



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

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6878

Interim Report 2017

CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

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

NON-EXECUTIVE DIRECTORS:

Mr. CAI Jianfeng
 Mr. WU Qinghan

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

23rd Floor, Tower 11
 166 Tapu East Road
 Xiamen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

TAM Wai Tak Victor

COMPLIANCE OFFICER

CAI Huatan

AUDITOR

BDO Limited

AUTHORISED REPRESENTATIVES

HONG Mingxian
 TAM Wai Tak Victor

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

China Construction Bank, Guanyinshan branch
 Podium Floor, Tower 4
 Guanyinshan Business District
 Xiamen, Fujian Province
 The PRC

Bank of China, Shishi branch
 Bank of China Tower
 2059 Baqi Road
 Shishi, Fujian Province
 The PRC

COMPANY WEBSITE

www.dfh.cn

STOCK CODE

6878

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Differ Group Holding Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
	<i>Notes</i>	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Income from financial related services	3	100,075	98,447
Income from assets management business	3	51,918	34,433
Other income	3	3,025	2,414
Gain on disposal of subsidiaries		–	4,704
Employee benefit expenses		(9,608)	(9,294)
Depreciation and amortisation expenses		(1,261)	(1,380)
Operating lease expenses		(621)	(1,106)
Equity-settled share-based payments		(6,609)	(3,141)
Other expenses		(11,589)	(11,496)
Share of results of an associate		143	–
Change in fair value of derivative financial instruments	14	1,986	2,513
Loss on redemption of convertible bonds	14	(2,582)	–
Financial costs	5	(22,145)	(14,739)
Profit before income tax	6	102,732	101,355
Income tax expense	7	(22,708)	(26,092)
Profit for the period		80,024	75,263

		Six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
	<i>Note</i>		
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		1,379	(3,641)
– Fair value change on available-for-sale financial assets		(300)	22,262
– Release to profit or loss upon disposals of available-for-sale financial assets		–	(9,700)
		<u>81,103</u>	<u>84,184</u>
Total comprehensive income for the period			
Profit for the period attributable to:			
Owner of the Company		73,584	71,155
Non-controlling interests		6,440	4,108
		<u>80,024</u>	<u>75,263</u>
Total comprehensive income attributable to:			
Owner of the Company		74,663	80,076
Non-controlling interests		6,440	4,108
		<u>81,103</u>	<u>84,184</u>
Earnings per share			
– Basic (<i>RMB cents</i>)		1.74	1.68
– Diluted (<i>RMB cents</i>)	9	1.74	1.68

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	9,751	10,659
Prepaid land lease		6,308	6,512
Interests in an associate		20,150	20,007
Finance lease, loan and account receivables	11	329,562	392,695
Prepayments, deposits and other receivables		–	30,000
Goodwill		33,400	33,400
Available-for-sales financial assets	12	142,530	56,430
		541,701	549,703
Current assets			
Finance lease, loan and account receivables	11	1,086,549	912,861
Prepayments, deposits and other receivables	13	182,983	234,618
Restricted bank deposits		87,913	122,831
Cash and bank balances		28,114	20,977
		1,385,559	1,291,287
Current liabilities			
Accruals, other payables, deposits received and deferred income		129,812	89,508
Provision for taxation		27,858	32,146
Bank and other borrowings		198,964	95,074
Corporate bonds		49,456	–
Convertible bonds	14	–	197,895
Derivative financial instruments	14	–	8,909
		406,090	423,532
Net current assets		979,469	867,755
Total assets less current liabilities		1,521,170	1,417,458

	<i>Notes</i>	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Non-current liabilities			
Deposits received and deferred income		33,215	61,714
Bank borrowings		90,638	121,335
Corporate bonds		170,412	95,216
		<u>294,265</u>	<u>278,265</u>
Net assets		<u>1,226,905</u>	<u>1,139,193</u>
EQUITY			
Share capital	15	8,292	8,292
Reserves		1,101,778	1,020,506
Equity attributable to owners of the Company		<u>1,110,070</u>	<u>1,028,798</u>
Non-controlling interests		<u>116,835</u>	<u>110,395</u>
Total equity		<u>1,226,905</u>	<u>1,139,193</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company											
	Share capital	Share premium	Capital reserve	Merger and other reserve	Share options reserve	Statutory reserve	Financial assets revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2017 (Unaudited)												
At 1 January 2017	8,292	356,029	247,562	(8,312)	12,120	43,750	300	(13,898)	382,955	1,028,798	110,395	1,139,193
Profit for the period	-	-	-	-	-	-	-	-	73,584	73,584	6,440	80,024
Other comprehensive income for the period	-	-	-	-	-	-	(300)	1,379	-	1,079	-	1,079
Total comprehensive income for the period	-	-	-	-	-	-	(300)	1,379	73,584	74,663	6,440	81,103
Equity-settled share based transactions	-	-	-	-	6,609	-	-	-	-	6,609	-	6,609
Transfer to statutory reserve	-	-	-	-	-	8,716	-	-	(8,716)	-	-	-
At 30 June 2017	<u>8,292</u>	<u>356,029</u>	<u>247,562</u>	<u>(8,312)</u>	<u>18,729</u>	<u>52,466</u>	<u>-</u>	<u>(12,519)</u>	<u>447,823</u>	<u>1,110,070</u>	<u>116,835</u>	<u>1,226,905</u>
For the six months ended 30 June 2016 (Unaudited)												
At 1 January 2016	8,292	356,029	277,562	(8,345)	-	27,774	9,700	(2,639)	233,422	901,795	96,044	997,839
Profit for the period	-	-	-	-	-	-	-	-	71,155	71,155	4,108	75,263
Other comprehensive income for the period	-	-	-	-	-	-	12,562	(3,641)	-	8,921	-	8,921
Total comprehensive income for the period	-	-	-	-	-	-	12,562	(3,641)	71,155	80,076	4,108	84,184
Equity-settled share based transactions	-	-	-	-	3,141	-	-	-	-	3,141	-	3,141
Transfer to statutory reserve	-	-	-	-	-	7,413	-	-	(7,413)	-	-	-
At 30 June 2016	<u>8,292</u>	<u>356,029</u>	<u>277,562</u>	<u>(8,345)</u>	<u>3,141</u>	<u>35,187</u>	<u>22,262</u>	<u>(6,280)</u>	<u>297,164</u>	<u>985,012</u>	<u>100,152</u>	<u>1,085,164</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Net cash generated from/(used in) operating activities	118,957	(207,999)
Net cash used in investing activities	(81,199)	(3,226)
Net cash (used in)/generated from financing activities	(31,700)	170,770
Net increase/(decrease) in cash and cash equivalents	6,058	(40,455)
Cash and cash equivalents at the beginning of the period	20,977	89,510
Effect of foreign exchange rate changes, net	1,079	(1,790)
Cash and cash equivalents at the end of the period	28,114	47,265

1. CORPORATE AND GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Group is located at 23rd Floor, Tower 11, 166 Tapu East Road, Xiamen, the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are provision of guarantee services, express loan services, financial services, finance lease services and assets management services.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

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

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2016 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on 1 January 2017. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations and financial position.

3. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Income from financial related services		
Interest income from express loan service:		
– Pawn loan	–	7,669
– Entrusted loan	21,036	40,068
– Money lending	13,401	6,399
Consultancy income from:		
– Financial consultancy service	28,539	15,512
– Supply chain agency service	3,242	–
Income from guarantee services	3,018	6,007
Income from finance lease services	30,839	22,792
	<hr/>	<hr/>
Income from assets management services	100,075	98,447
	51,918	34,433
	<hr/>	<hr/>
	151,993	132,880
	<hr/> <hr/>	<hr/> <hr/>
Other income		
Bank interest income	511	602
Government grant	2,377	1,771
Others	137	41
	<hr/>	<hr/>
	3,025	2,414
	<hr/> <hr/>	<hr/> <hr/>

4. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's executive Directors in order to allocate resources and assess performance of the segment. Executive Directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in provision of financial services which includes the provision of guarantee, express loan, consultancy, supply chain services, finance lease services and assets management. The executive Directors allocate resources and assess performance on an aggregated basis. The Group's revenue from external customers is divided into certain groups of products which is disclosed in note 3.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC and Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile.

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is mainly sourced from the PRC (including Hong Kong). The total revenue is disclosed in note 3. The Group's non-current assets other than financial instruments are principally located in the PRC (including Hong Kong).

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue:

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Customer 1	20,233	–

5. FINANCE COSTS

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Interest on bank and other borrowings	7,349	8,197
Interest on corporate bonds	5,191	2,126
Interest on convertible bonds (note 14)	9,605	4,416
	22,145	14,739

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Depreciation of property, plant and equipment	1,057	1,176
Amortisation of prepaid land lease	204	204
Employee benefit expenses (including Directors' remuneration)		
Salaries	8,481	8,223
Pension scheme contributions – Defined contribution plans	415	404
Other benefits	712	667
	9,608	9,294
Equity-settled share-based payments	6,609	3,141
Impairment loss on finance lease, loan and account receivables	2,068	1,349
Operating lease charges in respect of properties	621	1,106

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Current tax		
PRC		
– current period	22,501	26,092
– withholding tax	207	–
	<u>22,708</u>	<u>26,092</u>

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

Enterprise income tax arising from subsidiaries operated in the PRC for the six months ended 30 June 2017 was calculated at 25% (2016: 25%) of the estimated assessable profits during the period, except for subsidiaries established and operated in Ganzhou in 2016, which are beneficial from a preferential tax policy from the local tax authorities and are entitled to a reduced tax rate of 15% for the years from 2016 to 2020.

Withholding tax was calculated at 7% of interest paid by PRC entities to a non-PRC holding company during the period (2016: Nil).

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2017 (2016: Nil).

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

9. EARNINGS PER SHARE

The calculations of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to owners of the Company of approximately RMB73,584,000 (2016: RMB71,555,000) and on the 4,236,009,880 (2016: 4,236,009,880) ordinary shares issued throughout the six months ended 30 June 2017.

Diluted earnings per share for the six months ended 30 June 2017 is the same as the basic earnings per share because the impact of the potential dilutive ordinary shares outstanding is anti-dilutive (2016: anti-dilutive).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group spent approximately RMB547,800 (2016: RMB482,000) on acquisition of motor vehicles, furniture, fixture and office equipment.

11. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Non-current assets		
Finance lease receivables	306,329	352,690
Loan receivables	–	11,440
Distressed assets classified as receivables	<u>23,233</u>	<u>28,565</u>
	<u>329,562</u>	<u>392,695</u>
Current assets		
Distressed assets classified as receivables	19,969	6,240
Entrusted loan receivables	463,500	366,350
Finance lease receivables	315,544	238,173
Loan receivables	202,952	154,717
Receivables from guarantee customers	52,878	48,498
Account receivables	<u>31,706</u>	<u>98,883</u>
	<u>1,086,549</u>	<u>912,861</u>

For finance lease receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The maturity date for each loan contract is ranging from one to ten years.

For entrusted loan receivables, they represented loans from the Group to customers through banks in the PRC. In an entrusted loan arrangement, the bank entered into loan agreements with the customers. The customers repaid the loan to the bank and then the bank returned the principal and accrued interest to the Group. While the bank exercises supervision over and receives repayment from the borrower, the bank does not assume any risk of default in repayment by the borrower. The maturity date for each loan contract is normally not more than 360 days.

For loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The maturity date for each loan contract is normally not more than 2 years.

For account receivables, it represented interest receivables from entrusted loans, finance lease and loan receivables, financial consultancy fee receivables and proceeds receivables from disposals of other assets acquired for assets management business. The customers are obliged to settle the amounts according to the terms set out in relevant contracts and, normally, no credit period was granted to customers.

For receivables from guarantee customers, it represented the repayment paid to the banks on behalf of the guarantee customers. The guarantee customers are obliged to settle the amounts according to the terms set out in relevant contracts and no credit period was granted to customers.

For distressed assets classified as receivables, these represented the receivables from the obligors of non-performing loans. These loans were acquired from various financial institutions and other outsiders. The borrowers/guarantors are obliged to settle the amount according to the terms set out in relevant loan/guarantee agreements.

Based on the loan commencement date set out in the relevant contracts, ageing analysis of the Group's finance lease, loan and account receivables, excluding receivables from guarantee customers and distressed assets classified as receivables, net of impairment loss, as of each reporting date is as follows:

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
0 to 30 days	78,746	324,741
31 to 90 days	578,354	47,082
91 to 180 days	39,320	48,264
Over 180 days	623,611	802,166
	<u>1,320,031</u>	<u>1,222,253</u>

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Non-current assets		
Unlisted equity securities, at cost (Note a)	92,530	6,130
Distressed assets (Note b)	50,000	50,300
	<u>142,530</u>	<u>56,430</u>

Notes:

(a) Unlisted equity securities

The unlisted available-for-sale equity securities are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant and the probability of the various estimates is significant. Accordingly, the Directors of the Group are of the opinion that fair value cannot be reliably measured.

(b) Distressed assets

The available-for-sale distressed assets are denominated in RMB and there is no public market for investments.

During the six months ended 30 June 2017, a loss arising on change in fair value of approximately RMB300,000 (31 December 2016: surplus of RMB22,833,000) was recognised in other comprehensive income and accumulated in the financial assets revaluation reserve.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Non-Current Assets		
Amounts paid for properties acquired for assets management business	—	30,000
	—	30,000
Current Assets		
Amounts paid for land and properties acquired for assets management business	166,515	112,700
Prepaid expenses, other receivables and deposits paid	16,468	121,918
	182,983	234,618

The carrying amounts of deposits paid and other receivables approximate their fair values as these financial assets which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

14. CONVERTIBLE BONDS

On 18 May 2016, the Company issued the convertible bonds (the “Convertible Bonds”) in an aggregate principal amount of United States Dollar (“US\$”) US\$30,000,000 at 6% coupon rate per annum (plus 2% administrative fee per annum) with maturity on 17 November 2017 (“Maturity Date”) (subject to an extension of a further eighteen months if agreed by the Company and the relevant convertible bondholders (“Bondholders”). The Convertible Bonds are convertible (at any time on or after 18 November 2016 and up to the close of business on the business day immediately preceding the Maturity Date) by the Bondholders into ordinary share of the Company of HK\$0.0025 each at the option of the Bondholders, at a conversion price of HK\$0.86 (the “Conversion Price”) per share. The Conversion Price is subject to adjustment, including but not limited to the occurrence of events such as the consolidation, sub-division or reclassification of shares, capitalization of profits or reserves, capital distribution, and the issue of new shares at the issue price lower than the Conversion Price or lower than 80% of the current market price (“Conversion Price Reset”).

Each Bondholder shall have the right to convert all or any part (which shall be a minimum of US\$2,500,000 and integral multiples of US\$500,000 in excess thereof save that if at any time, the outstanding principal amount of the Convertible Bonds is less than US\$2,500,000, the conversion right in respect of the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be exercised) of the principal amount of Convertible Bonds into shares at any time during the conversion period. The Company shall (i) redeem the outstanding Convertible Bonds on the Maturity Date at such redemption price as would result in an internal rate of return of no less than 4% per annum on all outstanding amounts payable by the Company to the Bondholders; and (ii) upon the occurrence of any event of default as stipulated in the terms and conditions of the Convertible Bonds.

The Group determined that both the Conversion Price Reset and the denominated currency of the Convertible Bonds in US\$, will not result in settlement by the exchange of a fixed amount of cash for a fixed number of the Company’s shares. In accordance with the requirement of HKAS32, the bond contract is separated into two components: a compound derivative component consisting of the conversion option, and a liability component consisting of the straight debt element.

Interest expenses are calculated using the effective interest method by apply the effective interest rate of 21% to the adjusted liability component.

On 14 February 2017, with the written consent of Bondholders, the Company executed the deed of modification, pursuant to which the terms and conditions of the Convertible Bonds are amended and modified. The Company will have the right to redeem or repurchase all or part of the outstanding Convertible Bonds before the Maturity Date and the Convertible Bonds will be secured by share charges by two related companies, personal guarantees to be given by Mr. Hong Mingxian (“Mr. Hong”), Mr. Cai Huatan and Mr. Ng Chi Chung (“Mr. Ng”) and corporate guarantees to be given by Expert Corporate Limited (“Expert Corporate”) and Ever Ultimate Limited (“Ever Ultimate”). The Group redeemed the Convertible Bonds at a price equal to the sum of principal amount of US\$20,000,000 and US\$10,000,000 on 15 February 2017 and 29 June 2017 respectively.

The carrying values and movements of the liability component and derivative component of the Convertible Bonds are as follows:

	Liability component <i>RMB'000</i>	Derivative component <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2016 and 1 January 2017	197,895	8,909	206,804
Interest expenses	9,605	–	9,605
Interest paid	(11,085)	–	(11,085)
Change in fair value of derivative financial instruments	–	(1,986)	(1,986)
Redemption of Convertible Bonds	(196,415)	(6,923)	(203,338)
At 30 June 2017	–	–	–

The change in the fair value of the derivative component during the six months ended 30 June 2017 results in a fair value gain of RMB1,986,000, which has been included in the “Change in fair value of derivative financial instruments” in the consolidated statement of comprehensive income for the six months ended 30 June 2017.

The loss on redemption of Convertible Bonds of RMB2,582,000 which represented the difference between the redemption price of US\$30,000,000 (equivalent to approximately RMB205,920,000 and the total carrying amounts of liability and derivative component amounting to RMB203,338,000 has been recognised in consolidated statement of comprehensive income.

15. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value of share capital HK\$'000	Equivalent nominal value of share capital RMB'000
Authorised:			
Ordinary share of HK\$0.0025 each			
At 31 December 2016,			
1 January 2017 and 30 June 2017	20,000,000	50,000	39,000
	<u> </u>	<u> </u>	<u> </u>
Issued and fully paid:			
Ordinary share of HK\$0.0025 each			
At 31 December 2016,			
1 January 2017 and 30 June 2017	4,236,009	10,590	8,292
	<u> </u>	<u> </u>	<u> </u>

During the six months ended 30 June 2017, there is no movement in share capital of the Company.

16. MAXIMUM EXPOSURE UNDER THE FINANCIAL GUARANTEE CONTRACTS

As at 30 June 2017, the Group's maximum exposure under the financial guarantee contracts is RMB465.7 million (31 December 2016: RMB218.7 million). To mitigate such risk, the Group requests the customers to provide collateral as appropriate. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the Group will proceed with sale of collateral. As at 30 June 2017, the Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers in total amount of RMB956.7 million (31 December 2016: RMB261.9 million).

In respect of the Group's financial guarantee business, we have experienced default by certain customers resulting in our Group having to honour our financing guarantee obligations amounted to RMB63.4 million as at 30 June 2017 (31 December 2016: RMB56.9 million). The management considered that the Group will be recover the amount of approximately RMB52.9 million (31 December 2016: RMB48.5 million) by taking possession of the relevant collateral held by the Group and selling such collateral in the market and/or claim the amounts from the counter-guarantors and the Group has recorded an aggregate impairment loss of receivables from guarantee customers of approximately RMB8.4 million as at 31 December 2016. As such, an impairment loss of receivables from guarantee customers of approximately RMB2.1 million (2016: RMB1.3 million) is recorded during the six months ended 30 June 2017.

Business Review

As an integrated financing service provider, the Group mainly provide short to medium-term financing and financing-related solutions in the PRC. During the six months ended 30 June 2017, the turnover was mainly derived from the provision of (i) asset management services, (ii) finance lease services, (iii) financial services, (iv) express loan services (including entrusted loan and money lending services) and (v) guarantee services.

Financial Review

Turnover

The turnover increased from approximately RMB132.9 million for the six months ended 30 June 2016 to approximately RMB152.0 million for the six months ended 30 June 2017, representing an increase of approximately RMB19.1 million or 14.4%. The increase was attributable to the net effect of the following reasons:

Asset management services

In 2017, the Group continued to expand the asset management business in order to capture the opportunities presented by abundant supply of distressed assets in Fujian Province. The Group is actively looking for the good quality distressed assets which potentially offer high-percentage returns.

Our Group's income from assets management services increased by 50.8% from approximately RMB34.4 million for the six months ended 30 June 2016 to RMB51.9 million for the six months ended 30 June 2017. Although the Group has not disposed any property during the six months ended 30 June 2017 as compared with two properties has been 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 RMB43.2 million; and (ii) the Group received dividend income of approximately RMB8.7 million from its equity investments.

Finance lease services

Following the acquisition of Jiashi International Financial Limited and its subsidiaries (collectively "Jiashi Group") in late 2015 (the "Acquisition"), Jiashi Group further developed its finance lease business. Apart from the finance lease business for machineries, distant marine fishing vessels and car leasing to individuals, Jiashi Group has started its finance lease business for properties in late 2016. Besides, the Group also commenced its finance lease business in Hong Kong in first half of 2017. During the six months ended 30 June 2017, the Group has recorded the income of approximately RMB6.2 million in relation to the finance lease business in Hong Kong.

Our Group's finance lease services income increased by 35.3% from approximately RMB22.8 million for the six months ended 30 June 2016 to RMB30.8 million for the six months ended 30 June 2017. The increase of finance lease service was mainly due to the contribution of the finance lease income from Hong Kong.

Financial services

The consultation service income of our Group increased from approximately RMB15.5 million for the six months ended 30 June 2016 to RMB31.8 million for the six months ended 30 June 2017. We mainly focused on the financial services which charge our customers based on 2.5% to 5% of the amount of financing obtained by the customers as a result of our consultation. In the PRC, outstanding loans to small and medium enterprises (“SMEs”) had totaled RMB21.9 trillion at the end of March 2017, up 17 percent from a year ago, the People’s Bank of China said in a statement. The PRC government is encouraging PRC banks to support SMEs, which often have difficulty obtaining bank loans. As such, the process of obtaining loans from the PRC banks for SMEs has become easier in 2017. The increase of the successful rate and the amount of financing obtained from banks which lead to increase of our income from financial services.

Express loan services

Entrusted loan services

In 2017, the Group is adopting a prudent approach to approve the application of our entrusted loan services from potential customers. In addition, the Group has kept greater amount of funds at banks during the period to be available for early redemption of convertible bonds and potential acquisition for good quality distressed assets. As such, the average entrusted loan receivables decreased.

Our Group’s entrusted loan income decreased by 47.5% from approximately RMB40.1 million for the six months ended 30 June 2016 to RMB21.0 million for the six months ended 30 June 2017. The decrease of entrusted loan service income was mainly due to the decrease of the number of our customers and average interest rate charge.

Money lending services

The Group continued to expand the Hong Kong money lending business in 2017. Income from Hong Kong money lending business increased by 15.4% from approximately RMB3.9 million for the six months ended 30 June 2016 to RMB4.5 million for the six months ended 30 June 2017. In addition, the Group has also provided short-term financing to certain customers in the PRC and recorded the interest income of approximately RMB8.9 million (2016: RMB2.5 million).

Guarantee services

We mainly provided the financing guarantee services during the six months ended 30 June 2017 and 2016. Our Group’s guarantee service income decreased by 49.8% from approximately RMB6.0 million for the six months ended 30 June 2016 to approximately RMB3.0 million for the six months ended 30 June 2017. In 2017, the Group is adopting a prudent approach to approve the application of our guarantee services from potential customers. As such, the number of guarantee service decrease and the income from our guarantee services decrease accordingly.

Other income

Other income increased from approximately RMB2.4 million for the six months ended 30 June 2016 to approximately RMB3.0 million for the six months ended 30 June 2017, representing an increase of approximately RMB0.6 million or 25.3%. Our Group’s other income mainly represented the bank interest income and the government grant. The increase in other income was mainly due to the fact that we have received more government grant.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB9.3 million for the six months ended 30 June 2016 to approximately RMB9.6 million for the six months ended 30 June 2017, representing an increase of approximately RMB0.3 million or 3.4%. Our Group's employee benefit expenses mainly comprised staff salaries, Directors' emoluments and other benefits. The increase in employee benefit expenses was mainly attributable to the increase of staff salaries.

Other expenses

The other expenses increased from approximately RMB11.5 million for the six months ended 30 June 2016 to approximately RMB11.6 million for the six months ended 30 June 2017, representing an increase of approximately RMB0.1 million or 0.8%. The increase in other expenses was mainly attributable to the increase of impairment loss on finance lease, loan and account receivables and partly offset by the slightly decrease of operating expenses.

Profit for the period attributable to the owners of the Company

Our Group's profit for the period attributable to the owners of the Company was approximately RMB73.6 million for the six months ended 30 June 2017, representing an increase of approximately RMB2.4 million, or 3.4%, from approximately RMB71.2 million for the six months ended 30 June 2016.

Non-generally accepted accounting principles ("Non-GAAP") Financial Measures

To supplement the condensed consolidated results of the Group prepared in accordance with HKFRSs, certain non-GAAP financial measures have been presented in this financial review. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRSs.

The Directors believe that, in conjunction with GAAP financial measures, the non-GAAP financial measures provide meaningful supplemental information to both investors and management in assessing the Group's financial performance.

The non-GAAP financial measures do not include all items that impact the Group's financial performance prepared in accordance with HKFRSs. It excludes equity-settled share-based payments, change in fair value of derivative financial instruments, imputed interests on convertible bonds and loss on redemption of convertible bonds, which have been and might continue to be significant non-cash expenses in the Group's financial performance prepared in accordance with HKFRSs. In addition, the non-GAAP financial measures may not be comparable to similar titled measures utilized by other companies since such other companies may not calculate such measures in the same manner as the Company does.

The Directors expect to compute the non-GAAP financial measures using consistent methods going forward. The following table sets forth the reconciliations of the non-GAAP financial measures for the six months ended 30 June 2017 to the nearest measures prepared in accordance with HKFRSs:

	Six months ended 30 June 2017					Non-GAAP RMB'000
	As Reported RMB'000	Equity-settled shares based payments RMB'000	Changes in fair value of the embedded derivative of the convertible bonds RMB'000	Imputed interests income on convertible bonds RMB'000	Loss on redemption of convertible bonds RMB'000	
Profit before income tax	102,732	6,609	(1,986)	(1,480)	2,582	108,457
Profit for the period	80,024	6,609	(1,986)	(1,480)	2,582	85,749
Profit for the period attributable to the owners of the Company	73,584	6,609	(1,986)	(1,480)	2,582	79,309
Basic earnings per share (RMB cents)	<u>1.74</u>					<u>1.87</u>

	Six months ended 30 June 2016					Non-GAAP RMB'000
	As Reported RMB'000	Equity-settled shares based payments RMB'000	Changes in fair value of the embedded derivative of the convertible bonds RMB'000	Imputed interests on convertible bonds RMB'000		
Profit before income tax	101,355	3,141	(2,513)	2,520	104,503	
Profit for the period	75,263	3,141	(2,513)	2,520	78,411	
Profit for the period attributable to the owners of the Company	71,155	3,141	(2,513)	2,520	74,303	
Basic earnings per share (RMB cents)	<u>1.68</u>				<u>1.75</u>	

Outlook

The Group has continued to report remarkable business results. The Group is seeking to develop new business and explore the business opportunities to broaden its income stream.

In the capital markets, the Company has issued the corporate bonds of approximately HK\$141.7 million during the six months ended 30 June 2017. The funds raised can enhance the Group's capital based and accelerate the development on our business. On the other hand, the Company has early redeemed of the convertible bonds of US\$30 million in order to increase the flexibility of business.

The Group considers the asset management business and finance lease business are two key growth drivers. The Group has actively expanded these businesses and recorded a tremendous results during the six months ended 30 June 2017. In addition, the Group continued to explore cooperative opportunities with various state-owned and/or well-known companies. Apart from the formation of 廈門創翼商業保理有限公司 (Xiamen Chuang Yi Commercial Factoring Company Limited) with certain state-owned companies in 2016, the Group is exploring the cooperation with certain sizable and internationally renowned companies. We believe that, upon the establishing of long-term cooperative relationship with these famous companies, the close ties forged are expected to broaden the customer base, bolster the competitiveness and also expand the geographical coverage of our business.

In conclusion, our Directors have an optimistic view on our overall business and financial prospects in future. We will continue to actively capture the opportunities presented by the current rapidly changing economic environment in the PRC, further expand our market share and reinforce our leading position, so as to maintain sustainable growth momentum and maximize the value of shareholders.

ADVANCE TO AN ENTITY

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligations arises where an advance to an entity from the Company exceeds 8% of the total assets of the Group. Pursuant to Rule 13.13 of the Listing Rules, details of advances as defined under Rule 13.15 of the Listing Rules which remained outstanding as at 30 June 2017 were as follow:

1) **Entrusted loan Master Agreement with Customer A (“Entrusted Loan Master Agreement”)**

The Entrusted Loan Master Agreement was entered into among 廈門市鼎豐創業投資有限公司 (Xiamen Differ Venture Capital Company Limited, an indirect wholly-owned subsidiary of the Company) (“Differ VC”), 廈門市鼎豐貸投資諮詢有限公司 (Xiamen Differ Dai Investment Consulting Company Limited, an indirect wholly-owned subsidiary of the Company) (“Differ Dai”) and 廈門豪豐投資有限公司 (Xiamen Hao Feng Investment Company Limited) (“Hao Feng”) and 廈門倫輝貿易有限公司 (Xiamen Lun Hui Trading Limited) (together with Hao Feng, “Customer A”). Pursuant to the Entrusted Loan Master Agreement, Differ VC and Differ Dai agreed to provide entrusted loans with an aggregate amount up to RMB180,000,000 to the Customer A through the lending banks for a period of 24 months. As at 30 June 2017, the outstanding principal amount was RMB30 million.

The principal terms of Entrusted Loan Master Agreement are as follows:

Date:	20 April 2016
Entrusted Loan Cap:	Up to RMB180 million
Interest rate:	17.0% per annum
Loan period:	As mentioned above
Repayment:	Customer A shall repay the interests on a monthly basis and the principal amount at the end of the loan period
Security and guarantees:	The pledge of the equity rights from the shareholder of the Customer A at fair value of approximately RMB190.7 million.

2) The Finance Lease Agreement with Customer B (“Finance Lease Agreement”)*

The Finance Lease Agreement was entered into between 嘉實(廈門)融資租賃有限公司 (Jiashi (Xiamen) Finance Lease Limited (“Jiashi Lease”) (as the lessor) and 福建省順來發海洋漁業有限公司(Fujian Shun Lai Fa Ocean Fishery Limited) (“Customer B”) (as the lessee). Pursuant to the Finance Lease Agreement, Jiashi Lease has agreed among other things, (i) to purchase certain distant marine fisheries from the designated suppliers by Customer B at an aggregate consideration of approximately RMB210,000,000; (ii) to lease such distant marine fisheries to the Customer B immediately afterwards for a period of approximately 5 years for a series of rental payments payable by the Customer B to Jiashi Lease on a monthly basis in an aggregate amount over the entire lease period of approximately RMB257,430,000; and (iii) to transfer the ownership of such distant marine fisheries to the Customer B after the end of the lease period at a nominal consideration of RMB3,200,000. As at 30 June 2017, the outstanding principal amount was RMB174,391,000.

The principal terms of Finance Lease Agreement are as follows:

Date:	28 January 2015
Amount of financing provided by Differ Lease to the Customer B:	RMB210,000,000
Aggregate amount of rental payment:	RMB257,430,000
Lease period:	60 months
Ownership of the leased property after the end of lease period:	To be transferred to the Customer B at a nominal consideration of RMB3,200,000
Internal rate of return:	14.3%
Security and guarantees:	Customer B has agreed to provide one personal guarantee, one corporate guarantee and cash deposit as the additional security and guarantees to Jiashi Lease under the Finance Lease Agreement.

* The Finance Lease Agreement was entered into between Jiashi Lease and Customer B on 28 January 2015, which is before the Acquisition.

3) **Entrusted loan Agreements with Customer C (“Entrusted Loan Agreements”)***

The Entrusted Loan Agreements were entered into among Differ Dai (as the entrusting party), the lending bank (as the entrusted party and the lender) and 陽光國際集團科技發展有限公司 (Sunshine International Group Technology Development Company Limited) (“Customer C1”) and 泉州市泉美生物科技有限公司 (Quanzhoushi Quanmei Biotechnology Company Limited) (“Customer C2”) (collectively “Customer C”). Pursuant to the Entrusted Loan Agreements, Differ Dai has entrusted the lending bank with an aggregate amount of RMB433,500,000 for the purpose of lending the same to Customer C for a period of 5 months. As at 30 June 2017, the outstanding principal amount was RMB433.5 million.

The principal terms of Entrusted Loan Agreements are as follows:

Date:	5 May 2017
Principal:	RMB433,500,000
Interest rate:	12.0% per annum
Loan period:	As mentioned above
Repayment:	Customer C shall repay the principal amount and interest at the end of the loan period
Security and guarantees:	(i) the pledge of the equity rights from the shareholders of Customer C at fair value of approximately RMB676.8 million; and (ii) personal guarantee of one individual and corporate guarantee of one company.

* As at 30 June 2017, the debt assignment agreement C1 were signed amongst Differ Dai, Customer C1, 泉州陽光盛世生物科技有限公司 (Quanzhou Sunshine Shengshi Biotechnology Company Limited) (“Sunshine Shengshi”, the wholly-owned subsidiary of Customer C1) and a guarantor. Pursuant to which, all debt due and owing to Differ Dai by Customer C1 was transferred to Sunshine Shengshi. At the same date, the debt assignment agreement C2 were signed amongst Differ Dai, Customer C2, 泉州泉美盛世生物科技有限公司 (Quanzhou Quanmei Shengshi Biotechnology Company Limited) (“Quanmei Shengshi”, the wholly-owned subsidiary of Customer C2) and a guarantor. Pursuant to which, all debt due and owing to Differ Dai by Customer C2 was transferred to Quanmei Shengshi.

4) **Guarantee Service Agreements with Customer D (“Guarantee Service Agreements”)**

The Guarantee Service Agreements were entered into among the Company and 鼎豐集團(中國)有限公司(Differ Group (China) Company Limited) (“Differ China”) (as the Guarantors), 龍之族(中國)有限公司(Dragon Clan (China) Company Limited) (“Customer D1”), 石獅富融商貿有限公司(Shishi Fu Rong Trading Company Limited) (“Customer D2) and 福建京福輝紡織科技有限公司(Fujian Jing Fu Huei Textile Technology Company Limited) (“Customer D3) (as the borrowers, collectively “Customer D”). On the same date, the maximum guarantee agreements were entered into among the Guarantors and the lending bank (as the lender). Pursuant to the Guarantee Service Agreements and the maximum guarantee agreements, the Guarantors have guaranteed to pay all indebtedness in an aggregate amount of not exceeding RMB315,000,000 in respect of the facilities due and owing to the lending bank by the Customer D in the event of the default of Customer D.

The principal terms of Guarantee Service Agreements are as follows:

Date:	29 June 2017
Guarantors:	the Company and Differ China
Lender:	the lending bank
Borrowers:	Customer D
Guarantee amount:	RMB315,000,000
Guarantee fee rate:	2.1% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Consultancy fee rate:	1.0% per annum of the guarantee amount (which is calculated proportionally for each month, and any part thereof shall be charged at the full monthly rate)
Term:	Customer D1 – from 29 June 2017 to 20 September 2017 Customer D2 – from 29 June 2017 to 20 September 2017 Customer D3 – from 29 June 2017 to 7 February 2018
Security and guarantees:	(i) the pledge of the equity rights from the ultimate shareholder of Customer D at fair value of approximately RMB604.4 million; and (ii) personal guarantee of the ultimate shareholder of the Customer D.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in Shares

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interests
Mr. Hong Mingxian	Interest of controlled corporation (<i>note 1</i>)	1,884,200,000 Shares	44.48%
Mr. Ng Chi Chung	i) Interest of controlled corporation (<i>note 2</i>)	1,115,800,000 Shares	26.34%
	ii) Beneficial owner	10,898,000 Shares	0.26%
		1,126,698,000 Shares	26.60%

Notes:

- 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 1,884,200,000 Shares under the SFO.
- 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.

(ii) Interests in the underlying Shares

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interests
Mr. Hong Mingxian	Beneficial owner	6,400,000 Shares (L)	0.15%
Mr. Ng Chi Chung	Beneficial owner	6,400,000 Shares (L)	0.15%

Note: Being unlisted physically settled share options to acquire ordinary shares of the Company, further details of which are set out in the section headed "Share Option Scheme" below.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following persons or companies (other than the Directors or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares which was discloseable under Divisions 2 & 3 of Part XV of the SFO and recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares

Name	Capacity/nature of interest	Number of Shares	Percentage of interests
Expert Corporate Limited	Beneficial owner (<i>note 1</i>)	1,884,200,000 Shares	44.48%
Ms. Shi Hongjiao ("Ms Shi")	Interest of spouse (<i>note 2</i>)	1,890,600,000 Shares	44.63%
Ever Ultimate Limited	Beneficial owner (<i>note 3</i>)	1,115,800,000 Shares	26.34%
Ms. Ting Pui Shan ("Ms. Ting")	Interest of spouse (<i>note 4</i>)	1,133,098,000 Shares	26.75%
Jianda Value Investment Fund L.P. ("Jianda")	Person having a security interest in shares (<i>note 5</i>)	550,000,000 Shares	12.98%
Caitong International Investment Co., Limited	Person having a security interest in shares (<i>note 5</i>)	550,000,000 Shares	12.98%
Caitong Securities Co., Limited	Person having a security interest in shares (<i>note 5</i>)	550,000,000 Shares	12.98%
Cinda International Holdings Limited	Person having a security interest in shares (<i>note 5</i>)	550,000,000 Shares	12.98%
浙江省財務開發公司	Person having a security interest in shares (<i>note 5</i>)	550,000,000 Shares	12.98%

Notes:

- 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 1,884,200,000 Shares under the SFO.
- Ms. Shi is the spouse of Mr. Hong.
- 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.
- Ms. Ting is the spouse of Mr. Ng.
- On 29 June 2017, Ever Ultimate has executed an account change in favour of Jianda, being the lender to a term loan, pursuant to which Ever Ultimate charged the securities of at least 550,000,000 Shares and assets in the securities account opened by Ever Ultimate with Cinda International Securities Limited as a security for the repayment obligation of the Company under a term loan.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

CAPITAL COMMITMENT

As at 30 June 2017, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,084,028,000 (31 December 2016: RMB1,664,028,000).

FOREIGN EXCHANGE RISK MANAGEMENT

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

TREASURY POLICIES

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

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

There was no significant investment and material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2017.

INTERIM DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

HUMAN RESOURCES

As at 30 June 2017, the Group had a total of 106 employees (31 December 2016: 138). The staff costs (included Directors' emoluments) were approximately RMB9.6 million for the six months ended 30 June 2017 (2016: RMB9.3 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme. The Group also maintains the Mandatory Provident Fund Scheme and insurance for its employees in Hong Kong.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2017 (2016: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB116.0 million (31 December 2016: RMB143.8 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 26.4% as at 30 June 2017 (31 December 2016: 28.2%). The current ratio is 3.4 times as at 30 June 2017 (31 December 2016: 3.0 times). The Group did not use any financial instruments for hedging purpose.

SHARE OPTION SCHEME

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

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

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

The total number of shares in respect of which options may be granted under the Scheme shall not exceed 400,000,000 shares, being 9.4% of the total number of shares in issue as at the date of the report. On 25 April 2016, the Company granted an aggregate of 84,108,000 share options to the eligible persons.

The following table discloses movements in the Company's share options during the six months ended 30 June 2017:

Name or category of participants	Date of grant	Number of share options				At 30 June 2017	Exercise period	Exercise price HK\$
		At 1 January 2017	Granted	Exercised	Forfeited			
Director								
Mr. Hong	25 April 2016	6,400,000	-	-	-	6,400,000	30 April 2017 to 30 April 2021	0.734
Mr. Ng	25 April 2016	6,400,000	-	-	-	6,400,000	30 April 2017 to 30 April 2021	0.734
Employees								
(in aggregate)	25 April 2016	69,586,000	-	-	(12,300,000)	57,286,000	30 April 2017 to 30 April 2021	0.734
Total		82,386,000	-	-	(12,300,000)	70,086,000		

Note: Share options were vested in equal portions on 30 April 2017, 2018, 2019 and 2020 respectively, and became exercisable for a period from the respective dates and ending on 30 April 2021. In addition, the vesting of Share Options shall be subject to the achievement of performance targets during the assessment periods up to the above four vesting dates.

The fair values of the share options granted under the Scheme on 25 April 2016 ("Share Option") were determined using the Binomial Option Pricing Model. The fair values of the Share Options and the significant inputs into the model and assumption were as follows:

Number of Share Options	84,108,000
Share price on grant date	HK\$0.710
Exercise price	HK\$0.734
Expected volatility	99.0%
Weighted average contractual life	5.01 years
Risk-free interest rate	1.0%
Fair value per Share Option	
- vesting date: 30 April 2017	HK\$0.44
- vesting date: 30 April 2018	HK\$0.47
- vesting date: 30 April 2019	HK\$0.50
- vesting date: 30 April 2020	HK\$0.51

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB87.9 million as at 30 June 2017 (31 December 2016: RMB122.8 million) were pledged to secure for the Group's facilities of providing financial services to the customers.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

Throughout the six months ended 30 June 2017, the Company had complied with the CG Code with the exception from the deviation from the code provisions A.1.8 as explained below:

Under the code provision A.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. No insurance cover has been arranged for Directors up to the date of this announcement since the Directors take the view that the Company shall support Directors arising from corporate activities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2017.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or any of their respective associates (as defined in the Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the six months ended 30 June 2017.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors, namely Mr. Chan Sing Nun (chairman of audit committee), Mr. Lam Kit Lam and Mr. Zeng Haisheng. The unaudited condensed consolidated results of the Group for the six months ended 30 June 2017 have been reviewed by the audit committee. The Board is of the opinion that such results complied with the applicable accounting standards, the requirements under Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 21 August 2017

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