

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: 8056



First Quarterly Report 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of Differ Group Holding Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.*

FINANCIAL HIGHLIGHTS

- Turnover of the Group for the three months ended 31 March 2014 was approximately RMB19,028,000 (2013: RMB16,021,000), representing an increase of approximately 18.8% as compared with the corresponding period in 2013.
- Profit attributable to owners of the Company for the three months ended 31 March 2014 was approximately RMB10,405,000 (2013: RMB7,287,000), representing a increase of approximately 42.8% as compared corresponding period in 2013.
- Earnings per share of the Company for the three months ended 31 March 2014 was approximately RMB1.04 cents (2013: RMB0.97 cents).
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2014.

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 March 2014 together with the comparative figures for the corresponding period in 2013.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 31 March	
	<i>Notes</i>	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue	3	19,028	16,021
Other income	3	363	329
Employee benefit expenses		(2,312)	(1,737)
Depreciation and amortisation expenses		(514)	(509)
Operating lease expenses		(90)	(78)
Other expenses		(2,323)	(3,563)
Profit before income tax	4	14,152	10,463
Income tax expense	5	(3,747)	(3,176)
Profit for the period attributable to the owners of the Company		10,405	7,287
Other comprehensive income attributable to the owners of the Company that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		(137)	251
Total comprehensive income for the period attributable to the owners of the Company		10,268	7,538
Earnings per share – Basic and diluted (RMB cents)	7	1.04	0.97

NOTES

1. CORPORATE AND GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. The Company's shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 9 December 2013. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the "**Group**") is located at 23rd Floor, Tower 11, 166 Tapu East Road, Xiamen, the People's Republic of China (the "**PRC**").

The companies comprising the Group underwent a group restructuring exercise (the "**Reorganisation**") to rationalise the Group's structure in preparation for the listing of the shares of the Company on the Stock Exchange. Further details of the Reorganisation were set out in 2013 annual report of the Company dated 19 March 2014.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are provision of guarantee services, pawn loan services, financial consultation services, entrusted loan services and finance lease services in the PRC.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2014 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and include applicable disclosures required by the GEM 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 2013 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on 1 January 2014. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

3. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents income from the Group's principal activities, net of value-added tax. Revenue and other income recognised during the period are as follows:

	Three months ended 31 March	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue		
Interest income		
–Pawn loan services	3,635	3,227
–Entrusted loan services	6,732	5,405
Consultancy service income	1,982	3,218
Income from guarantee services	3,980	3,271
Income from finance lease service	2,699	900
	<u>19,028</u>	<u>16,021</u>
Other income		
Bank interest income	361	327
Others	2	2
	<u>363</u>	<u>329</u>

4. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 31 March	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Depreciation of property, plant and equipment	412	407
Amortisation of prepaid land lease	102	102
Employee benefit expenses (including Directors' remuneration)		
Salaries	1,908	1,479
Pension scheme contributions – Defined contribution plans	97	81
Other benefits	307	177
	<u>2,312</u>	<u>1,737</u>
Listing expenses	–	1,751
Operating lease charges in respect of properties	90	78

5. INCOME TAX EXPENSE

	Three months ended 31 March	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Current tax – PRC	<u>3,747</u>	<u>3,176</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.

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 period (2013: Nil).

Enterprise income tax arising from subsidiaries operated in the PRC for the period was calculated at 25% (2013: 25%) of the estimated assessable profits during the period.

6. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2014 (2013: Nil).

7. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months ended 31 March 2014 and 2013 are based on the profit attributable to owners of the Company of approximately RMB10,405,000 and RMB7,287,000 respectively and on the 1,000,000,000 ordinary shares issued throughout the three months ended 31 March 2014 and 750,000,000 ordinary shares issuable (being the number of shares of the Company immediately prior to the listing of the Company's shares on the Stock Exchange as if the shares had been in issue) throughout the three months ended 31 March 2013 respectively.

Diluted earnings per share is the same as the basic earnings per share because the Group had no potential ordinary shares during the periods.

8. UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
For the three months ended 31 March 2014 (Unaudited)								
At 1 January 2014	7,800	137,515	277,562	7	7,402	532	76,993	507,811
Profit for the period	-	-	-	-	-	-	10,405	10,405
Other comprehensive income for the period	-	-	-	-	-	(137)	-	(137)
Total comprehensive income for the period	-	-	-	-	-	(137)	10,405	10,268
Transfer to statutory reserve	-	-	-	-	1,043	-	(1,043)	-
At 31 March 2014	7,800	137,515	277,562	7	8,445	395	86,355	518,079
For the three months ended 31 March 2013 (Unaudited)								
At 1 January 2013	-	-	268,000	-	3,848	221	40,311	312,380
Profit for the period	-	-	-	-	-	-	7,287	7,287
Other comprehensive income for the period	-	-	-	-	-	251	-	251
Total comprehensive income for the period	-	-	-	-	-	251	7,287	7,538
Transfer to statutory reserve	-	-	-	-	782	-	(782)	-
Arising from Reorganisation	-	-	(10,000)	-	-	-	-	(10,000)
At 31 March 2013	-	-	258,000	-	4,630	472	46,816	309,918

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As an integrated financing service provider, the Group mainly provide short to medium-term financing and financing-related solutions in Fujian Province. During the three months ended 31 March 2014, the revenue was mainly derived from the provision of (i) guarantee services, (ii) pawn loan services, (iii) financial consultation services, (iv) entrusted loan services and (v) finance lease services to our customers.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately RMB16.0 million for the three months ended 31 March 2013 to approximately RMB19.0 million for the three months ended 31 March 2014, representing an increase of approximately RMB3.0 million or 18.8%. The increase was attributable to the net effect of the following reasons:

Guarantee services

We mainly provided the financing guarantee services during the three months ended 31 March 2013 and 2014. Our Group's guarantee service income increased by 21.7% from approximately RMB3.3 million for the three months ended 31 March 2013 to approximately RMB4.0 million for the three months ended 31 March 2014. Our Group continued to expand our financing guarantee services in our home market in Fujian Province. The increase in income from our guarantee services was mainly attributable to the following reasons:

- (i) the number of financing guarantee contracts with revenue contribution increased from 105 for the three months ended 31 March 2013 to 118 for the three months ended 31 March 2014; and
- (ii) the total guaranteed amount of new financing guarantee contracts granted during the period increased from approximately RMB150.5 million for the three months ended 31 March 2013 to RMB155.9 million for the three months ended 31 March 2014.

Pawn loan services

Our Group's pawn loan service income increased by 12.6% from approximately RMB3.2 million for the three months ended 31 March 2013 to approximately RMB3.6 million for the three months ended 31 March 2014.

The increase in pawn loan service income was mainly attributable to the following reasons:

- (i) the number of pawn loan contracts with revenue contribution increased from 25 for the three months ended 31 March 2013 to 32 for the three months ended 31 March 2014; and
- (ii) the total amount of new or renewed pawn loans granted during the period increased from approximately RMB27.9 million for the three months ended 31 March 2013 to RMB43.7 million for the three months ended 31 March 2014.

Financial consultation services

The financial consultation service income of our Group decreased from approximately RMB3.2 million for the three months ended 31 March 2013 to approximately RMB2.0 million for the three months ended 31 March 2014. The decrease in financial consultation services income was mainly due to the average contract sum of our main financial consultation services (which charged our customers based on certain percentage of the amount of financing obtained as a result of our consultation) decrease significantly for the three months ended 31 March 2014.

Entrusted loan services

Our Group's entrusted loan service income increased by 24.6% from approximately RMB5.4 million for the three months ended 31 March 2013 to RMB6.7 million for the three months ended 31 March 2014. The increase of entrusted loan service income was mainly due to the total amount of new or renewed entrusted loans granted increased from approximately RMB92 million for the three months ended 31 March 2013 to RMB98 million for the three months ended 31 March 2014.

Finance lease services

For the three months ended 31 March 2014 and 2013, our Group's finance lease service income was approximately RMB2.7 million and RMB0.9 million respectively. For the three months ended 31 March 2014, we have eleven finance lease transactions with revenue contribution as compared with only two transactions for the corresponding period of last year. In addition, we have continued to expand our finance lease business. We have three new finance lease customers for the three months ended 31 March 2014 as compared with only one new customer for the corresponding period of last year.

Other income

For the three months ended 31 March 2014 and 2013, our Group's other income were approximately RMB0.4 million and RMB0.3 million respectively. It mainly represented the bank interest income.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB1.7 million for the three months ended 31 March 2013 to approximately RMB2.3 million for the three months ended 31 March 2014, representing an increase of approximately RMB0.6 million or 33.1%. 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 in number of directors (including non-executive directors and independent non-executive directors) and other staff salaries as our Group hired more staff for business expansion and listing.

Other expenses

The other expenses decreased from approximately RMB3.6 million for the three months ended 31 March 2013 to approximately RMB2.3 million for the three months ended 31 March 2014, representing a decrease of approximately RMB1.3 million or 34.8%. The decrease in other expenses was mainly attributable to decrease of listing expenses from approximately RMB1.8 million for the three months ended 31 March 2013 to nil for the three months ended 31 March 2014. The above was partly offset by the increase of various operating expenses due to business expansion.

Profit for the period attributable to the owners of the Company

Our Group's profit attributable to the owners of the Company was approximately RMB10.4 million for the three months ended 31 March 2014, representing an increase of approximately RMB3.1 million, or 42.8%, from approximately RMB7.3 million for the three months ended 31 March 2013.

Outlook

We expected that the PRC economic situation will continue to grow in 2014 and we believe the financing needs in PRC will remain strong in 2014. The Group will continue to pursue the core value of "professional attitude, innovative services, win-win values". We will continue monitoring the ongoing market development of our existing businesses such as guarantee, loan and consultancy services. More efforts will also be made to explore new business opportunities in relation to short to medium-term financing and financing-related services.

In conclusion, our Directors have an optimistic view on our business and we believe both of our revenue and profit will grow at a faster pace.

ADVANCE TO AN ENTITY

Pursuant to Rule 17.15 of the GEM Listing Rules, a general disclosure obligations arises where an advance to an entity from the Group exceeds 8% of the total assets of the Group. As at 31 March 2014, the Group's total assets were approximately RMB562.4 million. Pursuant to Rule 17.22 of the GME Listing Rules, details of advances as defined under Rule 17.15 of the GEM Listing Rules which remained outstanding as at 31 March 2014 were as follow:

- (a) the entrusted loan renewal agreement with principal amount of RMB33,000,000 dated 20 January 2014 (the "**Entrusted Loan Renewal Agreement A**") was granted by Xiamen Differ Venture Capital Company Limited) ("**Differ VC**"), an indirect wholly-owned subsidiary of the Company to 廈門九天豪杰實業有限公司 (Xiamen Jiu Tian Hao Jie Industrial Limited) (the "**Customer**") through the lending bank. Pursuant to the original entrusted loan agreement, Differ VC has entrusted the lending bank with an amount of RMB33,000,000 for the purpose of lending the same to the Customer for a period from 22 July 2013 to 21 January 2014. Pursuant to the Entrusted Loan Renewal Agreement A, Differ VC has agreed to extend the maturity date to 10 July 2014.

- (b) in addition, the entrusted loan renewal agreement with principal amount of RMB17,000,000 dated 20 January 2014 (the “**Entrusted Loan Renewal Agreement B**”) was granted by Differ VC to the Customer through the lending bank. Pursuant to the original entrusted loan agreement, Differ VC has entrusted the lending bank with an amount of RMB17,000,000 for the purpose of lending the same to the Customer for a period from 7 November 2013 to 6 February 2014. Pursuant to the Entrusted Loan Renewal Agreement B, Differ VC has agreed to extend the maturity date to 30 April 2014.
- (c) the aggregate principal amount of Entrusted Loan Renewal Agreement A and Entrusted Loan Renewal Agreement B was RMB50,000,000.

The principal terms of Entrusted Loan Renewal Agreement A and Entrusted Loan Renewal Agreement B are as follows:

Aggregate principal amount:	RMB50 million.
Interest rate:	1.8% per month.
Loan period:	As mentioned above.
Repayment:	the Customer shall repay the interests on a monthly basis and the principal amount at the end of the loan period.

Security and guarantees:

- (i) the pledge of a piece of residential land in the PRC which is valued by an independent valuer at approximately RMB80,369,000;
- (ii) personal guarantees of two individuals who are related to the Customer; and
- (iii) corporate guarantee of three companies which are related to the Customer and are principally engaged in real estate development in the PRC.

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

As at 31 March 2014, 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 Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares of the Company (the "Shares")

Name of Director	Capacity/nature of interest	Number of Shares	Percentage of interests
Mr. Hong Mingxian ("Mr. Hong")	Interest of spouse (<i>note 1</i>)	450,000,000 Shares	45%
Mr. Cai Huatan ("Mr. Cai")	Interest of controlled corporation (<i>note 2</i>)	300,000,000 Shares	30%

Notes:

1. These Shares were held by Expert Corporate Limited, which was wholly and beneficially owned by Ms. Shi Hongjiao ("Ms. Shi"). By virtue of the SFO, Mr. Hong, being the spouse of Ms. Shi, is deemed to be interested in the 450,000,000 Shares under the SFO.
2. These Shares were held by Ever Ultimate Limited, which was wholly and beneficially owned by Mr. Cai. By virtue of the SFO, Mr. Cai is deemed to be interested in the 300,000,000 Shares under the SFO.

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

As at 31 March 2014, 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 Division 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 (note 1)	450,000,000 Shares	45%
Ms. Shi Hongjiao	Interest of controlled corporation (note 1)	450,000,000 Shares	45%
Mr. Hong Mingxian	Interest of spouse (note 2)	450,000,000 Shares	45%
Ever Ultimate Limited	Beneficial owner (note 3)	300,000,000 Shares	30%
Mr. Cai Huatan	Interest of controlled corporation (note 3)	300,000,000 Shares	30%

Notes:

1. These Shares were held by Expert Corporate Limited, which was wholly and beneficial owned by Ms. Shi. By virtue of the SFO, Ms. Shi is deemed to be interested in the 450,000,000 Shares under the SFO.
2. Mr. Hong is the spouse of Ms. Shi.
3. These Shares were held by Ever Ultimate Limited, which was wholly and beneficial owned by Mr. Cai. By virtue of the SFO, Mr. Cai is deemed to be interested in the 300,000,000 Shares under the SFO.

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, the principal terms of which are set out in the paragraph headed “Share Option Scheme” under the section headed “Statutory and General Information” of the prospectus dated 3 December 2013. No share options were granted, exercised or cancelled by the Company under the Scheme during the three months ended 31 March 2014 and there were no outstanding share options under the Scheme as at 31 March 2014.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2014.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings. 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 three months ended 31 March 2014.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As at 31 March 2014, none of the Directors who are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Messis Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 2 December 2013 effective on 9 December 2013, the date of the listing neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 31 March 2014 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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. Tsang Hin Man Terence and Mr. Zeng Haisheng. The Group's unaudited consolidated results for the three months ended 31 March 2014 have been reviewed by the audit committee. The Board is of the opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 8 May 2014

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. TSANG Hin Man Terence and Mr. ZENG Haisheng.