

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



Interim 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 six months ended 30 June 2014 was approximately RMB55,742,000 (2013: RMB34,416,000), representing an increase of approximately 62.0% as compared with the corresponding period in 2013.
- Profit attributable to owners of the Company for the six months ended 30 June 2014 was approximately RMB33,640,000 (2013: RMB18,306,000), representing an increase of approximately 83.8% as compared with the corresponding period in 2013.
- Earnings per share of the Company for the six months ended 30 June 2014 was approximately RMB3.36 cents (2013: RMB2.44 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

UNAUDITED INTERIM 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 and six months ended 30 June 2014, together with the unaudited comparative figures for the corresponding period in 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue	3	36,714	18,395	55,742	34,416
Other income	3	389	1,965	752	2,294
Employee benefit expenses		(2,372)	(1,906)	(4,684)	(3,643)
Depreciation and amortisation expenses		(522)	(512)	(1,036)	(1,021)
Operating lease expenses		(151)	(78)	(241)	(156)
Other expenses		(2,674)	(2,810)	(4,997)	(6,373)
Profit before income tax	5	31,384	15,054	45,536	25,517
Income tax expense	6	(8,149)	(4,035)	(11,896)	(7,211)
Profit for the period attributable to the owners of the Company		23,235	11,019	33,640	18,306
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	7	7	16	(130)	267
Total comprehensive income for the period attributable to the owners of the Company		23,242	11,035	33,510	18,573
Earnings per share – Basic and diluted (RMB cents)	8	2.32	1.47	3.36	2.44

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	11,186	11,593
Prepaid land lease		7,529	7,733
Restricted bank deposits		6,150	6,550
Loan and account receivables	10	52,130	37,736
		<u>76,995</u>	<u>63,612</u>
Current assets			
Loan and account receivables	10	276,593	185,365
Prepayments and other receivables		3,862	1,534
Restricted bank deposits		106,157	117,590
Cash and bank balances		132,565	181,055
		<u>519,177</u>	<u>485,544</u>
Current liabilities			
Accruals, other payables, receipt in advance and deferred income		20,374	16,310
Provision for taxation		11,900	9,556
		<u>32,274</u>	<u>25,866</u>
Net current assets		<u>486,903</u>	<u>459,678</u>
Total assets less current liabilities		<u>563,898</u>	<u>523,290</u>
Non-current liabilities			
Deposits received and deferred income		22,577	15,479
Net assets		<u>541,321</u>	<u>507,811</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	7,800	7,800
Reserves		533,521	500,011
Total equity		<u>541,321</u>	<u>507,811</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	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 six months ended 30 June 2014 (Unaudited)								
At 1 January 2014	7,800	137,515	277,562	7	7,402	532	76,993	507,811
Profit for the period	-	-	-	-	-	-	33,640	33,640
Other comprehensive income for the period	-	-	-	-	-	(130)	-	(130)
Total comprehensive income for the period	-	-	-	-	-	(130)	33,640	33,510
Transfer to statutory reserve	-	-	-	-	3,299	-	(3,299)	-
At 30 June 2014	<u>7,800</u>	<u>137,515</u>	<u>277,562</u>	<u>7</u>	<u>10,701</u>	<u>402</u>	<u>107,334</u>	<u>541,321</u>
For the six months ended 30 June 2013 (Unaudited)								
At 1 January 2013	-	-	268,000	-	3,848	221	40,311	312,380
Profit for the period	-	-	-	-	-	-	18,306	18,306
Other comprehensive income for the period	-	-	-	-	-	267	-	267
Total comprehensive income for the period	-	-	-	-	-	267	18,306	18,573
Transfer to statutory reserve	-	-	-	-	2,029	-	(2,029)	-
Arising from reorganisation ("Reorganisation")	-	-	(10,000)	-	-	-	-	(10,000)
At 30 June 2013	<u>-</u>	<u>-</u>	<u>258,000</u>	<u>-</u>	<u>5,877</u>	<u>488</u>	<u>56,588</u>	<u>320,953</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Net cash (used in)/generated from operating activities	(48,065)	19,441
Net cash (used in)/generated from investing activities	(425)	12,549
Net cash used in financing activities	—	(10,000)
Net (decrease)/increase in cash and cash equivalents	(48,490)	21,990
Cash and cash equivalents at the beginning of the period	181,055	48,996
Effect of foreign exchange rate changes, net	—	(57)
Cash and cash equivalents at the end of the period	132,565	70,929

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 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 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 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 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") (hereinafter collectively referred to as the "HKFRSs") 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 the 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 and 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 30 June		Six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue				
Interest income				
– Pawn loan services	3,619	2,783	7,254	6,010
– Entrusted loan services	6,154	5,272	12,886	10,677
Consultancy service income	19,647	5,118	21,629	8,336
Income from guarantee services	4,396	3,930	8,376	7,201
Income from finance lease services	2,898	1,292	5,597	2,192
	36,714	18,395	55,742	34,416
Other income				
Bank interest income	359	380	720	707
Government grant	–	1,567	–	1,567
Others	30	18	32	20
	389	1,965	752	2,294

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 entrusted loan, financial consultancy, guarantee, pawn loan and finance lease services. The executive Directors allocate resources and assess performance on an aggregated basis. The Group's revenue from external customers is divided into four 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. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

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. The total revenue is disclosed in note 3.

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

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Customer A	N/A	3,089	N/A	8,174
Customer B	–	2,079	–	4,044
Customer C	4,458	–	N/A	–
Customer D	4,387	–	N/A	–
Customer E	3,774	N/A	N/A	N/A
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Depreciation of property, plant and equipment	420	410	832	817
Amortisation of prepaid land lease	102	102	204	204
Employee benefit expenses (including Directors' remuneration)				
Salaries	2,006	1,587	3,914	3,066
Pension scheme contributions				
– Defined contribution plans	98	78	195	159
Other benefits	268	241	575	418
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,372	1,906	4,684	3,643
Listing expenses	–	1,499	–	3,250
Operating lease charges in respect of properties	151	78	241	156
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Current tax – PRC	<u>8,149</u>	<u>4,035</u>	<u>11,896</u>	<u>7,211</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 six months ended 30 June 2014 (2013: Nil).

Enterprise income tax arising from subsidiaries operated in the PRC for the six months ended 30 June 2014 was calculated at 25% (2013: 25%) of the estimated assessable profits during the period.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

8. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months and six months ended 30 June 2014 is based on the profit attributable to owners of the Company of approximately RMB23,235,000 and RMB33,640,000 respectively (three months and six months ended 30 June 2013: RMB11,019,000 and RMB18,306,000 respectively) and on the 1,000,000,000 ordinary shares issued throughout the three months and six months ended 30 June 2014 (three months and six months ended 30 June 2013: 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)).

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group spent approximately RMB425,000 (2013: RMB85,000) on acquisition of furniture, fixture and office equipment and leasehold improvement.

10. LOAN AND ACCOUNT RECEIVABLES

	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
Non-current assets		
Finance lease receivables, gross and net	<u>52,130</u>	<u>37,736</u>
Current assets		
Pawn loan receivables, gross and net	40,650	41,600
Entrusted loan receivables, gross and net	188,000	115,000
Finance lease receivables, gross and net	40,704	27,178
Account receivables, gross and net	<u>7,239</u>	<u>1,587</u>
	<u>276,593</u>	<u>185,365</u>

For pawn loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, with options to renew the loan granted for a period of up to 180 days. The maturity date for each loan contract is not more than 180 days.

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 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 normally not more than 3 years.

For account receivables, it represented interest receivables from pawn loans, entrusted loans and finance lease and financial consultancy fee receivable. 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.

Based on the loan commencement date set out in the relevant contracts, ageing analysis of the Group's loan and account receivables as of each reporting date is as follows:

	As at 30 June 2014 (Unaudited) RMB'000	As at 31 December 2013 (Audited) RMB'000
0 to 30 days	55,621	4,087
31 to 90 days	100,799	75,618
91 to 180 days	91,350	92,100
Over 180 days	<u>80,953</u>	<u>51,296</u>
	<u>328,723</u>	<u>223,101</u>

11. SHARE CAPITAL

	Number of ordinary shares '000	Amount HK\$'000
Authorised:		
Ordinary share of HK\$0.01 each At 31 December 2013 and 30 June 2014	<u>5,000,000</u>	<u>50,000</u>
Issued and fully paid:		
Ordinary share of HK\$0.01 each At 31 December 2013 and 30 June 2014	<u>1,000,000</u>	<u>10,000</u>

During the six months ended 30 June 2014, there is no movement in share capital of the Company. The issued and fully paid share capital of the Company is equivalent to approximately RMB7,800,000 as at 31 December 2013 and 30 June 2014.

12. MAXIMUM EXPOSURE UNDER THE FINANCIAL GUARANTEE CONTRACTS

As at 30 June 2014, the Group's maximum exposure under the financial guarantee contracts is RMB561.8 million (31 December 2013: RMB503.7 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 2014, the Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers in total amount of RMB1,137.2 million (31 December 2013: RMB993.0 million). In respect of the Group's financial guarantee business, we have not been asked to honour any of our financial obligations during the six months ended 30 June 2014 (2013: Nil).

13. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

Compensation of key management personnel

Key management includes members of the board of Directors and other members of key management of the Group. The compensation paid or payable to key management personnel during the period are set out as below:

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Short-term employee benefits and pension scheme contributions	<u>690</u>	<u>589</u>	<u>1,378</u>	<u>1,201</u>

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 six months ended 30 June 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 in the PRC.

Financial Review

Revenue

The revenue increased from approximately RMB34.4 million for the six months ended 30 June 2013 to approximately RMB55.7 million for the six months ended 30 June 2014, representing an increase of approximately RMB21.3 million or 62.0%. The increase was attributable to the effect of the following reasons:

Guarantee services

We mainly provided the financing guarantee services during the six months ended 30 June 2013 and 2014. Our Group's guarantee service income slightly increased by 16.3% from approximately RMB7.2 million for the six months ended 30 June 2013 to approximately RMB8.4 million for the six months ended 30 June 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 six months ended 30 June 2013 to 149 for the six months ended 30 June 2014; and
- (ii) the total guaranteed amount of financing guarantee contracts granted during the period increased from approximately RMB214.5 million for the six months ended 30 June 2013 to RMB302.5 million for the six months ended 30 June 2014.

Pawn loan services

Our Group's pawn loan service income increased by 20.7% from approximately RMB6.0 million for the six months ended 30 June 2013 to approximately RMB7.3 million for the six months ended 30 June 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 35 for the six months ended 30 June 2013 to 36 for the six months ended 30 June 2014; and
- (ii) the total amount of new or renewed pawn loans granted during the period increased from approximately RMB45.5 million for the six months ended 30 June 2013 to RMB54.4 million for the six months ended 30 June 2014.

Financial consultation services

The financial consultation service income of our Group increased sharply from approximately RMB8.3 million for the six months ended 30 June 2013 to RMB21.6 million for the six months ended 30 June 2014. The increase in financial consultation service income was mainly due to the increase in the number of financial consultation services, which charged our customers based on certain percentage of the amount of financing obtained as a result of our consultation, from 8 for the six months ended 30 June 2013 to 19 for the six months ended 30 June 2014. As the Group expanded the financial consultation business, the number of new clients referred to us by third parties also increased during the period.

Entrusted loan services

Our Group's entrusted loan service income increased by 20.7% from approximately RMB10.7 million for the six months ended 30 June 2013 to RMB12.9 million for the six months ended 30 June 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 RMB189.0 million for the six months ended 30 June 2013 to RMB223.0 million for the six months ended 30 June 2014.

Finance lease services

For the six months ended 30 June 2013 and 2014, our Group's finance lease service income was approximately RMB2.2 million and RMB5.6 million respectively. We have continued to expand our finance lease business, we have twelve finance lease transactions with revenue contribution for the six months ended 30 June 2014 as compared with only five transactions for the corresponding period of last year.

Other income

Other income decreased from approximately RMB2.3 million for the six months ended 30 June 2013 to approximately RMB0.8 million for the six months ended 30 June 2014, representing a decrease of approximately RMB1.5 million or 67.2%. Our Group's other income mainly represented the bank interest income and the government grant. The decrease in other income was mainly due to the fact that we have received the government grant in relation to our guarantee business of approximately RMB1.6 million during the six months ended 30 June 2013 but no government grant was received during the six months ended 30 June 2014.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB3.6 million for the six months ended 30 June 2013 to approximately RMB4.7 million for the six months ended 30 June 2014, representing an increase of approximately RMB1.1 million or 28.6%. 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 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 RMB6.4 million for the six months ended 30 June 2013 to approximately RMB5.0 million for the six months ended 30 June 2014, representing a decrease of approximately RMB1.4 million or 21.6%. The decrease in other expenses was mainly attributable to decrease of listing expenses from approximately RMB3.3 million for the six months ended 30 June 2013 to nil for the six months ended 30 June 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 RMB33.6 million for the six months ended 30 June 2014, representing an increase of approximately RMB15.3 million, or 83.8%, from approximately RMB18.3 million for the six months ended 30 June 2013.

Outlook

We expect that the PRC economic situation will continue to grow in 2014 and we believe the financing needs in the 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. The Group has recorded tremendous financial results of financial consultation services during the first half of 2014 and we will put more effort on other existing businesses in the second half of 2014. Besides, the Group has set up a representative office in Hong Kong recently. More efforts will be made to explore new business opportunities in both the PRC and Hong Kong 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 Company exceeds 8% of the total assets of the Group. Pursuant to Rule 17.22 of the GEM Listing Rules, details of advances as defined under Rule 17.15 of the GEM Listing Rules which remained outstanding as at 30 June 2014 were as follow:

1) Entrusted loan agreement dated 19 May 2014 ("Entrusted Loan Agreement A")

Entrusted Loan Agreement A was granted by 廈門市鼎豐創業投資有限公司 (Xiamen Differ Venture Capital Company Limited) ("Differ VC"), an indirect wholly-owned subsidiary of the Company, to 廈門鼎順凱商貿有限公司 (Xiamen Ding Shun Kai Trading Limited) ("Customer A") through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB47,000,000 for the purpose of lending the same to Customer A for a period from 19 May 2014 to 18 November 2014.

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

Principal amount:	RMB47 million
Interest rate:	1.8% per month
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:

- (i) the pledge of a piece of residential land in the PRC which is valued by an independent valuer at approximately RMB98,300,000;
- (ii) personal guarantees of one individual; and
- (iii) corporate guarantee of two companies which are principally engaged in real estate development in the PRC.

2) Entrusted loan agreement dated 6 June 2014 (“Entrusted Loan Agreement B1”) and entrusted loan agreement dated 26 June 2014 (“Entrusted Loan Agreement B2”)

Entrusted Loan Agreement B1 was granted by Differ VC to 廈門倫輝貿易有限公司 (Xiamen Lun Hui Trading Limited) (“Customer B”) through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB25,000,000 for the purpose of lending the same to Customer B for a period from 6 June 2014 to 5 December 2014.

In addition, Entrusted Loan Agreement B2 was granted by Differ VC to Customer B through the lending bank pursuant to which Differ VC has entrusted the lending bank with an amount of RMB25,000,000 for the purpose of lending the same to Customer B for a period from 26 June 2014 to 25 December 2014.

The aggregate principal amount of Entrusted Loan Agreement B1 and Entrusted Loan Agreement B2 was RMB50,000,000.

The principal terms of Entrusted Loan Agreement B1 and Entrusted Loan Agreement B2 are as follows:

Aggregate principal amount:	RMB50 million
Interest rate:	1.8% per month
Loan period:	As mentioned above
Repayment:	Customer B 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 two shareholders of Customer B which is valued by an independent valuer at approximately RMB63,500,000.

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

As at 30 June 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 30 June 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	Interest of controlled corporation (note 1)	450,000,000 Shares	45%
Mr. Hong	Interest of spouse (note 2)	450,000,000 Shares	45%
Ever Ultimate Limited	Beneficial owner (note 3)	300,000,000 Shares	30%
Mr. Cai	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 beneficially 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 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.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any material contingent liabilities (31 December 2013: Nil).

CAPITAL COMMITMENT

As at 30 June 2014, the Group did not have any capital commitments contracted but not provided for in the financial statements (31 December 2013: Nil).

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 2014.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

HUMAN RESOURCES

As at 30 June 2014, the Group had a total of 108 employees (31 December 2013: 105). The staff costs (including Directors' emoluments) were approximately RMB4.7 million for the six months ended 30 June 2014 (2013: RMB3.6 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

Save as disclosed under the section headed "Comparison of Business Objectives with Actual Business Progress" below, there was no specific plan for material investments or capital assets as at 30 June 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2014, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB238.7 million (31 December 2013: RMB298.6 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was nil as at 30 June 2014 (31 December 2013: Nil). The current ratio is 16.1 times as at 30 June 2014 (31 December 2013: 18.8 times). The Group did not use any financial instruments for hedging purpose.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

**Business objectives for the period
from 25 November 2013
to 30 June 2014 as stated in the
prospectus of the Company dated
3 December 2013 (the “Prospectus”)**

**Actual business progress
for the period from 25 November 2013
to 30 June 2014**

1. Further development of our finance lease business

- | | |
|---|--|
| <ul style="list-style-type: none">- Fully contribute the outstanding registered capital of Xiamen Differ Financial Leasing Company Limited (“Differ Lease”) | <ul style="list-style-type: none">- The capital injection to Differ Lease has been completed in December 2013 and we have fully contributed the remaining share capital of Differ Lease by making use of proceeds from the placing |
|---|--|

2. Strengthening of our entrusted loan business

- | | |
|--|---|
| <ul style="list-style-type: none">- Inject funding into Differ VC and/or Differ Group (China) Company Limited (formerly known as Differ Holding (Xiamen) Company Limited (“Differ Group (China)”) to make available for the expansion business of entrusted loan | <ul style="list-style-type: none">- The capital injection to Differ Group (China) of RMB60.0 million has been completed in January 2014 |
| <ul style="list-style-type: none">- Recruit new marketing and sales staff for our entrusted loan business | <ul style="list-style-type: none">- The Group has recruited certain new staff in the PRC for expansion of entrusted loan business |

3. Enhancement of our guarantee services

- | | |
|---|--|
| <ul style="list-style-type: none">- Increase our restricted bank deposits so as to increase the guarantee limits in banks | <ul style="list-style-type: none">- The Group is negotiating with banks to increase guarantee limits |
|---|--|

4. Improvement on risk management

- | | |
|---|---|
| <ul style="list-style-type: none">- Recruit new staff for risk management | <ul style="list-style-type: none">- The Group has recruited certain new staff and improved the present system for risk management |
|---|---|

USE OF PROCEEDS

The business objectives, future plans and planned use of proceeds as stated in the Prospectus (the updated amount of net proceeds is presented on the allotment results dated 6 December 2013 (the “Announcement”)) were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of our business and financial industry. During the period from 25 November 2013 to 30 June 2014, the net proceeds from placing had been applied as follows:

	Planned use of proceeds as stated in the Announcement from 25 November 2013 to 30 June 2014 <i>HK\$' million</i>	Actual use of proceeds from 25 November 2013 to 30 June 2014 <i>HK\$' million</i>
1. Further development of our finance lease business	78.0	78.0
2. Strengthening of our entrusted loan business	51.8	75.0
3. Enhance of guarantee services	22.8	–
4. Improvement on risk management	1.1	0.5

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. No share options were granted, exercised or cancelled by the Company under the Scheme during the six months ended 30 June 2014 and there were no outstanding share options under the Scheme as at 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2014, 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 Code on Corporate Governance Practices (“CG code”) in Appendix 15 to the GEM Listing Rules.

Throughout the six months ended 30 June 2014, the Company had complied with the CG Code with the exception from the deviation from the code provisions A.1.8 as explained below:

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 six months ended 30 June 2014.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As at 30 June 2014, none of the Directors 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 30 June 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 unaudited consolidated results of the Group for the six months ended 30 June 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 GEM 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, 5 August 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.