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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION

Reference is made to the announcement of Differ Group Holding Company Limited (the "**Company**") dated 18 June 2020 (the "**Announcement**") in relation to the discloseable transaction in relation to (1) acquisition of 49% equity interest in Weihai Zhongtian Real Estate Limited; and (2) acquisition of 51% equity interest in and debt due by Shanghang Fengda Real Estate Co., Ltd involving issue of consideration shares under general mandate. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

This announcement is made to provide supplemental information on the basis of the Consideration.

Consideration A

(a) Future development

The Board noted that the main asset of Target Company A is the land use right of Target Land A, which has total land area of 72,290 sq. m, consisting of Part 1 (Phase 1 and 2 of Longdu Lijing (龍都麗景) of 29,092 sq. m.) and Part 2 (Phase 3 and 4 of Longdu Lijing (龍都麗景) of 43,198 sq. m.). The Company had specifically considered the anticipated future development of the properties on Target Land A, in particular Part 2, which is expected to develop into a residential and commercial mixed-use complex. Based on the Company's previous preliminary market research of transactions of the similar properties, the average unit price of one sq. m. is around RMB7,000 and RMB16,000 for residential unit and commercial unit respectively. It is expected the proportionate expected unaudited profit attributed to the respective 49% interest of Target Company A will be about 50% greater than the Consideration A. Therefore, the Company is of the view that such expected profits contribute to the justification of the said 52.7% premium of the 49% proportionate interest of the Adjusted NAV of Target Company A for Consideration A. The above unaudited information was prepared based on the preliminary internal information of the Company, which might differ from those disclosed in the audited or unaudited consolidated financial statements to be published on an annual or semi-annual basis due to various potential uncertainties. As such, the information provided above is solely for the reference of shareholders and investors of the Company only and cannot be treated as a profit forecast.

(b) Issue of Consideration Shares

In determining Consideration A, the Company has also taken into account of the advantage of the issue of Consideration Shares to reduce cash outflow. For the interest of the Company and its shareholders as a whole, the Company targets to reduce its cash outflow by issuing the Consideration Shares as consideration for the acquisition of the Target Equity A. In light of this objective, the Company has made its best effort to convince the Vendor to accept the Consideration Shares instead of cash. The issue of the Consideration Shares is not equivalent to payment by cash. Further, if the Company pays cash by borrowing instead of issuing Consideration Shares as consideration, there will be additional financial costs to the Company. After much negotiation with the Vendor, the Vendor was only willing to accept the Consideration Shares in lieu of cash if there was a premium to the proportionate interest of 49% of the Adjusted NAV of Target Company A. The Company considers the said 52.7% premium for Consideration A to be reasonable as the issue of Consideration Shares provides much greater flexibility to the financial status of the Company by limiting cash outflow and allowing the Company to utilize its existing funds on the general working capital of the Group or other investment opportunities.

(c) Outstanding Loan

Further, the Company had also taken into account of a debt due from Zhangzhou Fuyuan to the Vendor in determining Consideration A. As stated on page 2 of the Announcement that "as at the date of this announcement, Target Company A is jointly owned by Xiamen Differ and Zhangzhou Fuyuan as to 51% and 49% respectively". As further disclosed in the Announcement, Zhangzhou Fuyuan currently owes the Vendor and/or his controlled companies a certain debt. By way of repayment of such debt in the sum of RMB70 million (as advised by the Vendor) (the "**Outstanding Loan**"), Zhangzhou Fuyuan has agreed to transfer the Target Equity A to the Vendor's designated person, namely Xiamen Herunxin (the "**Transfer**"). The Vendor and Zhangzhou Fuyuan will not agree to proceed with the sale of the Target Equity A to the Purchaser if the Consideration A is not sufficient to cover the Outstanding Loan. After Completion, the Outstanding Loan will be fully settled through the Transfer.

The Company, having considered the said range of factors, and weighing each of them, is then of the view that the Consideration A is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Consideration B

(a) Synergy effect

The payment already made by the Vendor for Target Land B is one of the factors considered by the Company for determination of the Consideration B, but this was not the sole determining factor. The Company believes that a combination of factors collectively justify the said premium of Consideration B.

The Group currently owns another land plot (the "**Current Project**") in the same area which is adjacent to the Target Land B. In determining the Consideration B, the Board believes that this current acquisition of the Target Land B through the Target Company B would offer a valuable business opportunity and would bring synergy effect to the Company and its shareholders as a whole as it would prevent the Target Land B from being acquired by a competitor of the Group and/or any third party who might do anything which might adversely affect the Group's Current Project, which in turn would affect the business and sales of properties on its existing land plot in the same area, where a residential and commercial mixed-use complex is currently being built.

(b) Economies of scale

With the acquisition of the Target Land B, the economies of scale of the current projects of the Group will be improved and the prospect of the generation of profit will be enhanced, after considering the future cost analysis of the Target Land B. The estimated total plot ratio floor area of the Target Land B will be around 210,000 sq.m. Approximately 155,000 sq.m will be used for construction of residential units and approximately 55,000 sq.m will be used for construction of a commercial complex (i.e shopping mall) which will have synergy effect with the current commercial complex of approximately 22,500 sq. m (i.e hotels and offices) to be constructed in the Current Project. The business to be conducted in those two comprehensive buildings will complement and enhance each other so as to form the new business center of Shanghang County, the PRC. The creation of a new city center will in turn significantly enhance the regional value of the project in the city. According to internal preliminary market estimates, due to the improvement of regional status, it is expected that the selling price of the residential units might be increased by not less than 10%. It is expected that the units at the Target Land B will be sold prior to the units located at the Current Project. As a result, the sales of units at the two plots will not compete with each other, and the sequential sales can also drive the benign increase in house prices and the Group can obtain the optimal income. At the same time, the control of the overall sales rhythm can also effectively reduce sales promotion costs and maximize the brand value. The Group believes the combined volume of the two projects is sufficient to establish its status as the new center of the Shanghang County in the future. Furthermore, the complementary business formats can satisfy an all-rounded, all-age and all-weather consumer demand. At the same time, the sizable residential area of Target Land B and the Current Project in aggregate will also provide a fixed consumer group for comprehensive buildings and the hotel-office complex. The Company believes because of the different city levels, this project will become the city's unique new center. Commercial facilities will normally improve the quality of the residential units which will in turn raise the potential selling price. A large number of residences will provide a stable flow of customers for businesses in the area, thereby enhancing the overall value of business.

(c) Issue of Consideration Shares

As stated above, the Board considered that the settlement of the Consideration B by Consideration Shares in lieu of cash would provide greater flexibility to the financial status of the Company by limiting cash outflow and allowing the Company to utilize its existing funds on the general working capital of the Group or other investment opportunities. In light of the above, although Consideration B is at a 49.6% premium of the proportionate payment made by the Vendor in the sum of approximately RMB95 million, the Company is of the view that the basis of the Consideration B is fair and reasonable and in the interests of the Company and shareholders as a whole after taking into account of the aforesaid factors.

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

Hong Kong, 7 July 2020

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

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