to be held at Unit 1102-3, 11/F, Nine Queen’s Road Central, Hong Kong on Friday, 18 January 2019 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof to the Company’s branch share registrar and transfer office in Hong Kong, Tricolor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

This circular will be published on the websites of the Stock Exchange of Hong Kong at www.hkex.com.hk and that of the Company’s website at www.dfh.cn.

24 December 2018

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Appendix I – Financial Information of the Group	I-1
Appendix II – Property Valuation Report	II-1
Appendix III – General Information	III-1
Notice of EGM	EGM-1

DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“Acquisitions”	collectively, the Acquisition A and the Acquisition B
“Acquisition A”	the acquisition of the land use right of Land Plot A pursuant to the successful Bid by the Purchaser
“Acquisition B”	the acquisition of the land use right of Land Plot B pursuant to the successful Bid by the Purchaser
“Announcements”	the announcement of the Company dated 8 and 13 November 2018
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bid”	bidding and the Public Tender of the land use rights of Land Plot A and Land Plot B
“Board”	the board of Directors
“Business Days”	a day (excluding Saturday or Sunday) and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted or a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong and PRC are generally open for business
“Company”	Differ Group Holding Company Limited (鼎豐集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board (Stock Code: 6878)
“Confirmation Letter A”	the confirmation letter entered into between the Purchaser and the Vendor on 13 November 2018 confirming the successful Bid of Land Plot A at the Consideration A by the Purchaser
“Confirmation Letter B”	the confirmation letter entered into between the Purchaser and the Vendor on 13 November 2018 confirming the successful Bid of Land Plot B at the Consideration B by the Purchaser
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	collectively, the Consideration A and Consideration B
“Consideration A”	the amount of RMB430,300,000 (equivalent to approximately HK\$488,977,272.7) paid by the Purchaser to the Vendor for the land use right of the Land Plot A

DEFINITIONS

“Consideration B”	the amount of RMB704,750,000 (equivalent to approximately HK\$800,852,272.7) paid by the Purchaser to the Vendor for the land use right of the Land Plot B
“Cooperation”	the intended formation of joint venture relating to the Purchaser among Xiamen Differ, Investor A and Investor B for holding the Land Plots
“Cooperation Agreement”	the conditional cooperation agreement dated 2 November 2018 entered into among Xiamen Differ, Investor A, Investor B and the Purchaser in respect of the joint operation of, and investment in, the Purchaser for the Acquisitions
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose to consider and, if thought fit, approve the Acquisitions, the transactions contemplated thereunder and other ancillary matters as may be required under the Listing Rules
“Enlarged Group”	the Group as enlarged by the acquisition of the entire issued share capital of Prime Thrive Investments Limited by Differ Cultural Tours Limited, a company incorporated in Cayman Islands with limited liability and an indirect wholly-owned subsidiary of the Company pursuant to the conditional sale and purchase agreement dated 7 November 2018 entered into between Differ Cultural Tours Limited and Ms. Shi Hongjiao, as disclosed in the Company’s announcement dated 7 November 2018
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	any person or company and their respective shareholders, ultimate beneficial owners (if applicable) and associate(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected person, and the term “Independent Third Party” shall be construed accordingly
“Initial Payment”	aggregate of 20% of the consideration for Land Plot A and Land Plot B, which had been paid by the Purchaser as the security deposit and shall be applied towards settling part of the Consideration

DEFINITIONS

“Investor A”	a company established in the PRC with limited liability, which is an Independent Third Party
“Investor B”	a company established in the PRC with limited liability, which is an Independent Third Party
“Investors”	collectively, Investor A and Investor B
“Land Plot A”	a parcel of land located in the South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi* (東茶路以南，環城東路以東，龍泉溪以北), with a total land area of approximately 67,231 sq.m.
“Land Plot B”	a parcel of land located in the South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi* (東茶路以南，環城東路以東，龍泉溪以北), with a total land area of approximately 112,560 sq.m.
“Land Plots”	collectively, the Land Plot A and the Land Plot B
“Latest Practicable Date”	24 December 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prime Thrive Investments Limited”	Prime Thrive Investments Limited (盛榮投資有限公司), a company incorporated in the BVI with limited liability
“Project Company”	Longquan Differ Hotel Company Limited* (龍泉鼎豐酒店有限公司), a company incorporated on 21 November 2018 by the Purchaser with limited liability in the PRC, which will carry out the development and construction works on the Land Plots
“Public Tender”	public tender held by the Vendor on 8 November 2018 in accordance with the relevant PRC laws and regulations in respect of the sale of the Land Plots

DEFINITIONS

“Purchaser”	Longquan Differ Cultural Tourism Company Limited* (龍泉市鼎豐文化旅遊有限公司), as at the date of this circular, an indirect 70%-owned subsidiary of the Company, a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square meter
“Valuer” or “Jones Lang LaSalle”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer engaged by the Purchaser to appraise the value of the Land Plots
“Vendor”	Longquan City Land and Resources Bureau* (龍泉市國土資源局), a local PRC government authority, which is in charge of, among other things, the sale of land use rights of land plots in Longquan City, Zhejiang Province, the PRC
“Xiamen Differ”	Xiamen Differ Cultural Tours Group Co., Ltd* (廈門鼎豐文化旅遊集團有限公司), an indirect wholly-owned subsidiary of the Company, which is a limited company incorporated in the PRC
“%”	per cent.

* *In this circular, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

In this circular, translation of RMB into HK\$ is based on the exchange rate of HK\$1: RMB0.88. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the above exchange rate or any other rates.

If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. HONG Mingxian (*Chairman*)
Mr. NG Chi Chung (*Chief executive officer*)
Mr. CAI Huatan

Non-executive Directors:

Mr. CAI Jianfeng
Mr. WU Qinghan

Independent non-executive Directors:

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

Registered Office:

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*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:*

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

24 December 2018

To the Shareholders and Optionholder(s) for information only,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION TRANSACTION IN RELATION TO THE PARTICIPATION OF THE ACQUISITION OF LAND PLOTS IN ZHEJIANG PROVINCE

INTRODUCTION

Reference is made to the announcement published by the Company on 8 November 2018 in relation to the participation of the acquisition of land plots in Zhejiang Province which constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisitions; (ii) the valuation report of the Land Plots; (iii) such other information of the Company as required under the Listing Rules; (iv) a notice of the EGM; and (v) a form of proxy.

LETTER FROM THE BOARD

Reference is further made to the announcement made by the Company dated 13 November 2018 informing the public that the Acquisitions was aggregated for calculation of the applicable percentage ratio(s) (as defined in the Listing Rules) with the other transactions of the Company and the Acquisitions will be reclassified as very substantial acquisition of the Company pursuant to the Listing Rules.

I. ACQUISITIONS

In order to strengthen the Group's portfolio in the valued assets, on 8 November 2018, the Vendor granted the Purchaser the right to acquire the land use rights of Land Plot A and Land Plot B, both located in Chengdong District, Longquan City, Zhejiang Province, the PRC, at the consideration of RMB430,300,000 and RMB704,750,000 respectively (equivalent to HK\$488,977,272.7 and HK\$800,852,272.7, respectively). On 13 November 2018, the Purchaser and the Vendor have entered into the Confirmation Letter A and the Confirmation Letter B, to confirm the grant of the land use rights of Land Plot A and Land Plot B, respectively by the Vendor to the Purchaser.

II. BACKGROUND

The Group has been actively seeking valued assets opportunities in recent years through its proprietary resources. The Investor A and Investor B have been in real estate development for many years. In order to leverage on the financial resources and the current management experience of the Group, the Group was invited to participate in the acquisition of the Land Plots. Xiamen Differ, an indirect wholly-owned subsidiary of the Company, the Investor A, the Investor B and the Purchaser, which is an indirect 70%-owned subsidiary of the Company as at the Latest Practicable Date, had prior to acquiring the Land Plots, entered into the Cooperation Agreement.

III. COOPERATION

Pursuant to the Cooperation Agreement, the Investor A, the Investor B and Xiamen Differ intended to jointly acquire and develop the Land Plots at the shareholding ratio of 20:10:70. To facilitate the acquisition process, Xiamen Differ at the date of the Announcement was the sole registered shareholder of the Purchaser who has subscribed all the equity interest in the Purchaser. The equity interest in the Purchaser will only be paid up after the Purchaser has been granted the right to acquire the land use rights of the Land Plots. Xiamen Differ in fact holds the 20% and 10% equity interest in the Purchaser for the Investor A and Investor B, respectively, subject to the grant of the right to acquire the land use rights of the Land Plots by the Vendor to the Purchaser. Upon the Purchaser has obtained land use rights of the Land Plots, Xiamen Differ will transfer back the said equity interest in the Purchaser to the Investor A and Investor B. Pursuant to the Cooperation Agreement, if the Purchaser fails to obtain the right to acquire the land use rights of the Land Plots, the Cooperation Agreement shall lapse and the Purchaser would become an indirect wholly-owned subsidiary of the Company and the Investor A and Investor B will no longer holding any equity interest in the Purchaser. As at the Latest Practicable Date, Xiamen Differ undergone the process of transfer back the said equity interest in the Purchaser to the Investor A and Investor B.

LETTER FROM THE BOARD

(i) **Key terms of the Cooperation**

Principal terms of the Cooperation Agreement are set out as follows:

- Date** : 2 November 2018
- Parties** : (1) Xiamen Differ, an indirect wholly-owned subsidiary of the Company;
- (2) the Investor A;
- (3) the Investor B; and
- (4) the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor A, the Investor B and their respective ultimate beneficial owners are Independent Third Parties.

Capital commitment

Pursuant to the Cooperation Agreement, if the right to acquire the land use rights of the Land Plots is granted to the Purchaser, the Purchaser will form the Project Company for carrying out the development and construction works for the Land Plots. The Project Company has been formed on 21 November 2018.

The following table demonstrate the registered owner of the equity interest in the Purchaser's capital as at the Latest Practicable Date and upon the land use rights of the Land Plots are obtained by the Purchaser:

	As at the Latest Practicable Date		Upon the land use rights of the Land Plots are obtained by the Purchaser	
	Registered capital	Equity holding	Registered capital	Equity Holding
	RMB		RMB	
	(in million)		(in million)	
Xiamen Differ (<i>Note 1</i>)	100	100%	70	70%
Investor A	–	–	20	20%
Investor B	–	–	10	10%
Total:	100	100%	100	100%

Note 1: Xiamen Differ in fact holds the 20% and 10% equity interest in the Purchaser for the Investor A and Investor B, respectively, subject to the grant of the right to acquire the land use rights of the Land Plots by the Vendor to the Purchaser.

LETTER FROM THE BOARD

As at the Latest Practicable Date, all of the registered capital of the Purchaser has been paid. It is expected that the capital commitment of Xiamen Differ of RMB650 million as mention below to be payable by Xiamen Differ will be funded by the internal resources, which may include, but is not limited to, the potential sale proceeds from the properties of the Group and the repayment of loan receivables from the Group’s express loans and finance lease business, of the Group.

As at the Latest Practicable Date, Xiamen Differ and the Investors have respectively contributed fund to the Purchaser for payment of the Initial Payment for the land use rights of the Land Plots, which has been paid by the Purchaser as the security deposit (the “**Security Deposit**”). As at the Latest Practicable Date, the Purchaser and the Vendor have entered into the Confirmation Letter A and the Confirmation Letter B and accordingly the Security Deposit has formed as part of the Consideration.

The parties to the Cooperation Agreement agreed that the tentative total capital commitment will be RMB800 million, which constitutes of RMB100 million for the registered capital and the RMB700 million for shareholders’ loans to the Purchaser. The parties have determined the tentative total capital commitment in light of the preliminary cash flow forecasts of the development for the Land Plots. The sum of RMB800 million is not the total amount required for the development of the Land Plots, but only the amount of capital contributed by the shareholders’ own funds. The Land Plots shall be developed in phases. It is expected the remaining funds required shall be obtained through various financing methods such as fund arising from pre-sale of the properties to be constructed on the Land Plots, land construction loans, general loans from the banks.

The breakdown of the amounts payable, and the time for payment, by the Xiamen Differ and Investors are as follows:

	The first payment: upon signing of the Cooperation Agreement <i>RMB</i> <i>(in million)</i>	The second payment: within 20 days from signing of the transfer agreement relating to the Acquisitions <i>RMB</i> <i>(in million)</i>	The third payment: (i) upon the Project Company has received the construction permit for the first phase and the government has issued notice to demand the balance of the Consideration; or (ii) within 12 months from the date of signing of the transfer agreement relating to the Acquisition (whenever is earlier) <i>RMB</i> <i>(in million)</i>
Xiamen Differ	161	349	140
Investors (collectively)	69	21	60
Total:	230	370	200

LETTER FROM THE BOARD

The first payment for the capital commitment in the sum of RMB230 million has been made by Xiamen Differ and the Investors and has been applied as Security Deposit. For details of the Acquisitions, please refer to the sections headed “Land Plots” below in this circular.

The second payment for the capital commitment in the sum of RMB370 million will not be made by Xiamen Differ and the Investors in proportional to their respective equity holdings in the Purchaser. Xiamen Differ will contribute RMB90 million more than its share of proportion to the Purchaser as a loan to the Purchaser. Since the Purchaser will not be a connected subsidiary of the Company following the capital contribution made by the Investors, the said additional capital commitment to be made by Xiamen Differ will not constitute any financial assistance provided by the Group to a connected person. Therefore, such capital commitment of RMB349 million to the Purchaser by the Group is not subject to the requirement under Rule 13.13 and Rule 14A.89 of the Listing Rules. The Company will make the relevant announcement, if required under the Listing Rules, at the then material time.

The third payment for the capital commitment in the sum of RMB200 million will be made by Xiamen Differ and the Investors in proportional to their respective equity holdings in the Purchaser.

Although the Company in effect will inject RMB90 million, as shareholders’ loan, more than the Investors, the opportunity to participate in the public tender for the Land Plots was obtained and referred by the Investors, who are local developers of Longquan City, with good relations with the government and a large client base, which is beneficial to the Company’s development of the Land Plots. Once the sale of properties on the Land Plots generate profits and positive cash flow, the Project Company has agreed to first repay the funds of RMB90 million injected by the Company. The Company believes that without the introduction by the Investors, the Company would not have grasped the opportunity to successfully participate in developing the Land Plots. Therefore, even with the injection of RMB90 million as shareholders’ loan, the Directors still consider the terms of the Cooperation Agreement to be fair and reasonable, on commercial terms and in the interest of the Company and its shareholders as a whole.

Management of the Purchaser

Subject to the grant of the right to acquire the land use rights of the Land Plots, the board of directors of the Purchaser shall consist of five (5) directors, among which, the Investor A and the Investment B shall each nominate one (1) director and Xiamen Differ shall nominate three (3) directors, one of whom shall be the chairman of the Purchaser. The Purchaser will engage Xiamen Differ as manager for the Land Plots when the construction for the Land Plots has been completed.

LETTER FROM THE BOARD

(ii) Information on the Purchaser and the Investors

The Purchaser

The Purchaser is a company established in the PRC in August 2018 with limited liability, which principal activities, among other things, are cultural tourism project development and management; art and cultural communication; development of real estate and hotel management. The Purchaser is an indirect 70%-owned subsidiary of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, the Purchaser has not yet commenced commercial operation and no revenue nor profits has been generated since its establishment.

The Investor A

As advised by the Investor A, the Investor A is a company established in the PRC with limited liability, which is principally engaged in development and sales of commercial houses.

Investor A is actively engaged in Longquan real estate development business, with multiple subsidiaries and net assets of over RMB300 million. Investor A has successfully developed Deguang Building* (德光大廈), Dexing Building* (德興樓), Wan Jing Garden* (萬景花園), Binjiang Garden* (濱江花園) and many other large scale estates in the PRC with total saleable gross floor area of approximately 700,000 sq.m.. After 20 years of development, Investor A's group currently has over 500 employees. Investor A is now a one-stop property developer through self-purchasing land, carrying out its own construction, sales and post-sales service, etc., and establishing its competitive advantages in planning and design, environmental construction, engineering construction, support facilities, post-sales service and property management, forming a unique enterprise. Since 2000, Investor A was named as "a large taxpayer" by the Longquan Municipal People's Government, and was repeatedly awarded the "contract-honoring and credit-keeping" and "honest private enterprise" by the respective industrial and commercial bureau (工商局). As advised by Investor A, Investor A was also given an AA credit rating level by various well-known banks that it has worked with over the years.

The Investor B

As advised by the Investor B, the Investor B is a company established in the PRC with limited liability, which principal activities, among other things, are development and sales of real estate.

Investor B is primarily engaged in real estate development, involving properties related to education, hotels, trade and other industries. Since 2010, it was one of the top five taxpayers in Longquan City. Investor B's group currently has over 100 employees. Over the years, Investor B has developed a number of high-end real estates and commercial blocks with unique features, including but not limited to Longteng Square* (龍騰廣場), Binjiang Garden* (濱江花園), Qingyuan Yuxin Garden* (慶元沁心園), Times Square* (時代廣場) and other large scale development projects with total saleable gross floor area of approximately 400,000 sq.m..

LETTER FROM THE BOARD

(iii) Reasons for and benefits of the Cooperation

Following the completion of the acquisition of Differ Cultural Tourism Development Company Limited (“**Differ Cultural**”) and its subsidiaries (“**Differ Cultural Group**”) in January 2018, the Board considers the property development business to be an extension of the Company’s original asset management business and a key link in asset consolidation and asset value enhancement. Therefore, given the Group is not a long-established and full scale real estate developer, through forming joint venture with the Investors, the Group would be able to leverage on the resources and expertise of the Investors in development and sale of properties, which will benefit the operation of the Purchaser in the long run and lessen the financial commitment otherwise borne by the Group as the costs of the development of the Land Plots are now shared with the Investors, rather than borne by the Group alone. In addition, the Company believes with the assistance of the Investors, it will be comparatively easier for the Project Company to obtain funds from pre-sale of properties and/or loans from banks. In relation to loans from banks, the Investors can both act as the guarantors for the Project Company and the Project Company can also benefit from the good relations between the Investors and the various banks which the Investors usually deal with when obtaining loans on the Project Company’s behalf.

The Directors (including the independent non-executive Directors) believe that the terms of the Cooperation Agreement are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

IV. DETAILS OF THE ACQUISITIONS

Principal terms of Acquisitions are set out as follows:

- (i) **Date:** 8 November 2018
(being the date the Purchaser was granted with the right to acquire the land use rights of the Land Plots)
- (ii) **Parties**
 - i. the Purchaser; and
 - ii. Longquan City Land and Resources Bureau* (龍泉市國土資源局), being the Vendor.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

(iii) Land Plots

Land Plot A

The Land Plot A is located at South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi* (東茶路以南，環城東路以東，龍泉溪以北), Longquan City, Zhejiang Province, the PRC, with a total land area of approximately 67,231 sq.m. for residential and commercial uses. The term of the land use right of the Land Plot A is 70 years for the area of residential use and 40 years for the area of commercial use.

LETTER FROM THE BOARD

Land Plot B

The Land Plot B is located at South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi* (東茶路以南，環城東路以東，龍泉溪以北), Longquan City, Zhejiang Province, the PRC, with a total land area of approximately 112,560 sq.m. for residential and commercial uses. The term of the land use right of the Land Plot B is 70 years for the area of residential use and 40 years for the area of commercial use.

(iv) **Consideration and payment**

Land Plot A

The Consideration A is RMB430,300,000 (equivalent to HK\$488,977,272.7) and will be settled in the following manners:

- (i) an amount of RMB86,060,000 (equivalent to approximately HK\$97,795,454.5), being 20% of the price of Land Plot A, had been paid by the Purchaser as the security deposit and have been applied towards settling part of the Consideration A;
- (ii) an amount of RMB129,090,000 (equivalent to approximately HK\$146,693,181.8), being 30% of Consideration A, shall be payable by the Purchaser within one month from the date of the Purchaser signing the relevant contract for state-owned construction land use right assignment* (國有建設用地使用權出讓合同) (the “**Transfer Contract A**”), which will be in the prescribed form; and
- (iii) the remaining balance of Consideration A shall be payable by the Purchaser in full within 12 months from the date of the Transfer Contract A.

In determining the Consideration A, the Company has considered the location and size of the Land Plot A and the prevailing market conditions.

The Vendor has entered into the Confirmation Letter A on 13 November 2018 confirming the grant of the land use rights of the Land Plot A with the Purchaser. On 23 November 2018, the Purchaser and the Vendor executed the Transfer Contract A. On the same day, the Purchaser, Vendor and the Project Company entered into a supplemental agreement in which the assignee of the land use rights of Land Plot A became the Project Company instead of the Purchaser.

The Consideration A has been and will be funded by the capital contribution to the Purchaser made by Xiamen Differ and the Investors.

LETTER FROM THE BOARD

Land Plot B

The Consideration B is RMB704,750,000 (equivalent to HK\$800,852,272.7) and will be settled in the following manner:

- (i) an amount of RMB140,950,000 (equivalent to approximately HK\$160,170,454.5), being 20% of the price of the Land Plot B, had been paid by the Purchaser as the security deposit and have been applied towards settling part of the Consideration B;
- (ii) an amount of RMB211,425,000 (equivalent to approximately HK\$240,255,681.8), being 30% of Consideration B, shall be payable by the Purchaser within one month from the date of the Purchaser signing the relevant contract for state-owned construction land use right assignment* (國有建設用地使用權出讓合同) (the “**Transfer Contract B**”, together with the Transfer Contract A, together referred to as “**Transfer Contracts**”), which will be in the prescribed form; and
- (iii) the remaining balance of Consideration B shall be payable by the Purchaser in full within 12 months from the date of the Transfer Contract B.

In determining the Consideration B, the Company has considered the location and size of the Land Plot B and the prevailing market conditions.

The Vendor has entered into the Confirmation Letter B on 13 November 2018 confirming the grant of the land use rights of the Land Plot B with the Purchaser. On 23 November 2018, the Purchaser and the Vendor executed the Transfer Contract B. On the same day, the Purchaser, Vendor and the Project Company entered into a supplemental agreement in which the assignee of the land use rights of Land Plot B became the Project Company instead of the Purchaser.

The Consideration B has been and will be funded by the capital contribution to the Purchaser made by Xiamen Differ and the Investors.

The Company believes the Land Plots have good geographical position as they are situated in the core of Longquan East District. As “intangible cultural heritage”, Longquan City is also known as China Celadon Town, as it is the origin of contemporary Longquan Celadon. As China’s first and only tourist area themed with celadon culture, it displays the development of modern and contemporary Longquan celadon which is on the basis of state-owned Longquan celadon factory. As the Company is keen to develop its business in cultural tourism by diversifying its assets classes, as shown through its acquisition of Differ Cultural Group which was completed in January 2018, the history and rich culture of Longquan City is completely in line with the Company’s intended business development. The Land Plots were successfully acquired by the Purchaser at the base price of the Bid of RMB1,135,050,000, with land area of 179,791 sq.m., and a total planned gross floor area of approximately 406,500 sq.m.. The Company is not aware of similar size land in the core of Longquan East District which is available for sale. The Company has conducted market research at the website of <http://www.cricchina.com/research>, which is the PRC’s largest real estate data application service provider. According to the Company’s research, data shows that there is limited supply of residential premises and a lack of large-scale commercial complexes in the area. Further, according to the Company’s research, housing prices in Longquan City have been gradually increasing over the past year. The Company is of the view that the demand of the properties in Longquan City is greater than the supply in foreseeable future. After taking into account of the above factors as well as the strong market demands for residential and commercial properties in PRC, the Board considered that the Land Plots will provide a considerable profit after the completion of the subsequent development.

LETTER FROM THE BOARD

(v) Information of the Vendor

The Vendor is a local PRC government authority, which is in charge of, among other things, the sale of land use rights of lands in Longquan City, Zhejiang Province, the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

(vi) Reasons for and benefits of the Acquisitions

The Group is a provider of short to medium-term financing and financing-related solutions in the PRC and Hong Kong and is principally engaged in the provision of (i) assets management business (including investments in properties, equities and distressed assets), (ii) finance lease services and (iii) financial services (including financial consultancy services, express loan services, guarantee services and supply chain services).

As disclosed in the interim report of the Company for 2018, the Group considers the asset management business to be the key growth driver and is actively looking for opportunity to expand this business. The Group continued its business strategy and is actively looking for good quality assets to potentially offer returns in other provinces.

The Group's original asset management business is mainly focused on the distressed assets, mostly lands and properties. The Group seeks opportunities to acquire distressed assets from banks or other entities or individuals at attractive prices. After acquiring the distressed assets, the Group will assume the pre-existing rights and obligations between the banks and the debtors and will then formulate plans to achieve recovery based on the Group's target on profit, cash flow, cost and return on investments.

Following the completion of the acquisition of Differ Cultural and Differ Cultural Group in January 2018, the Board considers the property development business to be an extension of the Company's original asset management business and a key link in asset consolidation and asset value enhancement. The major differences of the original asset management business and the property development business is that:

- i) For the original asset management business, the Group acquires of lands and properties (which usually embedded with certain problems, such as late handover of the property by the property developer) at a comparatively prices below market value and the Group planned to resell such properties to third parties in a short period of time. The Group did not involve of the property construction process; and
- ii) For the property development business, the Group acquires of lands and properties at competitive prices and planned to dispose large number of units of the properties to different customers. The Group outsources the construction work of its property development projects to qualified contractors.

LETTER FROM THE BOARD

The existing business of the Group involves many valuable assets such as secured collateral, distressed assets, distressed debts and other value assets, many of which are linked with lands and properties under constructions. The experience of the Group under its existing business has greatly enhanced the property value evaluation, cost control and disposal of properties. At present, the Group's property development business has full capacity of independently developing and operating valuable assets, and has become a key driver for the Group's overall revenue and profit growth.

The Land Plots are expected to be developed into a commercial and residential mixed-use complex, comprising a hotel and shopping mall. As mentioned above, the Land Plots were successfully acquired at the base price of the Bid of RMB1,135,050,000, with land area of 179,791 sq.m., and a total planned gross floor area of approximately 406,500 sq.m. Due to the strong market demands for residential and commercial properties in PRC, the Board considered that the Land Plots will provide a considerable profit after the completion of the subsequent development. The Board, having considered the overview of the economy of the areas where the Land Plots are located, believes that the Acquisitions will offer a valuable business opportunity and return to the Company and its Shareholders as a whole through sales of properties to be erected on the Land Plots. As at the Latest Practicable Date, the commencement date of the construction is expected to be in first quarter of 2019 and the completion date is expected to be in first quarter of 2022. Pre-sale of the properties is expected to be in third quarter of 2019, part of which may be used to settle the ongoing development costs. Subject to the approval by municipal planning authority, the development project is planned to split into 3 phases, Land Plot A is part of Phase 1 and Land Plot B is part of Phases 2 and 3. The total planned gross floor area ("GFA") is 406,500 sq.m. and will consist of:

1. Phase 1: approximately 62,500 sq.m. of residential premises (mainly high-level apartments), approximately 23,500 sq.m. of commercial premises, approximately 60,000 sq.m. of a shopping mall for rental purpose, approximately 1,000 sq.m. of public facilities. Phase 1 will commence construction in the first quarter of 2019 and is estimated to complete construction in the fourth quarter of 2020. The preliminary estimated cost (including the relevant taxes) of Phase 1 is approximately RMB960,000,000;
2. Phase 2: approximately 138,000 sq.m. of residential premises (mainly apartments and villas), approximately 14,000 sq.m. of commercial premises, approximately 40,000 sq.m. of a hotel for rental purpose, approximately 1,000 sq.m. of public facilities. Phase 2 will commence construction in the second quarter of 2019 and is estimated to complete construction in the first quarter of 2022. The preliminary estimated cost (including the relevant taxes) of Phase 2 is approximately RMB1,440,000,000; and
3. Phase 3: approximately 66,000 sq.m. of residential premises (mainly high-level apartments) and approximately 500 sq.m. of public facilities. Phase 3 will commence construction in the third quarter of 2019 and is estimated to complete construction in the first quarter of 2022. The preliminary estimated cost (including the relevant taxes) of Phase 3 is approximately RMB620,000,000.

The Board believes that the Acquisitions are in the interests of the Group and the Shareholders as a whole as the Acquisitions represent a strategic expansion of the Group's asset management segment in line with the Group's general business strategy. Based on the above, the Board is of the view that the Acquisitions (including the Consideration A and the Consideration B) are fair and reasonable and that the entering into of the Acquisitions is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(vii) Summary of major certificates and/or approvals

The Purchaser entered into the Confirmation Letter A and B with the Vendor on 13 November 2018 confirming the successful Bid of Land Plots A and B respectively. Subsequently, on 23 November 2018, the Purchaser and the Vendor executed Transfer Contract A and Transfer Contract B. On the same day, the Purchaser, Vendor and the Project Company entered into two supplemental agreements in which the assignee of the land use rights of both Land Plots became the Project Company instead of the Purchaser. As the remaining balance of Consideration A and Consideration B is payable by the Purchaser within 12 months from the date of Transfer Contract A and Transfer Contract B (i.e. on or before 25 November 2019, the next Business day after 12 months from the date of Transfer Contract A and Transfer Contract B), Consideration A and Consideration B are not yet due in full by the Purchaser. As the State-owned Land Use Rights Certificates 《國有土地使用權證》 are only issued upon full and final payment, the State-owned Land Use Rights Certificates and the below mentioned certificates/permits are yet to be obtained as the Land Plots were purchased as bare land and the Purchaser has not yet reached this stage of the project development process.

Subsequent to obtaining the State-owned Land Use Rights Certificates, under the Regulations on Planning Administration regarding Granting and Transfer of State-Owned Land Use Right in Urban Area (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992 and amended in January 2011, the Project Company shall then apply for a construction land planning permit (《建設用地規劃許可證》) from the municipal planning authority. After obtaining the construction land planning permit, the Project Company shall conduct all necessary planning and design works in accordance with relevant planning and design requirements. A planning and design proposal in respect of the real estate project shall be submitted to the municipal planning authority in compliance with the requirements and procedures under the Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》), which was issued on October 28, 2007 and amended on April 24, 2015, and a construction work planning permit (《建設工程規劃許可證》) from the municipal planning authority should be obtained.

The Project Company shall then apply for a construction work commencement permit (《建築工程施工許可證》) from the relevant construction authority in accordance with the Regulations on Administration Regarding Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction on October 15, 1999 and amended on July 4, 2001 and further amended on June 25, 2014 by Ministry of Housing and Urban-Rural Development.

Subsequently, before the Project Company sells the development properties in advance, it shall need to apply to the real estate administrative authority to obtain a pre-sales permit 《預售許可證》 in accordance with the Measures for Administration of Pre-sales of Commodity Properties (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction on November 15, 1994, as amended on August 15, 2001 and July 20, 2004.

As the Project Company is still in the early stages of the project development process and the full amount of Consideration A and B is due on or before 25 November 2019, the abovementioned certificates/approvals (including approval of architectural plans and planning consent) are yet to be obtained.

LETTER FROM THE BOARD

Potential risk

The property industry in the PRC is heavily regulated and property developers must abide by various laws and regulations. As stated above, the Project Company will need to apply to the relevant PRC government authorities to obtain various licenses, permits, approvals and certificates in order to engage in property development operations. Thus, there is a risk that failure to obtain, abide by, or material delays in obtaining, permits, requisite certificates, licenses or approvals from the PRC government may affect the Group's ability in carrying out property development operations.

Company's plans of mitigation

Although the Board cannot guarantee that the Company will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that there will be no material delays or difficulties in fulfilling the necessary conditions to obtain all necessary certificates or permits for development operations, the Board will take all reasonable steps to mitigate risk by: (i) monitoring and obtaining information relating to the regulations or policies as implement or planned by the PRC government, and identify and assess the potential risk of the policies, (ii) setting up milestone dates for each progress that must be reached, and monitor actual progress against the schedule, to monitor the progress of the construction and avoid any delay and (iii) assessing the timing for the pre-sale of the properties, in order to monitor the market conditions and the risk faced by the Project Company.

V. EXPERTISE OF MANAGEMENT

Upon completion of the Acquisition, the Group will appoint certain management team from Differ Cultural Group to the Project Company. Mr. Wu Bicong* (吳憑聰) (“**Mr. Wu**”) shall be the general manager of the Project Company. Mr. Wu joined the Group on May 2018 and has had over 15 years of management experience in real estate and cultural tourism development. From 2003-2007, Mr. Wu served as the assistant manager of a PRC real estate company at the project marketing department, where his main tasks included but were not limited to formulating the marketing plan for the development project and tracking the overall sales progress of the project. From 2007-2013, Mr. Wu was the district sales director and operations director of a sizable PRC real estate company, where his main tasks included but were not limited to safety management, sales and performance appraisal, coordinating the progress of the projects of the participating units to be completed in strict accordance with the schedule, organizing various special topics and routine meetings to control and coordinate with technical problems. From 2013-2018, he served as manager and vice president at two PRC companies, where his main tasks included but were not limited to safety and civilized construction in the progress of the development project, incentives for the team, preparing project development plans, overseeing quality control, progress, cost and supervision of on-site management and cooperating with external associations to carry out various reports and approvals. With a view to overseeing the overall strategic planning, execution and development of the properties, and managing the Project Company, the Directors are of the view that the expertise and experience of Mr. Wu would be very beneficial to the development of the Land Plots. The Project Company has a dedicated sales and management team and each of the management has delegated authority to facilitate effective segregation of duties and controls of the Project Company's business operation. The principal responsibilities of the members of the project team shall be as follows:

Position	Principal responsibilities
Vice President	responsible for the sales and marketing of the Project Company
Director of the quantity surveying division	responsible for the supervision of cost and quality of construction projects
Financial Manager	responsible for the financial and secretarial matters of the Project Company

LETTER FROM THE BOARD

Ms. Huo Jing* (霍靜), the vice president, is responsible for the sales and marketing of the Project Company. Prior to joining the Group, she served as deputy general manager of a PRC property services company from 2004 to 2014.

Mr. Lin Jian Hong* (林建洪), director of the quantity surveying division, is responsible for the supervision of cost and quality of construction projects. Mr. Lin has over 14 years of experience in construction budgeting, cost control and management. Prior to joining the Group, he has worked in these areas as manager, director and deputy manager of several PRC real estate companies.

Mr. Chen Qiu Yong* (陳秋勇), the financial manager, is responsible for the financial and secretarial matters of the Project Company. Prior to joining the Group in 2016, he served as accountant and financial manager of PRC development and real estate companies from 2007-2016.

VI. FINANCIAL EFFECT OF THE ACQUISITIONS

Immediately upon the completion of the Acquisitions and assuming the Consideration of approximately RMB1,135,050,000 is to be satisfied by: 1) the Group's own funds of approximately RMB680,000,000 (including loans from Xiamen Differ of RMB580,000,000 and the registered capital of the Purchaser of RMB100,000,000); 2) the loan from the Investors of approximately RMB120,000,000; and (3) considerations received for pre-sale of properties of approximately RMB335,050,000, both the total assets and the total liabilities of the Group would have increased by approximately RMB455,050,000. Save for the aforesaid effects from the Acquisitions, the Company considers that there will not be any material effect on the earnings of the Group immediately upon the Acquisitions.

VII. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of Acquisition A, in aggregate with Acquisition B and the previous transactions conducted by the Company, including the entering into of the Cooperation Agreement, exceeds 100%, the Acquisitions constitute a very substantial acquisition transaction of the Company under the Listing Rules and the Acquisitions are subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

EGM

A notice convening the EGM to be held at Unit 1102-3, 11/F, Nine Queen's Road Central, Hong Kong on Friday, 18 January 2019 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisitions and the Cooperation Agreement and accordingly, no Shareholder is required to abstain from voting at the EGM for approving, inter alia, the Acquisitions and the Cooperation Agreement.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure the chairman of the EGM to demand for voting on poll in respect of the ordinary resolution to be proposed at the EGM in accordance with the memorandum of association and the articles of association of the Company and Tricor Investor Services Limited will serve as the scrutineer for the vote-taking.

The results of the EGM will be published after the conclusion of the EGM on the websites of the Stock Exchange and the Company.

RECOMMENDATION

Having considered the above-mentioned benefits to the Group, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisitions and the Cooperation Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole and they are fair and reasonable to the Company. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisitions and the transactions contemplated thereunder.

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the year ended 31 December 2015, 2016 and 2017, and the six month ended 30 June 2018 are disclosed in the following documents which have been published on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at <http://www.dfh.cn>. Please refer to the hyperlinks as stated below:

2015 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0418/LTN201604181215.pdf>

2016 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427709.pdf>

2017 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0420/LTN20180420009.pdf>

2018 interim report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0903/LTN20180903659.pdf>

2. STATEMENT OF INDEBTEDNESS**Bank and other borrowings**

As at the close of business on 31 October 2018, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding secured bank borrowings amounted to approximately RMB775,638,000 and other secured borrowings amounted to approximately RMB139,510,000, which bearing an interest rate ranging from 5.1% to 8.0%.

Corporate bonds and guarantee notes

As at the close of business on 31 October 2018, the Enlarged Group had unsecured corporate bonds and secured guarantee notes with an aggregate principal amount of approximately RMB268,840,000 (equivalent to HK\$305,500,000) and RMB130,416,000 (equivalent to US\$19,000,000) respectively, which bearing an interest rate ranging from 5.5% to 7.0% and 7.0% per annum respectively.

Contingent liabilities and guarantees

As at the close of business on 31 October 2018, the Enlarged Group provided the following financial guarantees:

- (a) RMB397,302,000 to banks for bank facilities granted to the Enlarged Group's customers from financial guarantee business, which were secured by collaterals of the customers and/or personal/corporate guarantees;
- (b) RMB725,508,000 to banks in respect of mortgage loans granted to purchasers of certain property units from the Enlarged Group's property development business; and

- (c) Jingning Waishe Guzhen Travel Investment Development Limited (“**Jingning Waishe Guzhen**”), a subsidiary of Prime Thrive Investments Limited, received notice that it is being sued in respect of an accident in the construction site purported to have been suffered during his employment with Jingning Waishe Guzhen. If Jingning Waishe Guzhen is found to be liable, the total expected monetary compensation may amount to approximately RMB1,592,000. Jingning Waishe Guzhen continues to deny any liability in respect of the accident and, based on the discussion with the lawyer who is legal representative of this litigation, the directors of the Company do not believe it is probable that the court will fine against Jingning Waishe Guzhen and therefore it is not highly probable for the event to result in an outflow of resources from the Enlarged Group. No obligation is recognised by the Enlarged Group as of now. No provision has therefore been made in respect of this claim.

Pledge of assets

As at the close of business on 31 October 2018, the Enlarged Group had the following charges over assets:

- (a) Properties under development with carrying amount of approximately RMB1,110,787,000 have been pledged for certain secured bank borrowings; and
- (b) Finance lease receivables with carrying amount of RMB43,200,000 have been pledged for certain secured bank borrowings.

Others

At the close of business on 31 October 2018, the Enlarged Group had amounts due to related parties of (i) approximately RMB100,001,000, which are unsecured, interest free and repayable on or before 19 October 2019; and (ii) approximately RMB334,872,000, which are unsecured, interest free and repayable on or before 30 September 2019.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, which were either guaranteed, unguaranteed, secured or unsecured, any mortgages and charges, or any contingent liabilities or guarantees.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors confirm that, taking into consideration the financial resources presently available to us, which is primary the Enlarged Group’s internal resources, facilities and the cash flow generated from operating activities, the Enlarged Group will have sufficient working capital for the Enlarged Group’s present requirements and for at least 12 months commencing from the date of this circular.

The Directors are not aware of any other factors that would have a material impact on the Enlarged Group’s liquidity.

4. NO MATERIAL ADVERSE CHANGE

The Directors confirm that since 31 December 2017, being the date to which the latest published audited consolidated financial information of the Group were made up and up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of the Group.

5. FINANCIAL PROSPECT OF THE GROUP

As an integrated financing service provider in the PRC and Hong Kong, the Group is principally engaged in the provision of (i) assets management business (including investments in properties, equities and distressed assets), (ii) finance lease services and (iii) financial services (including financial consultancy services, express loan services, guarantee services and supply chain services).

As mentioned in the interim report for 2018, the Group considers the asset management business is the key growth driver of the Group and actively expanded the business. The Directors consider that the Acquisitions will enable the Group to expand of property development business which is strategically important to the Group's long-term prospects as well as the broadening of its revenue base. Given the Group is not a full scale real estate developer, through forming joint venture with the Investors, the Group would be able to leverage on the resources and expertise of the Investors in development and sales of properties, which will benefit the operation of the Group in long run.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is a management discussion and analysis of the Group's results of operation for each of the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018. The information set out below is principally extracted from the annual reports of the Company for the three years ended 31 December 2015, 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018, respectively, in order to provide further information relating to the financial condition and results of operations of the Group during the periods stated.

The Group is a provider of short to medium-term financing and financing-related solutions in the PRC and Hong Kong and is principally engaged in the provision of (i) assets management business (including investments in properties, equities and distressed assets), (ii) finance lease services and (iii) financial services (including financial consultancy services, express loan services, guarantee services and supply chain services).

(i) For the six months ended 30 June 2018

Analysis on financial performance

During the six months ended 30 June 2018, the management of the Group has determined based on the nature of the Group's operation and classified the Group's revenues into two categories: (i) income from financial related services; and (ii) income from assets management business. The Board has carried out the financial review on the audited financial statements of the Company for the six months ended 30 June 2018 mainly based on (a) revenue; and (b) profit for the respective financial period.

(a) *Revenue*

During the six months ended 30 June 2018, the total turnover of the Group was increased from approximately RMB152.0 million for the six months ended 30 June 2017 to approximately RMB429.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB277.7 million or 182.7%. Such increase was attributable to the net effect of the following reasons:

- Financial related services

The Group's income from financial related services business was decreased by approximately 22.7% from approximately RMB100.1 million for the six months ended 30 June 2017 to RMB77.3 million for the six months ended 30 June 2018. The decrease of the income was mainly due to (i) a decrease in the Group's finance lease services income by approximately 33.5% from approximately RMB30.8 million for the six months ended 30 June 2017 to approximately RMB20.5 million for the six months ended 30 June 2018, which was mainly due to decrease of contribution of the finance lease income from Hong Kong during the six months ended 30 June 2018; and (ii) the decrease in financial consultancy service income from approximately RMB28.5 million for the six months ended 30 June 2017 to approximately RMB2.8 million for the six months ended 30 June 2018 which was mainly due to the decrease of the number of the customers.

- Assets management business

The Group's income from assets management business was increased by approximately 578.7% from approximately RMB51.9 million for the six months ended 30 June 2017 to RMB352.4 million for six months ended 30 June 2018. Such increase was mainly due to the inclusion of the financial results of Differ Cultural Tourism Development Company Limited ("**Differ Cultural**") and its subsidiaries (the "**Differ Cultural Group**") after completion of the acquisition of the entire issued share capital of Differ Cultural on 23 January 2018.

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

(b) Profit for the period

The Group's profit for the period was approximately RMB143.3 million for the six months ended 30 June 2018, representing an increase of approximately RMB44.7 million, or 45.4%, from approximately RMB98.6 million for the six months ended 30 June 2017. Such increase in profit for the period was mainly attributable to an increase in the total revenue as a result of the inclusion of the financial results of Differ Cultural Group as described above.

Analysis on financial conditions*Liquidity and financial resources*

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

Capital Structure

As at 30 June 2018, the share capital of the Company comprises 4,930,387,880 ordinary shares. As at 30 June 2018, the net assets of the Group amounted to approximately RMB1,475,194,000, comprising non-current assets of approximately RMB1,199,621,000, net current assets of approximately RMB851,035,000 and non-current liabilities of approximately RMB575,462,000.

Capital expenditure

During the financial period ended 30 June 2018, the Group had incurred a capital expenditures of approximately RMB8,451,000, which was contributed by (i) leasehold improvements of approximately RMB7,895,000; (ii) an addition of furniture, fixtures and office equipment of approximately RMB556,000.

Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group were denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates.

Treasury policies

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

Main cash resources and applications

As at 30 June 2018, cash and cash equivalents of the Group amounted to approximately RMB155,811,000 with an increase of approximately RMB95,274,000 as compared to the cash and cash equivalents as at 31 December 2017. As set out in the interim report of the Company for the six months ended 30 June 2018, the movement in the cash flow position of the Group was mainly derived from (i) the net cash flows generated from operating activities of approximately RMB495,874,000; (ii) the net cash flows used in investing activities of approximately RMB456,911,000; and (iii) the net cash flows generated from financing activities of approximately RMB57,689,000. As further disclosed in the interim report of the Company for six months ended 30 June 2018, the increase in the cash and cash equivalents of the Group was mainly due to the inclusion of the financial results of Differ Cultural Group as described above.

Contingent liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

Charge on the Group's assets

The Group's restricted bank deposits of approximately RMB11.2 million as at 30 June 2018 was pledged to secure for the Group's facilities of providing financial services to the customers.

Bank borrowings with carrying amount of approximately RMB30.0 million was secured by finance lease receivables with carrying amount of approximately RMB44.2 million.

Employees and remuneration policies

As at 30 June 2018, the Group had a total of 264 employees. The emolument of the employees of the Group included salaries, bonuses and other fringe benefits. The Group, in compliance with the relevant PRC laws and regulations, paid different rates of remuneration to different employees, based on the employees' performance, experience, position and other factors.

Material acquisitions and disposals of subsidiaries and associates

On 21 November 2017, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Ms. Shi Hongjiao ("**Ms. Shi**") to acquire the entire issued share capital of Differ Cultural Tourism Development Company Limited ("**Differ Cultural**") at a consideration of RMB375,000,000. The Group and Differ Cultural were under common control and managed by Mr. Hong, the substantial shareholder of the Company, via Ms. Shi through a trust arrangement, the acquisition is considered as a combination of businesses under common control. The consideration is settled by 84,000,000 shares of the Company at issue price of HK\$0.582 per share and the remaining by cash after considering the outstanding debts owned by Ms. Shi, Mr. Hong and their respective associate companies to Differ Cultural and its

subsidiaries at the completion date as defined in the circular of the Company dated 23 December 2017. The principal activities of Differ Cultural and its subsidiaries are property development and management. Such acquisition was completed on 23 January 2018.

Save as disclosed above, no significant investments and future plans of material investment was made during the six months ended 30 June 2018.

(ii) For the year ended 31 December 2017

Analysis on financial performance

During the year ended 31 December 2017, the management of the Group has determined based on the nature of the Group's operation and classified the Group's revenues into two categories: (i) income from financial related services segment; and (ii) income from assets management business. The Board has carried out the financial review on the audited financial statements of the Company for the year ended 31 December 2017 mainly based on (a) revenue; and (b) profit for the respective financial year.

(a) Revenue

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

- Financial related services

The Group's income contributed from financial related services was decreased by 10.1% from approximately RMB201.7 million for the year ended 31 December 2016 to RMB181.2 million for the year ended 31 December 2017. The decrease of the income was mainly due to (i) the decrease in the financial consultancy service income of the Group from approximately RMB40.4 million for the year ended 31 December 2016 to RMB28.4 million for the year ended 31 December 2017, which was mainly attributable to the decrease of the number of the customers which lead to decrease of our income from financial consultancy services; (ii) the decrease in the Group's entrusted loan service income by approximately 26.5% from approximately RMB73.7 million for the year ended 31 December 2016 to approximately RMB54.2 million for the year ended 31 December 2017, which was due to the decrease of the number of customers and average interest rate charge; and (iii) the decrease in the Group's guarantee service income by approximately 7.9% from approximately RMB9.6 million for the year ended 31 December 2016 to approximately RMB8.9 million for the year ended 31 December 2017, which was mainly due to the decrease in the number of guarantee service under a prudent approach to approve the application of the guarantee services from potential customers during the year.

- Assets management business

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

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

(b) Profit for the year

The Group's profit for the year was approximately RMB170.8 million for the year ended 31 December 2017, representing an increase of approximately RMB28.4 million, or 20.0%, from approximately RMB142.4 million for the year ended 31 December 2016. Such increase in profit for the year was mainly attributable to (i) an increase in the total revenue as described above; (ii) an increase in other income from approximately RMB3.4 million for the year ended 31 December 2016 to approximately RMB37.4 million for the year ended 31 December 2017, which was mainly due to the fact that the Group has received large amount of settlements from certain obligors of non-performing loans which the relevant loan receivables have been impaired in previous years; and (iii) the decrease in other expenses from approximately RMB47.4 million for the year ended 31 December 2016 to approximately RMB43.5 million for the year ended 31 December 2017, which was mainly attributable to decrease of impairment loss on finance lease, loan and account receivables of approximately RMB6.4 million and partly offset by the slightly increase of the operating expenses.

Analysis on financial conditions

Liquidity and financial resources

As at 31 December 2017, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB50.2 million. The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 31.8% as at 31 December 2017. The current ratio is 4.1 times as at 31 December 2017. During the year, the Group did not use any financial instruments for hedging purpose.

Capital Structure

As at 31 December 2017, the share capital of the Company comprises 4,236,009,880 ordinary shares. As at 31 December 2017, the net assets of the Group amounted to approximately RMB1,203,029,000, comprising non-current assets of approximately RMB572,602,000, net current assets of approximately RMB1,068,601,000 and non-current liabilities of approximately RMB438,174,000.

Capital expenditure

During the financial year ended 31 December 2017, the Group had incurred a capital expenditures of approximately RMB4,685,000, which was contributed by (i) leasehold improvements of approximately RMB3,840,000; (ii) an additions of motor vehicle, furniture, fixtures and office equipment of approximately RMB845,000.

Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group were denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates.

Treasury policies

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

Main cash resources and applications

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately RMB32,475,000 with an increase of approximately RMB11,498,000 as compared to the cash and cash equivalents as at 31 December 2016. As set out in the annual report of the Company for the year ended 31 December 2017, the movement in the cash flow position of the Group was mainly derived from (i) the net cash flows generated from operating activities of approximately RMB141,954,000; (ii) the net cash flows used in investing activities of approximately RMB88,854,000; and (iii) the net cash flows used in financing activities of approximately RMB40,442,000. As further disclosed in the annual report of the Company for the year ended 31 December 2017, the increase in the cash and cash equivalents of the Group was mainly due to increase of net cash generated from operating activities during the year 2017.

Contingent liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Charge on the Group's assets

The Group's restricted bank deposits of approximately RMB27.7 million as at 31 December 2017 were pledged to secure for the Group's facilities of providing financial services to the customers.

Bank borrowings with carrying amount of approximately RMB36 million were secured by finance lease receivables with carry amount of approximately RMB49.5 million.

Employees and remuneration policies

As at 31 December 2017, the Group had a total of 105 employees. The emolument of the employees of the Group included salaries, bonuses and other fringe benefits. The Group, in compliance with the relevant PRC laws and regulations, paid different rates of remuneration to different employees, based on the employees' performance, experience, position and other factors.

Material acquisitions and disposals of subsidiaries and associates

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

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

Save as disclosed above, no significant investments and future plans of material investment was made during the year ended 31 December 2017.

(iii) For the year ended 31 December 2016*Analysis on financial performance*

During the year ended 31 December 2016, the management of the Group has determined based on the nature of the Group's operation and classified the Group's revenues into two categories: (i) income from financial related services; and (ii) income from assets management business. The Board has carried out the financial review on the audited financial statements of the Company for the year ended 31 December 2016 mainly based on (a) revenue; and (b) profit for the respective financial year.

(a) *Revenue*

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

- Financial related services

The Group's income contributed from financial related services was increased by 24.4% from approximately RMB162.2 million for the year ended 31 December 2015 to RMB201.7 million for the year ended 31 December 2016. The increase of the income was mainly due to (i) the increase in the income from finance lease services from approximately RMB21.5 million to approximately RMB41.4 million, which was mainly attributable to the contribution of the finance lease income from the Jiashi International Financial Limited and its subsidiaries acquired in late October 2015; (ii) the increase in the interest income from money lending from approximately RMB2.9 million to approximately RMB26.6 million, which was mainly attributable to the strong demand for financing from small and medium enterprise, the Group has provided more short-term financing to customers in the PRC; and (iii) the increase in the interest income from entrusted loans from approximately RMB50.5 million to approximately RMB73.7 million which was mainly attributable to the increase of average entrusted loan receivables during the year.

- Assets management business

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

(b) *Profit for the year*

The Group's profit for the year was approximately RMB142.4 million for the year ended 31 December 2016, representing an increase of approximately RMB36.9 million, or 34.9%, from approximately RMB105.5 million for the year ended 31 December 2015. Such increase in profit for the year was mainly attributable to (i) an increase in the total revenue as described above; and (ii) the gain on disposal of subsidiaries of approximately RMB6,942,000 recognised during the year due to a dispose of 100% equity share of DiPro Company Limited (鼎保有限公司) and its subsidiaries, namely Differ Financial Development HK Limited (鼎豐金融發展有限公司), Xiamen City Wending Investment Consulting Company Limited* (廈門市問鼎投資諮詢有限公司) and Differ Pawn (controlled through structured agreements) at a consideration of RMB65,000,000 which was completed on 24 June 2016.

*Analysis on financial conditions**Liquidity and financial resources*

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

Capital Structure

As at 31 December 2016, the share capital of the Company comprises 4,236,009,880 ordinary shares. As at 31 December 2016, the net assets of the Group amounted to approximately RMB1,139,193,000, comprising non-current assets of approximately RMB549,703,000, net current assets of approximately RMB867,755,000 and non-current liabilities of approximately RMB278,265,000.

Capital expenditure

During the financial year ended 31 December 2016, the Group had incurred a capital expenditure of approximately RMB1,023,000, which was contributed by an additions of motor vehicle, furniture, fixtures and office equipment.

Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group were denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates.

Treasury policies

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

Main cash resources and applications

As at 31 December 2016, cash and cash equivalents of the Group amounted to approximately RMB20,977,000 with a decrease of approximately RMB68,533,000 as compared to the cash and cash equivalents as at 31 December 2015. As set out in the annual report of the Company for the year ended 31 December 2016, the movement in the cash flow position of the Group was mainly derived from (i) the net cash flows used in operating activities of approximately

RMB228,029,000; (ii) the net cash flows generated from investing activities of approximately RMB35,324,000; and (iii) the net cash flows generated from financing activities of approximately RMB125,100,000. As further disclosed in the annual report of the Company for the year ended 31 December 2016, the decrease in the cash and cash equivalents of the Group was mainly due to a decrease of net cash generated from financing activities during the year 2016.

Contingent liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

Charge on the Group's assets

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

Employees and remuneration policies

As at 31 December 2016, the Group had a total of 138 employees. The emolument of the employees of the Group included salaries, bonuses and other fringe benefits. The Group, in compliance with the relevant PRC laws and regulations, paid different rates of remuneration to different employees, based on the employees' performance, experience, position and other factors.

Material acquisitions and disposals of subsidiaries and associates

On 24 June 2016, the Group has disposed 100% equity share of DiPro Company Limited and its subsidiaries, namely Differ Financial Development HK Limited, 廈門市問鼎投資諮詢有限公司 (Xiamen City Wending Investment Consulting Company Limited) and 福建鼎豐典當有限公司 (Fujian Differ Pawn Company Limited) (controlled through the structured agreements) (collectively the "**Disposal Group**") at the consideration of RMB65,000,000. The Disposal Group is principally engaged in pawn loan business in PRC.

Save as disclosed above, no significant investments and future plans of material investment was made during the year ended 31 December 2016.

(iv) For the year ended 31 December 2015

Analysis on financial performance

During the year ended 31 December 2015, the management of the Group has determined based on the nature of the Group's operation and classified the Group's revenues into one category, which is the financial related services. The Board has carried out the financial review on the audited financial statements of the Company for the year ended 31 December 2015 mainly based on (a) revenue; and (b) profit for the respective financial year.

(a) *Revenue*

During the year ended 31 December 2015, the total turnover of the Group was increased from approximately RMB118.1 million for the year ended 31 December 2014 to approximately RMB183.2 million for the year ended 31 December 2015, representing an increase of approximately RMB65.1 million or 55.1%. The increase was attributable to the net effect of (i) the increase in the Group's entrusted loan service income by approximately 29.2% from approximately RMB39.1 million for the year ended 31 December 2014 to approximately RMB50.5 million for the year ended 31 December 2015, which was due to (1) the increase of outstanding entrusted loan receivables from approximately RMB196.0 million as at 31 December 2014 to RMB371.8 million as at 31 December 2015 and (2) the total amount of new or renewed entrusted loans granted increased from approximately RMB489.0 million for the year ended 31 December 2014 to RMB591.8 million for the year ended 31 December 2015; (ii) the increase in the interest income from money lending to approximately RMB2,866,000, which was attributable to money lending business commenced during the year; (iii) the increase in the financial consultancy service income of the Group from approximately RMB37.2 million for the year ended 31 December 2014 to RMB56.8 million for the year ended 31 December 2015, which was mainly attributable to the fact that the Group had assisted its customers in obtaining more financing from banks and peer companies; and (iv) the increase in the income from finance lease services from approximately RMB11.3 million for the year ended 31 December 2014 to RMB21.5 million for the year ended 31 December 2015, which was mainly the finance lease services income from the Jiashi International Financial Limited and its subsidiaries which had been consolidated into the Group after the date of the acquisition.

(b) *Profit for the year*

The Group's profit for the year was approximately RMB105.5 million for the year ended 31 December 2015, representing an increase of approximately RMB32.5 million, or 44.5%, from approximately RMB73.0 million for the year ended 31 December 2014. Such increase in profit for the year was mainly attributable to the increase in the total revenue as described above.

Analysis on financial conditions

Liquidity and financial resources

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

Capital Structure

As at 31 December 2015, the share capital of the Company comprises 4,236,009,880 ordinary shares. As at 31 December 2015, the net assets of the Group amounted to approximately RMB997,839,000, comprising non-current assets of approximately RMB438,246,000, net current assets of approximately RMB888,668,000 and non-current liabilities of approximately RMB329,075,000.

Capital expenditure

During the financial year ended 31 December 2015, the Group had incurred a capital expenditures of approximately RMB722,000, which was contributed by an additions of motor vehicle, furniture, fixtures and office equipment.

Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group were denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates.

Treasury policies

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

Main cash resources and applications

As at 31 December 2015, cash and cash equivalents of the Group amounted to approximately RMB89,510,000 with a decrease of approximately RMB75,069,000 as compared to the cash and cash equivalents as at 31 December 2014. As set out in the annual report of the Company for the year ended 31 December 2015, the movement in the cash flow position of the Group was mainly derived from (i) the net cash flows used in operating activities of approximately RMB269,713,000; (ii) the net cash flows generated from investing activities of approximately RMB13,212,000; and (iii) the net cash flows generated from financing activities of approximately RMB183,943,000. As further disclosed in the annual report of the Company for the year ended 31 December 2015, the decrease in the cash and cash equivalents of the Group was mainly due to increase in net cash used in operating activities during the year 2015.

Contingent liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

Charge on the Group's assets

The Group's restricted bank deposits of approximately RMB97.1 million as at 31 December 2015 was pledged to secure for the Group's facilities of providing financial services to the customers.

Employees and remuneration policies

As at 31 December 2015, the Group had a total of 147 employees. The emolument of the employees of the Group included salaries, bonuses and other fringe benefits. The Group, in compliance with the relevant PRC laws and regulations, paid different rates of remuneration to different employees, based on the employees' performance, experience, position and other factors.

Material acquisitions and disposals of subsidiaries and associates

On 24 August 2015, the Company has entered into the agreement (as amended and supplemental by a supplemental deed dated 25 August 2015 and a second supplemental deed dated 17 September respectively) with Jiashi Company Limited to acquire (i) the sale shares, representing the entire issued share capital of Jiashi International Financial Limited, and (ii) the sale loan of approximately RMB128.3 million, representing all obligations, liabilities and debts owing by Jiashi International Financial Limited to Jiashi Company Limited, at the consideration of approximately RMB104 million. Completion of the such acquisition took place on 26 October 2015.

Save as disclosed above, no significant investment and future plans of material investment was made during the year ended 31 December 2015.

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 October 2018 of two parcels of land located in South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi, Longquan City, Zhejiang Province, the PRC held by Longquan Differ Hotel Co., Ltd. (“Project Company”).



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
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tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

24 December 2018

The Board of Directors
Differ Group Holding Co., Ltd.
Room 1602, Euro Trade Centre
13-14 Connaught Road Central
Central, Hong Kong

Dear Sirs,

On 8 November 2018, Longquan City Land and Resources Bureau (“**the Vendor**”) has granted Longquan Differ Cultural Tourism Company Limited (“**the Purchaser**”), an indirect 70%-owned subsidiary of Differ Group Holding Co., Ltd. (the “**Company**”), the right to acquire the land use rights of a parcel of land located in the South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi Chengdong District, Longquan City, Zhejiang Province, the PRC, with a site area of approximately 67,231 sq.m. (“**Land Plot A**”) and a parcel of land located in the South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi, Chengdong District, Longquan City, Zhejiang Province, the PRC, with a site area of approximately 112,560 sq.m. (“**Land Plot B**”), at the consideration of RMB430,300,000 and RMB704,750,000 respectively (equivalent to HK\$488,977,272.7 and HK\$800,852,272.7, respectively).

In accordance with your instructions to value Land Plot A and Land Plot B in the PRC, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 October 2018 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Purchaser and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of State-owned Land Use Rights Grant Contracts relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Project Company's PRC legal adviser – Fujian Yingkun Law Firm* (福建瀛坤律師事務所), concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

The site inspection was carried out in October 2018 by Mr. Stone Chen who is China Certified Real Estate Appraiser and has 10 years' experience in the real estate industry of the PRC, and Mr. Kevin Liu who has obtained Master degree in real estate and infrastructure and has 3 years' experience in the real estate industry of the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Purchaser. We have also sought confirmation from the Purchaser that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Andrew Kam

MBA MRICS MHKIS RPS(GP) CIREA

National Director, Real Estate Service

Note: Andrew Kam is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property contracted to be acquired by Project Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2018 RMB
Land Plot No. 2018A21004-A and Land Plot No. 2018A21004-B located in South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi Chengdong District Longquan City Zhejiang Province The PRC	Land Plot No. 2018A21004-A and Land Plot No. 2018A21004-B of Chengdong District are located in South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi. The locality is a mature residential area where is well served with public facilities such as shops, schools and hospital. The property occupies two parcels of land with a total site area of approximately 179,791 sq.m, which will be developed into a residential and commercial development. As advised by the Project Company, the construction of the project had not been commenced as at the valuation date. The land use rights of the property have been granted for the terms of 70 years for residential use and 40 years for commercial use.	As at the valuation date, the property was bare land.	no commercial value (refer to note 2)

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts – Nos. 3311812018A21040 and 3311812018A21041 dated 23 November 2018, the land use rights of 2 parcels of land with a total site area of approximately 179,791.00 sq.m. were contracted to be granted to Project Company (a wholly-owned subsidiary of the Purchaser) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was total RMB1,135,050,000 and the plot ratio accountable gross floor area is approximately 406,507.16 sq.m.
2. As at the valuation date, the land premium was no paid, the property had not been assigned to Project Company and thus the title of the property had not been vested in Project Company, the relevant land use rights certificate had not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the reference value of the property as at the valuation date would be RMB1,180,000,000.
3. Our valuation has been made on the following basis and analysis:
 - i) all land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;
 - ii) the property can be developed, freely transferred, mortgaged, or otherwise disposed of without payment of further land premium or transfer fees; and
 - iii) In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The selected comparables are residential land located in the area close to the subject property, which were transacted in 2017 and 2018. The accommodation value of these comparable land sites ranges from RMB3,400 to RMB6,400 per sq.m. for residential use, ranges from RMB650 to RMB750 per sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed accommodation value for the property.
4. We have been provided with a legal opinion regarding the property interest by the Purchaser’s PRC legal advisers, which contains, inter alia, the following:

The aforesaid State-owned Land Use Rights Grant Contracts are legal and valid.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	N/A
c.	Building Ownership Certificate	N/A
d.	Construction Land Planning Permit	N/A
e.	Construction Work Planning Permit	N/A
f.	Construction Work Commencement Permit	N/A
g.	Pre-sale Permit	N/A
h.	Construction Work Completion and Inspection Certificate/Table	N/A

* *The property was bare land as at the valuation date. The “N/A” mentioned in b to h in note 5 stands for not available in current development stage of the property.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company as at the Latest Practicable Date:

		<i>HK\$</i>
<i>Authorised:</i>		
<u>20,000,000,000</u>	Shares of HK\$0.0025 each	<u>50,000,000</u>
<i>Issued and fully paid:</i>		
<u>5,330,387,880</u>	Shares of HK\$0.0025 each	<u>13,325,970</u>

3. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at the Latest Practicable Date, 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 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)	1,968,200,000	–	1,968,200,000	36.92%
	Beneficial owner	–	6,400,000	6,400,000	0.12%
	Interest of spouse (Note 2)	1,033,000,000	–	1,033,000,000	19.38%
Mr. Ng Chi Chung ("Mr. Ng")	Interest in controlled corporation (Note 3)	1,115,800,000	–	1,115,800,000	20.93%
	Beneficial owner	12,098,000	6,400,000	18,498,000	0.34%

Notes:

1. These Shares were held by Expert Corporate Limited ("**Expert Corporate**"), which was wholly and beneficially owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 1,968,200,000 Shares under the SFO.
2. Mr. Hong is the spouse of the Ms. Shi Hongjiao, the vendor of a very substantial acquisition and connected transaction of the Company announced on 7 November 2018. Mr. Hong is therefore deemed to be interested in all the Shares owned by Ms. Shi. For details please refer to section 4 below.
3. These Shares were held by Ever Ultimate Limited ("**Ever Ultimate**"), which was wholly and beneficially owned by Mr. Ng Chi Chung. By virtue of the SFO, Mr. Ng Chi Chung is deemed to be interested in the 1,115,800,000 Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, 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.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

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

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

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Expert Corporate	Beneficial owner (<i>Note 1</i>)	1,968,200,000	36.92%
Ms. Shi Hongjiao ("Ms. Shi")	Interest of spouse (<i>Note 2</i>)	1,974,600,000	37.04%
	Beneficial owner	1,033,000,000	19.38%
Ever Ultimate	Beneficial owner (<i>Note 3</i>)	1,115,800,000	20.93%
Ms. Ting Pui Shan ("Ms. Ting")	Interest of spouse (<i>Note 4</i>)	1,134,298,000	21.27%
Jianda Value Investment Fund L.P.	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	14.07%
Li Yining	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	14.07%
Cinda International Holdings Limited	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	14.07%
Wu Haitao	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	14.07%
Tian Sheng Universal Limited	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	14.07%
Caitong Securities Co., Limited	Person having a security intend in shares (<i>Note 5</i>)	750,000,000	14.07%

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
China Cinda Asset Management Co., Limited	Person having a security intend in shares (<i>Note 5</i>)	750,000,000	14.07%
Ministry of Finance of Zhejiang Province, the People's Republic of China (中華人民共和國 浙江省 財政廳)	Person having a security intend in shares (<i>Note 5</i>)	750,000,000	14.07%
Sinoday Limited	Person having a security intend in shares (<i>Note 5</i>)	750,000,000	14.07%
Asia United Fund	Investment manager	929,798,000	17.44%

Notes:

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

Save as disclosed above and as at the Latest Practicable Date, 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.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

6. QUALIFICATIONS AND CONSENTS OF EXPERT(S)

The following is the qualifications of the expert(s) who has given opinion or advice which are contained in this circular:

Name	Qualification
Jones Lang LaSalle	an independent property valuer
Fujian Yingkun Law Firm* (福建瀛坤律師事務所) ("PRC Lawyer")	legal adviser to the Project Company as to PRC law

As at the Latest Practicable Date, the Valuer and the PRC Lawyer has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which it appear.

As at the Latest Practicable Date, the Valuer and the PRC Lawyer has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Valuer and the PRC Lawyer has no interest, either directly or indirectly, in any assets which had been since 31 December 2017 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, Date, so far as the Directors are aware, none of the Directors or their respective associates had any interests in a business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, save as the conditional sale and purchase agreement dated 21 November 2017 entered into between Differ Asset Development Limited, a wholly owned subsidiary of the Company and Ms. Shi as disclosed in the circular of the Company dated 23 December 2017, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Save as the conditional sale and purchase agreement dated 7 November 2018 entered into between Differ Cultural Tours Limited, an indirect wholly-owned subsidiary of the Company and Ms. Shi, as disclosed in the announcement of the Company dated 7 November 2018, and the conditional sale and purchase agreement dated 21 November 2017 entered into between Differ Asset Development Limited, a wholly owned subsidiary of the Company and Ms. Shi as disclosed in the circular of the Company dated 23 December 2017, there was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2017, the date to which the latest published audited financial statements of the Company were made up.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Group within the two years immediately preceding the date of this circular and are or may be material:

- a. the finance lease agreement dated 29 December 2016 entered into between 嘉實(廈門)融資租賃有限公司 (Jiashi (Xiamen) Financial Lease Limited) (“**Jiashi Xiamen**”) as the lessor and a limited liability company established in PRC as the lessee, in relation to the granting of the finance lease service by Jiashi Xiamen to the lessee through the bank for a term of 120 months for an amount of financing provided by Jiashi Xiamen at approximately RMB110,000,000;

- b. the loan agreement dated 14 February 2017 entered into between Jianda Value Investment Fund L.P (“**Cinda Subscriber**”) as the lender and the Company as the borrower for the loan in the principal amount of US\$10,000,000 and maturity date at 10 months from the date of the drawing down of the loan at the interest rate of 7% per annum;
- c. the entrusted loan agreement dated 5 May 2017 entered into among a local branch of a PRC commercial bank as the entrusted party, 廈門市鼎豐貸投資諮詢有限公司 (Xiamen Differ Dai Investment Consulting Company Limited) (“**Differ Dai**”), as the entrusting party, and 陽光國際集團科技發展有限公司 (Sunshine International Group Technology Development Company Limited) as the borrower, in relation to the granting of the entrusted loan in the amount of RMB200,000,000 granted by Differ Dai to the borrower through the bank for a term of 5 months at the interest rate of 12% per annum;
- d. the entrusted loan agreement dated 5 May 2017 entered into among a local branch of a PRC commercial bank as the entrusted party, Differ Dai as the entrusting party, and 泉州市泉美生物科技有限公司 (Quanzhoushi Quanmei Biotechnology Company Limited) as the borrower, in relation to the granting of the entrusted loan in the amount of RMB233,500,000 granted by Differ Dai to the borrower through the bank for a term of 5 months at the interest rate of 12% per annum;
- e. the finance lease agreement dated 9 May 2017 entered into between Differ Financial Holdings Limited (“**Differ Financial**”) as the lessor and a limited liability company established in Philippines as the lessee, in relation to the granting of the finance lease service by Differ Financial to the lessee for a term of 24 months for an aggregate amount of financing provided by Differ Financial of US\$13,650,000;
- f. the guarantee service agreements dated 29 June 2017 entered into among the Company and 鼎豐集團(中國)有限公司 (Differ Group (China) Company Limited*) (“**Differ China**”), an indirect wholly-owned subsidiary of the Company (together as the guarantors) and 龍之族(中國)有限公司 (Long Zhi Zu (China) Company Limited) (“**Long China**”) (as the borrower), pursuant to which the guarantors agreed to guarantee to pay the amount of not exceeding RMB155,000,000 in respect of the facility due and owing to a local branch of a PRC commercial bank by Long China in the event of Long China’s default;
- g. the guarantee service agreements dated 29 June 2017 entered into among the Company and Differ China (together as the guarantors) and 石獅富融商貿有限公司 (Shishi Fu Rong Trading Company Limited) (“**Shishi Fu**”) (as the borrower), pursuant to which the guarantors agreed to guarantee to pay the amount of not exceeding RMB80,000,000 in respect of the facility due and owing to a local branch of a PRC commercial bank by Shishi Fu in the event of Shishi Fu’s default;
- h. the guarantee service agreements dated 29 June 2017 entered into among the Company and Differ China (as the Guarantors) and 福建京福輝紡織科技有限公司 (Fujian Jing Fu Huei Textile Technology Company Limited) (“**Fujian Jing**”) (as the borrower), pursuant to which the Guarantors agreed to guarantee to pay the amount of not exceeding RMB80,000,000 in respect of the facility due and owing to a local branch of a PRC commercial bank by Fujian Jing in the event of Fujian Jing’s default;

- i. the loan agreement dated 29 June 2017 entered into between Cinda Subscriber as the lender and the Company as the borrower for the loan in the principal amount of US\$9,000,000 and maturity date at 12 months from the date of the drawing down of the loan at the interest rate of 7% per annum;
- j. the placing agreement dated 1 August 2017 entered into between the Company as the issuer and Quasar Securities Limited, an Independent Third Party, as the placing agent for the placing of bonds, on a best efforts basis, in the aggregate principal amount of up to HK\$200,000,000;
- k. the guarantee service master agreement dated 14 September 2017 entered into among the Company and Differ China (together as the guarantors) and Dragon China, Shishi Fu and Fujian Jing (together as the borrowers) (the “**Customers**”) for a period of two years. During any time within the period of the guarantee service master agreement, the guarantors have guaranteed to pay all Indebtedness in an aggregate amount of not exceeding RMB315,000,000 (equivalent to approximately HK\$375,000,000), being the in respect of the facilities due and owing to a local branch of a PRC commercial bank by the Customers in the event of the Customers’ default;
- l. the agreement for the sale and purchase dated 27 September 2017 in respect of 25% of the issued shares of Differ Supply Chain Development Group Limited entered into between Yung Tin Yuet, as the vendor and the Company, as the purchaser, at a consideration of RMB\$8,000,000;
- m. the entrusted loan agreement dated 28 September 2017 entered into among a local branch of a PRC commercial bank as the entrusted party, Differ Dai as the entrusting party, and 泉州陽光盛世生物科技有限公司 (Quanzhou Sunshine Shengshi Biotechnology Company Limited) as the borrower, in relation to the granting of the entrusted loan in the amount of RMB200,000,000 granted by Differ Dai to the borrower through the bank for a term of 12 months at the interest rate of 12% per annum;
- n. the entrusted loan agreement dated 28 September 2017 entered into among a local branch of a PRC commercial bank as the entrusted party, Differ Dai as the entrusting party, and 泉州泉美盛世生物科技有限公司 (Quanzhoushi Quanmei Shengshi Biotechnology Company Limited) as the borrower, in relation to the granting of the entrusted loan in the amount of RMB175,000,000 granted by Differ Dai to the borrower through the bank for a term of 12 months at the interest rate of 12% per annum;
- o. the conditional sale and purchase agreement dated 27 October 2017 entered into between Differ Company Limited and Jiashi Company Limited in respect of the acquisition of the 37% of the entire issued capital of Jiashi Financial Limited (嘉實金融有限公司);
- p. the conditional sale and purchase agreement dated 21 November 2017 entered into between Differ Asset Development Limited and Ms. Shi in respect of the acquisition of the entire issued share capital of Differ Cultural Tourism Development Company Limited (鼎豐文旅發展有限公司), at a consideration of RMB375,000,000;

- q. the master agreement dated 20 April 2018 entered into between Differ Dai and a limited liability company established in the PRC which is principally engaged in investment and management of assets and investment advisory service in the PRC, as the customer, pursuant to which Xiamen Differ Dai Investment Consulting Company Limited agreed to provide entrusted loans with an aggregate amount up to RMB150,000,000 (equivalent to approximately HK\$185,185,000) through a local branch of a PRC commercial bank to the customer;
- r. the placing and subscription agreement dated 21 June 2018 and entered into among the Company, as the issuer, Ever Ultimate Limited, as the vendor and Riches Depot Securities Co., Limited, as the placing agent in relation to the placing to the placee(s) procured by the placing agent for, or failing which the placing agent will itself purchase, of the 610,378,000 Shares beneficially owned by the vendor and the subscription for an aggregate of 610,378,000 new Shares by the vendor at HK\$0.53;
- s. the sale and purchase agreement dated 27 July 2018 entered into between Wang Jianxiong* (王劍雄) (“**Mr. Wang**”) as the vendor and Differ Cultural and Creative Investment Company Limited (鼎豐文創投資有限公司), a direct wholly-owned subsidiary of the Company as the purchaser in respect of the acquisition the entire issued share capital of Karhoe Company Limited (嘉禾有限公司) (“**Karhoe**”) and the amount due from Karhoe and its subsidiaries to Mr. Wang, in the sum of RMB235,379,000, in the aggregate consideration of RMB260,000,000, part of which in the sum of RMB204,000,000 (equivalent to HK\$240,000,000) shall be satisfied by the issue of the convertible bonds to Mr. Wang or his nominee;
- t. the placing agreement dated 14 September 2018 entered into between the Company as the issuer and China Hong Kong Capital Asset Management Co., Limited, an Independent Third Party, as the placing agent for the placing of bonds, on a best efforts basis, in the aggregate principal amount of up to HK\$200,000,000;
- u. the sale and purchase agreement dated 18 September 2018 entered into among Hong Qiaosi* (洪巧絲), as the creditor, Wu Yukai* (吳筱凱) and Wu Jianfei* (吳建飛), collectively as the vendors and Cultural Tours Limited (文旅有限公司), as the purchaser in respect of the acquisition of the amount due by the vendors to the creditor of RMB190 million, and taking up of the 30% equity interest in Jingning Differ Real Estate Limited* (景寧鼎豐置業有限公司) and 30% equity interest in Lishui Fu Feng Cultural Tours Limited* (麗水市富豐文化旅遊有限公司) by the purchaser;
- v. the conditional sale and purchase agreement dated 7 November 2018 entered into between Differ Cultural Tours Company Limited and Ms. Shi Hongjiao in respect of the acquisition of the entire issued share capital of Prime Thrive Investments Limited, at a consideration of RMB499,972,000;

- w. the confirmation letter dated 13 November 2018 entered into between the Longquan Differ Cultural Tourism Company Limited* (龍泉市鼎豐文化旅遊有限公司), a subsidiary of the Company, and Longquan City Land and Resources Bureau* (龍泉市國土資源局), a local PRC government authority, confirming the acquisition of the land use right of a parcel of land located in the South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi* (東茶路以南, 環城東路以東, 龍泉溪以北) at the consideration of RMB430,300,000; and
- x. the confirmation letter dated 13 November 2018 entered into between the Longquan Differ Cultural Tourism Company Limited* (龍泉市鼎豐文化旅遊有限公司), a subsidiary of the Company, and Longquan City Land and Resources Bureau* (龍泉市國土資源局), a local PRC government authority, confirming the acquisition of the land use right of a parcel of land located in the South of Dongcha Road, East of Huan Cheng Road and North of Longquanxi* (東茶路以南, 環城東路以東, 龍泉溪以北), at the consideration of RMB704,750,000.

12. MISCELLANEOUS

- a. The secretary of the Company is Mr. Tam Wai Tak Victor, who is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- b. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Group is located at 33/F, Differ Fortune Plaza, No. 503 Gaolin Middle Road, Huli District, Xiamen City, Fujian, Province, PRC. The principal place of business of the Company in Hong Kong registered as non-Hong Kong company of the Companies Ordinance, cap 622, is located at Room 1602, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong.
- c. The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- d. This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over their respective Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day at the head office and principal place of business in Hong Kong of the Company at Room 1602, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong from the date of this circular up to the date which is 14 days after the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2015, 31 December 2016, 31 December 2017 and the interim report for the six months ended 30 June 2018;
- (c) the valuation report on the Land Plots prepared by the Valuer, the text of which is set out in Appendix II to this circular;
- (d) the material contracts referred to under the section headed “Material Contracts” in this appendix;
- (e) the written consent referred to in the paragraph headed “Experts and Consents” in this appendix;
- (f) the circulars of the Company dated 23 December 2017; and
- (g) this circular.

* *For identification purposes only. The Chinese names of the respective individuals and entities have been translated into English in this circular. In the event of any discrepancies between the Chinese names and the corresponding English translation, the Chinese names prevail.*

NOTICE OF EGM

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Differ Group Holding Company Limited (the “**Company**”) will be held on Unit 1102-3, 11/F, Nine Queen’s Road Central, Hong Kong on Friday, 18 January 2019 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution. Capitalised terms contained in the circular dated 24 December 2018 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the entering into of the conditional cooperation agreement dated 2 November 2018 between Xiamen Differ, Investor A, Investor B and the Purchaser, in respect of the joint operation of, and investment in the Purchaser for the Acquisitions be and is hereby approved, confirmed and ratified;
- (b) the Acquisitions entered by Longquan Differ Cultural Tourism Company Limited* (龍泉市鼎豐文化旅遊有限公司), 70%-owned subsidiary of the Company, as the purchaser, with Longquan City Land and Resources Bureau* (龍泉市國土資源局), a local PRC government authority, as the vendor and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) any one or more of the Directors be authorised, for and on behalf of the Company, to take all steps necessary or expedient in his/their opinion to approve and implement and/or give effect to the Acquisitions and the transactions contemplated thereunder, including, among other things, to sign and deliver for and on behalf of the Company or its relevant subsidiary any and all documents necessary or desirable for giving effect to the Acquisitions, or making non-material amendments thereto and the authority to amend the time by which completions of such agreements are to take place; and
- (d) all the conducts, including but not limit to the submission of the Bid and execution of documents, taken by any one Director prior to the date of this resolution be approved, ratified and confirmed.

Yours faithfully,

By order of the Board

Differ Group Holding Company Limited

HONG Mingxian

Chairman and executive Director

Hong Kong, 24 December 2018

NOTICE OF EGM

As at the Latest Practicable Date, the executive Directors are Mr. HONG Mingxian, Mr. NG Chi Chung and Mr. CAI Huatan; the non-executive Directors are Mr. CAI Jianfeng and Mr. WU Qinghan; and the independent non-executive Directors are Mr. CHAN Sing Nun, Mr. LAM Kit Lam and Mr. ZENG Haisheng.

* *In this notice, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

Registered office:

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

Head office and principal place of business

in the People's Republic of China:

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

Head office and principal place of business in Hong Kong

*registered as non-Hong Kong company under the
Companies Ordinance, cap. 622:*

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

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the proxy form appointing a proxy shall be deemed to be revoked.