

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
2019



CORPORATE INFORMATION

EXECUTIVE DIRECTORS:

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

NON-EXECUTIVE DIRECTORS:

Mr. CAI Huatan (*Honorary Chairman*)
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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Euro Trade Centre
13-14 Connaught Road Central
Central, Hong Kong

COMPANY SECRETARY

TAM Wai Tak Victor

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

Computershare HongKong Investor Services Limited,
Shops 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East,
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications

COMPANY WEBSITE

www.dfh.cn

STOCK CODE

6878

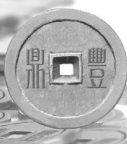
UNAUDITED INTERIM RESULTS

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 2019, together with the unaudited comparative figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000 (Restated)
Income from assets management business	4	132,754	352,377
Income from financial related services	4	56,122	73,688
Other income	4	11,993	13,328
Gain on disposal of investment properties		24,667	–
Gain on disposal of subsidiaries		46,210	–
Gain on disposal of an associate		3,056	–
Change in fair value of investment properties		56,492	62,623
Change in fair value of other financial assets		6,727	–
Costs of property development		(74,451)	(233,787)
Employee benefit expenses		(26,467)	(16,756)
Depreciation and amortisation expenses		(7,526)	(1,845)
Operating lease expenses		(982)	(3,182)
Equity-settled share-based payments		(1,055)	(2,214)
Other expenses		(31,772)	(20,493)
Share of results of associates		120	(2,787)
Finance costs	6	(15,496)	(19,518)
Profit before income tax	7	180,392	201,434
Income tax expense	8	(40,277)	(62,277)
Profit for the period		140,115	139,157

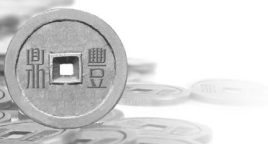


		Six months ended 30 June	
		2019	2018
	<i>Note</i>	(Unaudited) RMB'000	(Unaudited) RMB'000 <i>(Restated)</i>
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		6,545	5,516
– Fair value change on fair value through other comprehensive income		–	3,400
Items that will not be reclassified to profit or loss in subsequent periods			
– Surplus on revaluation upon transfer of land and buildings to investment properties		–	20,750
Total comprehensive income for the period		146,660	168,823
Profit for the period attributable to:			
Owners of the Company		140,551	104,494
Non-controlling interests		(436)	34,663
		140,115	139,157
Total comprehensive income attributable to:			
Owners of the Company		147,096	134,160
Non-controlling interests		(436)	34,663
		146,660	168,823
Earnings per share			
– Basic (<i>RMB cents</i>)	10	2.25	2.42
– Diluted (<i>RMB cents</i>)		2.25	2.42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Unaudited) RMB'000 (Restated)	As at 1 January 2018 (Unaudited) RMB'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	11	22,027	19,178	19,853
Prepaid land lease		–	–	6,105
Right-of-use assets		52,744	–	–
Investment properties		550,600	600,200	321,000
Interests in associates		15,649	15,529	20,499
Restricted bank deposits		–	–	10,000
Finance lease, loan and account receivables	12	123,524	180,899	275,120
Other financial assets	13	102,377	97,900	–
Prepayments, deposits and other receivables	14	83,680	83,680	83,038
Goodwill		33,400	33,400	33,400
Available-for-sales financial assets		–	–	131,370
		984,001	1,030,786	900,385
Current assets				
Inventories of properties		3,160,197	2,219,124	2,032,909
Other inventories		551	385	–
Finance lease, loan and account receivables	12	820,602	919,602	1,101,485
Other financial assets	13	3,664	3,619	–
Tax receivables		18,331	17,000	18,156
Prepayments, deposits and other receivables	14	590,749	779,046	541,466
Restricted bank deposits		13,408	39,847	17,729
Cash and bank balances – general accounts		26,320	85,917	60,860
Cash and bank balances – held on behalf of customers		17,579	23,775	–
		4,651,401	4,088,315	3,772,605
Assets classified as held for sale		–	452,989	–
		4,651,401	4,541,304	3,772,605

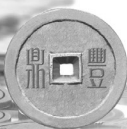


	Notes	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Unaudited) RMB'000 (Restated)	As at 1 January 2018 (Unaudited) RMB'000 (Restated)
Current liabilities				
Accounts and bills payable	15	405,343	473,616	198,104
Accruals, other payables, deposits received and deferred income		716,720	685,994	1,467,161
Contract liabilities	16	1,199,631	1,079,832	–
Provision for taxation		52,836	77,579	37,932
Bank and other borrowings		496,440	296,038	253,503
Corporate bonds		37,410	18,270	41,725
Lease liabilities		8,825	–	–
		<u>2,917,205</u>	<u>2,631,329</u>	<u>1,998,425</u>
Liabilities related to assets classified as held for sales		–	140,602	–
		<u>2,917,205</u>	<u>2,771,931</u>	<u>1,998,425</u>
Net current assets		<u>1,734,196</u>	<u>1,769,373</u>	<u>1,774,180</u>
Total assets less current liabilities		<u>2,718,197</u>	<u>2,800,159</u>	<u>2,674,565</u>
Non-current liabilities				
Deposits received		80,859	83,497	31,025
Bank and other borrowings		362,044	675,229	697,497
Corporate bonds		258,825	257,955	225,199
Promissory note		–	–	120,000
Deferred tax liabilities		121,011	122,641	102,888
Lease liabilities		86,906	–	–
		<u>909,645</u>	<u>1,139,322</u>	<u>1,176,609</u>
Net assets		<u>1,808,552</u>	<u>1,660,837</u>	<u>1,497,956</u>
EQUITY				
Share capital	17	12,832	10,585	8,292
Reserves		1,766,310	1,620,406	1,366,669
Equity attributable to owners of the Company		<u>1,779,142</u>	<u>1,630,991</u>	<u>1,374,961</u>
Non-controlling interests		<u>29,410</u>	<u>29,846</u>	<u>122,995</u>
Total equity		<u>1,808,552</u>	<u>1,660,837</u>	<u>1,497,956</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Share capital RMB '000	Share premium RMB '000	Merger and other reserve RMB '000	Share options reserve RMB '000	Statutory reserve RMB '000	Assets revaluation reserve RMB '000	Financial assets revaluation reserve RMB '000	Translation reserve RMB '000	Retained profits RMB '000	Total RMB '000	Non-controlling interests RMB '000	Total RMB '000
For the six months ended 30 June 2019 (Unaudited)												
At 1 January 2019, as previously reported	10,585	862,545	(205,249)	24,184	114,165	16,829	2,300	(17,973)	804,600	1,611,986	29,846	1,641,832
Adoption of merger accounting (note 20)	-	-	9,535	-	-	-	-	(2)	9,472	19,005	-	19,005
At 1 January 2019, as restated	10,585	862,545	(195,714)	24,184	114,165	16,829	2,300	(17,975)	814,072	1,630,991	29,846	1,660,837
Profit for the period	-	-	-	-	-	-	-	-	140,551	140,551	(436)	140,115
Other comprehensive income for the period	-	-	-	-	-	-	-	6,545	-	6,545	-	6,545
Total comprehensive income for the period	-	-	-	-	-	-	-	6,545	140,551	147,096	(436)	146,660
Acquisition of subsidiaries under common control	2,247	442,614	(444,861)	-	-	-	-	-	-	-	-	-
Realisation of assets revaluation reserve upon disposal of asset	-	-	-	-	-	(16,829)	-	-	16,829	-	-	-
Equity-settled share based transactions	-	-	-	1,055	-	-	-	-	-	1,055	-	1,055
Transfer to statutory reserve	-	-	-	-	9,303	-	-	-	(9,303)	-	-	-
At 30 June 2019	12,832	1,305,159	(640,575)	25,239	123,468	-	2,300	(11,430)	962,149	1,779,142	29,410	1,808,552
For the six months ended 30 June 2018 (Unaudited)												
At 1 January 2018, as previously reported	8,292	356,029	261,502	20,455	60,948	-	3,600	(4,535)	601,198	1,307,489	64,106	1,371,595
Adoption of merger accounting (note 20)	-	-	51,001	-	-	-	-	(1)	16,472	67,472	58,889	126,361
At 1 January 2018, as restated	8,292	356,029	312,503	20,455	60,948	-	3,600	(4,536)	617,670	1,374,961	122,995	1,497,956
Profit for the period	-	-	-	-	-	-	-	-	104,494	104,494	34,663	139,157
Other comprehensive income for the period	-	-	-	-	-	20,750	3,400	5,516	-	29,666	-	29,666
Total comprehensive income for the period	-	-	-	-	-	20,750	3,400	5,516	104,494	134,160	34,663	168,823
Equity-settled share based transactions	-	-	-	2,214	-	-	-	-	-	2,214	-	2,214
Acquisition of subsidiaries under common control	172	41,156	(375,263)	-	-	-	-	-	-	(333,935)	-	(333,935)
Issue of ordinary shares by placing	1,252	261,081	-	-	-	-	-	-	-	262,333	-	262,333
Transfer to statutory reserve	-	-	-	-	11,005	-	-	-	(11,005)	-	-	-
At 30 June 2018, as restated	9,716	658,266	(62,760)	22,669	71,953	20,750	7,000	980	711,159	1,439,733	157,658	1,597,391



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000 <i>(Restated)</i>
Net cash generated from operating activities	112,958	301,525
Net cash used in investing activities	(49,393)	(269,985)
Net cash (used in)/generated from financing activities	(122,418)	66,561
Net (decrease)/increase in cash and cash equivalents	(58,853)	98,101
Cash and cash equivalents at the beginning of the period	85,917	60,860
Effect of foreign exchange rate changes, net	(744)	(1,378)
Cash and cash equivalents at the end of the period	26,320	157,583

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 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 Company and its subsidiaries (collectively the "Group") is located at 33/F, Differ Fortune Centre, No.503 Gaolin Middle Road, Huli District, Xiamen City, Fujian Province, 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 assets management business, finance lease services and financial services.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" 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 unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 Basis of preparation

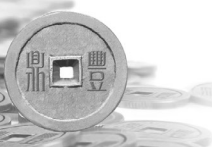
On 23 January 2019, a very substantial and connected transaction in relation to the acquisition of the entire issued share capital of Prime Thrive Investments Limited ("Prime Thrive") was completed ("Acquisition"). Prime Thrive and its subsidiaries (the "Prime Thrive Group") are principally engaged in property development and management business. The details of the Acquisition are set out in the Company's circular dated 31 December 2018.

As the Group and Prime Thrive Group were under common control of Mr. Hong Mingxian ("Mr. Hong") and he will continue to control the Group and Prime Thrive Group upon completion of the Acquisition, the Acquisition is considered as a combination of business under common control and accounted for under the principles of merger accounting, pursuant to which the consolidated financial statements of the Group have been prepared as if Prime Thrive Group had been the subsidiaries of the Group since the beginning of year 2018.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been prepared as if Prime Thrive Group had been the subsidiaries of the Group throughout the six months ended 30 June 2018 and 2019, or since their respective dates of incorporation/establishment where this is a shorter period. The consolidated statements of financial position of the Group as at 1 January 2018 and 31 December 2018 have been restated to include the assets and liabilities of the companies now comprising the Group. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination.

2.3 Functional and presentation currency

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.



3. PRINCIPAL ACCOUNTING POLICIES

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 2018 except for the adoption of the following standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on 1 January 2019.

HKFRS 16 Leases

The adoption of this new HKFRS did not have significant impact on the Group's results of operations and financial position.

4. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000 (Restated)
Income from assets management business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from sales of properties	130,452	346,775
Revenue from other sources		
Income from disposals/executions of distressed financial assets	–	3,911
Rental income	2,165	1,691
Others	137	–
	132,754	352,377

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000 (Restated)
Income from financial related services		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from financial consultancy services	15,613	2,810
Income from supply chain agency services	237	655
Income from financial securities services	1,538	–
Revenue from other sources		
Income from guarantee services	5,106	5,709
Interest income from:		
– Entrusted loans	14,448	33,144
– Money lending	11,457	10,867
– Finance lease services	7,723	20,503
	<u>56,122</u>	<u>73,688</u>
Timing of revenue recognition within the scope HKFRS 15		
At a point in time	132,227	347,430
Transferred over time	15,613	2,810
	<u>147,840</u>	<u>350,240</u>
Other income		
Bank interest income	475	439
Government grants	3,383	12,387
Reversal of impairment loss of loan and account receivables	1,029	–
Gain on disposal of other assets	6,180	–
Others	926	502
	<u>11,993</u>	<u>13,328</u>



5. 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 4.

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 4. The Group's non-current assets other than financial instruments are principally located in the PRC.

There are no customer who individually contribute over 10% of the total revenue of the Group.

6. FINANCE COSTS

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000 (Restated)
Interest on bank and other borrowings	20,298	30,401
Interest on corporate bonds	8,594	7,354
Interest on promissory note	–	1,965
Interest on lease liabilities	753	–
	29,645	39,720
Less: amount capitalised on properties under development	(14,149)	(20,202)
	15,496	19,518

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000 (Restated)
Depreciation of property, plant and equipment	2,801	1,811
Depreciation of right-of-use assets	4,725	-
Amortisation of prepaid land lease	-	34
Employee costs (including Directors' remuneration)		
Salaries and other benefits	23,159	14,644
Pension scheme contributions – defined contribution plans	3,308	2,112
	26,467	16,756
Equity-settled share-based payments	1,055	2,214
Impairment loss on finance lease, loan and account receivables	2,187	6,458
Operating lease charges in respect of properties	-	3,182
Reversal of impairment loss of loan and account receivables	(1,029)	-
	26,467	16,756

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Current tax		
Hong Kong profits tax	462	-
PRC enterprise income tax ("EIT")	28,218	41,891
PRC land appreciation tax ("LAT")	1,565	4,459
PRC withholding tax	237	271
Deferred tax	9,795	15,656
	40,277	62,277

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.

EIT arising from subsidiaries operated in the PRC for the six months ended 30 June 2019 as calculated at 25% (2018: 25%) of the estimated assessable profits during the period, except for subsidiaries established and operated in Ganzhou, which are beneficial from a preferential tax policy from the local tax authorities and are entitled to a reduce tax rate of 15% for the years from 2016 to 2020.



LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business tax and all property development expenditures. The tax is incurred upon transfer of property ownership. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

Withholding tax was calculated at 7% (2018: 7%) of interest paid by PRC entities to a non-PRC holding company during the period.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2019 (2018: Nil).

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

10. EARNINGS PER SHARE

The calculations of basic earnings per share for the six months ended 30 June 2019 is based on the profit attributable to owners of the Company of approximately RMB140,551,000 (2018 (restated): RMB104,494,000 and on the weighted average number of ordinary shares of 6,237,829,869 (2018: 4,316,544,444) issued throughout the six months ended 30 June 2019.

Diluted earnings per share for the six months ended 30 June 2019 is the same as the basic earnings per share because the impact of the potential dilutive ordinary shares outstanding is anti-dilutive (2018: no potential ordinary shares in issue).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group spent approximately RMB5,650,000 (2018: RMB8,451,000) on leasehold improvement and acquisition of motor vehicles, furniture, fixtures and office equipment.

12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
Non-current assets		
Finance lease receivables	123,524	178,645
Entrusted loan receivables	-	2,254
	<u>123,524</u>	<u>180,899</u>
Current assets		
Entrusted loan receivables	203,833	149,925
Finance lease receivables	143,308	111,472
Loan receivables	86,702	561,466
Receivables from guarantee customers	30,456	35,901
Account receivables	356,303	60,838
	<u>820,602</u>	<u>919,602</u>

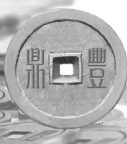
For finance lease receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The maturity date for each loan contract is ranging from one to ten years.

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 one to two years.

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 two years.

For account receivables, it represented interest receivables from entrusted loans, finance lease and loan receivables, financial consultancy fee receivables and proceeds receivables from 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 term set out in relevant contracts.



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, net of impairment loss, as of each reporting date is as follows:

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
0 to 30 days	285,246	247,113
31 to 90 days	44,140	10,827
91 to 180 days	10,234	379,544
Over 180 days	574,050	427,116
	<u>913,670</u>	<u>1,064,600</u>

13. OTHER FINANCIAL ASSETS

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
Non-current:		
Financial assets measured at fair value through profit or loss ("FVTPL")		
– Unlisted equity securities (<i>Note (a)</i>)	33,000	33,000
– Distressed assets (<i>Note (b)</i>)	66,627	59,900
– Fund investment	2,750	5,000
	<u>102,377</u>	<u>97,900</u>
Current:		
Financial assets measured at FVTPL		
– Equity securities listed in Hong Kong	424	379
Financial assets measured at fair value through other comprehensive income		
– Distressed assets (<i>Note (b)</i>)	3,240	3,240
	<u>3,664</u>	<u>3,619</u>
	<u>106,041</u>	<u>101,519</u>

Notes:

- (a) The balance represented shares in an unlisted PRC company. The Group has classified the shares as FVTPL as the Group considers these investment were not held for long term strategic purpose.
- (b) The distressed assets represented equity and debt instruments which there is no public market for investments.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Unaudited) RMB'000 (Restated)
Non-current Assets		
Amounts paid for properties acquired for assets management business	83,038	83,038
Deposit paid	642	642
	83,680	83,680
Current Assets		
Amounts paid for land and properties acquired for assets management business	352,375	630,444
Prepaid expenses, other receivables and deposits paid	238,374	148,602
	590,749	779,046

The directors considered that the carrying amounts of deposits paid and other receivables approximate their fair values.

15. ACCOUNTS AND BILLS PAYABLE

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Unaudited) RMB'000 (Restated)
Accounts payable from property development	373,981	387,432
Accounts payable from financial services		
– clearing house	4	1,109
– cash client	20,966	22,683
Bills payable	10,392	62,392
	405,343	473,616



Included in accounts and bills payable are creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Unaudited) RMB'000 (Restated)
Current or less than 1 month	368,661	413,324
1 to 3 months	26,290	6,196
More than 3 months but less than 12 months	10,392	53,905
More than 12 months	–	191
	<u>405,343</u>	<u>473,616</u>

16. CONTRACT LIABILITIES

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Unaudited) RMB'000 (Restated)
Contract liabilities related to property sales	<u>1,199,631</u>	<u>1,079,832</u>

17. 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 2018, 1 January 2019 and 30 June 2019	<u>20,000,000</u>	<u>50,000</u>	<u>39,000</u>
Issued and fully paid:			
At 31 December 2018 and 1 January 2019	5,330,386	13,326	10,585
Issue of new share for acquisition of subsidiaries under common control (note a)	<u>1,033,000</u>	<u>2,583</u>	<u>2,247</u>
At 30 June 2019	<u>6,363,386</u>	<u>15,909</u>	<u>12,832</u>

The movements in share capital of the Company were as follows:

- (a) An aggregate of 1,033,000,000 new ordinary shares of the Company of HK\$0.0025 each were issued as consideration shares at a price of HK\$0.495 per share on 23 January 2019 in relation to acquisition of Prime Thrive.

18. CONTINGENT LIABILITIES

As at 30 June 2019, the Group has issued the following significant guarantees:

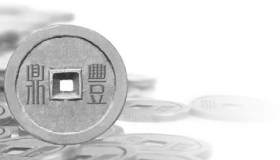
- (a) The Group has arranged mortgage loan facility with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayments. The outstanding guarantees amounted to approximately RMB973,678,000 (31 December 2018: RMB755,608,000) at the reporting date. The guarantees provided by the Group to the banks would be released upon (i) the satisfaction of mortgage loans by the purchasers of properties; or (ii) receiving the real estate owner certificates of the respective properties by the banks from the buyers as security for the mortgage loan facilities granted. No provision for the Group's obligation under the guarantees has been made as the directors considered that it was not probable that the repayments of the loans would be in default. The directors also considered that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the buyer default payments to the banks. The Group has not recognised any income in respect of these guarantees as its fair value is considered to be minimal by the directors.
- (b) The Group had given financial guarantee to banks for banking facilities granted to certain customers of the Group, of maximum amount of approximately RMB395,250,000 (31 December 2018 (restated): RMB386,562,000). The Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers in total amount of RMB823.5 million (31 December 2018: RMB971.5 million).

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

19. RELATED PARTY DISCLOSURES**(i) 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 is shown below:

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Short-term employee benefits	3,250	2,188
Equity-settled share based payment	719	1,158
	3,969	3,346



- (ii) Except as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties during the period:

Company Name	Relationship	Type of transaction	Transaction amount	
			Six months ended 30 June	
			2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000 (Restated)
Dragon Holdings Company Limited [^] (龍之族控股有限公司) (“Dragon Holdings”)	Related company*	Guarantee service income	–	890

[^] The English name is for identification only.

* Related company is controlled by Mr. Hong.

20. BUSINESS COMBINATIONS UNDER COMMON CONTROL

The Group adopts merger accounting for common control combinations in respect of the acquisition of 100% equity interest of Prime Thrive on 23 January 2019.

Statements of adjustments for business combinations under common control on the Group's financial position as at 1 January 2018 and 31 December 2018 and the results for the six months ended 30 June 2018 and 2019 are summarised as follows:

	As previously reported RMB'000	Effect of Acquisition RMB'000	Total RMB'000
Six months ended 30 June 2019			
Revenue	188,876	–	188,876
Profit/(loss) before income tax	180,545	(153)	180,392
Income tax expense	(40,277)	–	(40,277)
Profit/(loss) for the period	140,268	(153)	140,115

	As previously reported RMB'000	Effect of Acquisition RMB'000	Combination adjustments RMB'000	Total RMB'000
Six months ended 30 June 2018				
Revenue	429,721	–	(3,656)	426,065
Profit/(loss) before income tax	205,598	(508)	(3,656)	201,434
Income tax expense	(62,277)	–	–	(62,277)
Profit/(loss) for the period	143,321	(508)	(3,656)	139,157

	As previously reported RMB '000	Effect of Acquisition RMB '000	Combination adjustments RMB '000	Total RMB '000
As at 31 December 2018				
ASSETS				
Non-current assets	1,030,786	-	-	1,030,786
Current assets	3,117,131	1,414,281	9,892	4,541,304
Total assets	4,147,917	1,414,281	9,892	5,572,090
LIABILITIES				
Non-current liabilities	594,308	533,587	11,427	1,139,322
Current liabilities	1,911,777	862,091	(1,937)	2,771,931
Total liabilities	2,506,085	1,395,678	9,490	3,911,253
EQUITY				
Share capital	10,585	-	-	10,585
Reserves	1,601,401	18,603	402	1,620,406
Total equity	1,611,986	18,603	402	1,630,991
Non-controlling interests	29,846	-	-	29,846
Total equity	1,641,832	18,603	402	1,660,837



	As previously reported RMB'000	Effect of Acquisition RMB'000	Combination adjustments RMB'000	Total RMB'000
As at 1 January 2018				
ASSETS				
Non-current assets	900,379	6	–	900,385
Current assets	2,406,300	1,348,663	17,642	3,772,605
Total assets	3,306,679	1,348,669	17,642	4,672,990
LIABILITIES				
Non-current liabilities	528,647	636,535	11,427	1,176,609
Current liabilities	1,406,437	591,988	–	1,998,425
Total liabilities	1,935,084	1,228,523	11,427	3,175,034
EQUITY				
Share capital	8,292	–	–	8,292
Reserves	1,299,197	61,257	6,215	1,366,669
Non-controlling interests	1,307,489	61,257	6,215	1,374,961
	64,106	58,889	–	122,995
Total equity	1,371,595	120,146	6,215	1,497,956

Note:

Adjustments were made to eliminate the investment costs and capitals of the Prime Thrive Group against reserves and non-controlling interests.

No other significant adjustments were made to the net assets and net profit/(loss) of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

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 the PRC. During the six months ended 30 June 2019, the turnover was mainly derived from the provision of (i) assets management business (including investments in properties, equities and distressed assets), (ii) finance lease services and (iii) financial services (including financial consultancy services, express loan services, guarantee services and supply chain agency services).

FINANCIAL REVIEW

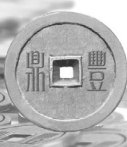
Turnover

The turnover decreased from approximately RMB426.1 million for the six months ended 30 June 2018 to approximately RMB188.9 million for the six months ended 30 June 2019, representing a decrease of approximately RMB237.2 million or 55.7%. The decrease was attributable to the net effect of the following reasons:

Assets management business

The acquisition of Differ Cultural Tourism Development Company Limited and its subsidiaries (“Differ Cultural Group”) was completed in 2018. Differ Cultural Group manages two major residential and commercial property projects, being Differ Sky Realm (鼎豐天境) and Chu Zhou Fu Cheng (處州府城), all of which were located in Lishui, the PRC. Both projects are scheduled to be completed in phases between 2018 and 2021. Differ Sky Realm is a residential development comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. The said development covers a total site area of approximately 99,728 sq. m and a total gross floor area of approximately 377,169 sq. m upon completion. The Phase 1 and 2 of Differ Sky Realm was completed and over 80% of the properties were delivered to the purchasers in 2018. Most of the remaining parts of Phase 1 and 2 of Differ Sky Realm were sold and delivered to the purchasers in the first half of 2019. The revenue for the Phase 1 and 2 of Differ Sky Realm for the six months ended 30 June 2019 was approximately RMB76.3 million. In addition, Chu Zhou Fu Cheng (處州府城) is a commercial development in the theme of cultural tourism. The said development covers a total site area of approximately 74,721 sq. m and total gross floor area of approximately 94,511 sq. m. The construction works of Chu Zhou Fu Cheng (處州府城) was completed in the second quarter of 2019 and part of which were recognised as revenue of approximately RMB54.2 million for the six months ended 30 June 2019 in accordance with HKFRSs.

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB2.3 million during the six months ended 30 June 2019. Such income mainly represented the rental income.



Finance lease services

Our Group mainly provide the finance lease services for machineries, distant fishing vessels, properties and motor vehicles.

Our Group's finance lease services income decreased by 62.3% from approximately RMB20.5 million for the six months ended 30 June 2018 to RMB7.7 million for the six months ended 30 June 2019. The decrease was mainly due to the Group's prudent and conservative strategy to develop this business.

Financial services

Financial consultancy services

The financial consultancy service income of our Group increased from approximately RMB2.8 million for the six months ended 30 June 2018 to RMB15.6 million for the six months ended 30 June 2019. The increase of the number of the customers which lead to increase of our income from financial consultancy services.

Express loan services

Entrusted loan services

Our customers of entrusted loan services are mainly small and medium enterprises ("SMEs"). Our Group's entrusted loan service income decrease by 56.4% from approximately RMB33.1 million for the six months ended 30 June 2018 to RMB14.4 million for the six months ended 30 June 2019. The decrease of entrusted loan service income was mainly due to the decrease of average entrusted loan receivables during the period.

Money lending services

The Group has also provided short-term financing to certain customers in Hong Kong and the PRC and recorded the interest income of approximately RMB11.5 million (2018: RMB10.9 million).

Guarantee services

We provided the financing guarantee services during the six months ended 30 June 2019 and 2018. Our Group's guarantee service income decreased by 10.6% from approximately RMB5.7 million for the six months ended 30 June 2018 to approximately RMB5.1 million for the six months ended 30 June 2019. The Group is adopting a prudent approach to approve the application of our guarantee services from potential customers. The decrease of income from guarantee services was mainly due to the decrease of the number of the customers of guarantee services.

Supply chain agency services

The Group provided one-stop supply chain agency services for its customers ranging from sourcing and procurement of materials, production management, financing and negotiation the term of sale and purchase agreements on behalf of its customers with the suppliers. The supply chain agency fee is based on the pre-agreed percentage of the relevant transaction amount. During the six months ended 30 June 2019, the Group recorded the supply chain agency fee of approximately RMB0.2 million.

Other income

Other income decreased from approximately RMB13.3 million for the six months ended 30 June 2018 to approximately RMB12.0 million for the six months ended 30 June 2019, representing a decrease of approximately RMB1.3 million or 10.0%. Our Group's other income for the six months ended 30 June 2019 mainly represented government grants and gain on disposal of other assets. The decrease was mainly due to the decrease of government grants received.

Gain on disposal of investment properties

The Group recorded gain on disposal of investment properties of approximately RMB24.7 million for the six months ended 30 June 2019. It represented the net gain of disposal of certain parts of Chu Zhou Fu Cheng projects (as recognised in accordance with HKFRSs) and an investment property in Xiamen.

Gain on disposal of subsidiaries

In June 2019, the Group disposed 1) the sale shares, representing the entire issued share capital of Karhoe Company Limited ("Karhoe") ("Sale Shares") and 2) the sale loan, representing the amount due from Karhoe Group (as defined below) to the Group in the sum of RMB235.4 million ("Sale Loan"), at the total consideration of RMB279.4 million. Karhoe and its subsidiaries (the "Karhoe Group") is principally engaged in property development in Yingkou City, Liaoning Province. The Group recorded the gain on disposal of subsidiaries of approximately RMB46.2 million for the six months ended 30 June 2019.

Change in fair value of investment properties

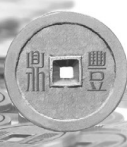
The Group's investment properties are situated in the PRC and are held under the lease term from 40 to 50 years. As at 30 June 2019, the carrying amount of investment properties represents i) an investment property in Xiamen which are held to earn rentals under operating lease and ii) parts of Chu Zhou Fu Cheng projects, which are held for capital appreciation or held to earn rentals in long terms. The fair value gains on the Group's investment properties of approximately RMB56.5 million for the six months ended 30 June 2019 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions.

Cost of property development

The Group recorded cost of property development of approximately RMB74.5 million for the six months ended 30 June 2019. It mainly represented the land costs, construction costs and other relevant costs for Phase 1 and 2 of Differ Sky Realm and part of Chu Zhou Fu Cheng.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB16.8 million for the six months ended 30 June 2018 to approximately RMB26.5 million for the six months ended 30 June 2019, representing an increase of approximately RMB9.7 million or 58.0%. 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 staff and staff salaries as a result of business expansion.



Other expenses

The other expenses increased from approximately RMB20.5 million for the six months ended 30 June 2018 to approximately RMB31.8 million for the six months ended 30 June 2019, representing an increase of approximately RMB11.3 million or 55.0%. The increase was mainly due to the business expansion of the Group.

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 RMB140.6 million for the six months ended 30 June 2019, representing an increase of approximately RMB36.1 million, or 34.5%, from approximately RMB104.5 million for the six months ended 30 June 2018.

OUTLOOK

The Group considers the assets management business is the key growth driver and actively expanded such business. Apart from the acquisition of Differ Cultural Group in 2018, the acquisitions of i) Prime Thrive Group and ii) lands plots in Zhejiang province were completed and approved by the shareholders of the Company respectively in January 2019. The acquisitions have demonstrated that the Group is capable of diversifying its asset classes. It successfully extended its asset classes from non-performing assets to value assets. In view of the favorable economy and the capital appreciation potential of the value assets in our portfolio, the Board believes that the acquisitions will generate significant returns in the next few years. Meanwhile, the Group is looking for the other value assets in PRC continuously.

Other than developing asset management business, the Group is seeking to develop new business opportunities to broaden its income stream. The Group has obtained licenses from the Securities and Futures Commission to carry out Type 1 (Dealing in Securities) and Type 9 (Asset Management) regulated activities in 2018, the Group will continue to actively seek and seize the market opportunities and create multiple income streams in order to generate satisfactory returns for shareholders on a continuous basis.

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 30 June 2019, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Companies” contained in the Listing Rules, were as follows:

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

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of underlying shares pursuant to share options	Aggregate interests	Approximate percentage of the total issued share capital of the Company
Mr. Hong	Interest in controlled corporation (Note 1)	3,001,200,000	-	3,001,200,000	47.16%
	Beneficial owner	-	6,400,000	6,400,000	0.10%
Mr. Ng Chi Chung ("Mr. Ng")	Interest in controlled corporation (Note 2)	1,115,800,000	-	1,115,800,000	17.53%
	Beneficial owner	12,098,000	6,400,000	18,498,000	0.29%

Notes:

1. These Shares were held by Expert Corporate Limited (“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 3,001,200,000 Shares under the SFO.
2. These Shares were held by Ever Ultimate Limited (“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.



Save as disclosed above, as at 30 June 2019, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2019, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

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

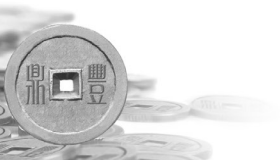
Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Expert Corporate	Beneficial owner (<i>Note 1</i>)	3,001,200,000	47.16%
Ms. Shi Hongjiao ("Ms. Shi")	Interest of spouse (<i>Note 2</i>)	3,007,600,000	47.26%
Ever Ultimate	Beneficial owner (<i>Note 3</i>)	1,115,800,000	17.53%
Ms. Ting Pui Shan ("Ms. Ting")	Interest of spouse (<i>Note 4</i>)	1,134,298,000	17.82%
Jianda Value Investment Fund L.P.	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	11.79%
Li Yining	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	11.79%
Cinda International Holdings Limited	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	11.79%
Wu Haitao	Person having a security interest in shares (<i>Note 5</i>)	750,000,000	11.79%

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Tian Sheng Universal Limited	Person having a security interest in shares (Note 5)	750,000,000	11.79%
Caitong Securities Co., Limited	Person having a security intend in shares (Note 5)	750,000,000	11.79%
China Cinda Asset Management Co., Limited	Person having a security intend in shares (Note 5)	750,000,000	11.79%
Ministry of Finance of Zhejiang Province, the People's Republic of China (中華人民共和國 浙江省財政廳)	Person having a security intend in shares (Note 5)	750,000,000	11.79%
Sinoday Limited	Person having a security intend in shares (Note 5)	750,000,000	11.79%
Asia United Fund	Investment manager	419,598,000	5.67%

Notes:

1. These Shares were held by Expert Corporate, which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 3,001,200,000 Shares under the SFO.
2. Ms. Shi is the spouse of Mr. Hong.
3. These Shares were held by Ever Ultimate, which was wholly and beneficial owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 1,115,800,000 Shares under the SFO.
4. Ms. Ting is the spouse of Mr. Ng.
5. On 7 June 2018, Expert Corporate had executed a share and account charge in favour of the subscribers of the senior guaranteed notes, pursuant to which Expert Corporate charged the securities of at least 750,000,000 Shares and assets in a designated securities account of Expert Corporate as a security for the repayment obligation of the Company under the subscription agreement.

Save as disclosed above and as at 30 June 2019, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.



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 corporate bonds and bank and other borrowings.

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

- (a) On 7 November 2018, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Ms. Shi to acquire the entire issued share capital of Prime Thrive at a consideration of RMB499,972,000. Prime Thrive was under the control and managed by Mr. Hong, the substantial shareholder of the Company, via Ms. Shi through a trust arrangement, the acquisition is considered as a combination of businesses under the common control. The consideration is settled by 1,033,000,000 shares of the Company at issue price of HK\$0.495 per share. The principal activities of Prime Thrive Group are property development. The acquisition was completed on 23 January 2019. Upon the completion of the acquisition, Prime Thrive became a wholly-owned subsidiary of the Company.
- (b) On 8 November 2018, Longquan City Land and Resources Bureau, a local PRC government authority (as the vendor) has granted Longquan Differ Cultural Tourism Company Limited, an indirect 70% owned subsidiary of the Company (as the purchaser) the right to acquire two land use rights both located in Chengdong District, Longquan City, Zhejiang Province, the PRC, in the total consideration of RMB1,135,050,000. The transaction was approved by the shareholders at the extraordinary general meeting of the Company on 18 January 2019.
- (c) On 15 January 2019, the Group received a notification (the "Notification") from Shandong Lid Liquidation Affairs Limited (the "Administrator"), a limited liability company established in the PRC, being appointed by the court as the Administrator of Weihai Zhongtian Real Estate Limited (now known as 威海融璟房地產開發有限公司 Weihai Rong Jing Property Development Limited) ("Weihai Property") and responsible for the reorganisation of Weihai Property, that the court has formally approval a wholly-owned subsidiary of the Company and Zhangzhou Fuyi Investment Co., Limited ("Zhangzhou Fuyi") to be the reforming parties to the restructuring plan in respect of Weihai Property in accordance with the Corporate Bankruptcy Law of the PRC under the supervision of the Administrator.

Pursuant to the Notification, the Group and Zhangzhou Fuyi will acquire 51% and 49% of the equity interest in Weihai Property respectively without payment of any consideration. The transaction was completed on 6 May 2019. Upon the completion of the acquisition, Weihai Property became a 51% owned subsidiary of the Company.

- (d) On 25 June 2019, Differ Cultural and Creative Investment Company Limited (“Differ Cultural”), a direct wholly-owned subsidiary of the Company (as the vendor) entered into the sale and purchase agreement with Wang Yanxuan (as the purchaser), pursuant to which the vendor has agreed to sell and the purchaser has agreed to acquire the Sale Shares and the Sale Loan at the total consideration of RMB279,379,667. The aforesaid disposal was completed on 30 June 2019.

Save as disclosed above, there was no significant investment and material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2019.

INTERIM DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

HUMAN RESOURCES

As at 30 June 2019, the Group had a total of 422 employees (31 December 2018 (restated): 317). The staff costs (included Directors’ emoluments) were approximately RMB26.5 million for the six months ended 30 June 2019 (2018 (restated): RMB16.8 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.

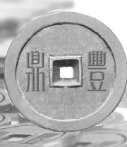
The employees of the Group’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees’ salaries to the central pension scheme. The Group also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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this announcement, there was no specific plan for material investments or capital assets as at 30 June 2019 (2018: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB39.7 million (31 December 2018 (restated): RMB125.8 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 20.5% as at 30 June 2019 (31 December 2018 (restated): 22.4%). The current ratio is 1.59 times as at 30 June 2019 (31 December 2018 (restated): 1.64 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 6.29% 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 2019:

Name or category of participants	Date of grant	Number of share options				At 30 June 2019	Exercise period	Exercise price HK\$
		At 1 January 2019	Granted	Exercised	Cancelled			
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	29,394,000	-	-	(3,248,000)	26,146,000	30 April 2017 to 30 April 2021	0.734
Total		42,194,000	-	-	(3,248,000)	38,946,000		

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.

The fair values of the Share Options granted under the Share Options Scheme on 26 November 2013 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\$0.71
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 RMB13.4 million as at 30 June 2019 (31 December 2018: RMB39.8 million) were pledged to secure for the Group's facilities of providing financial services to the customers. Bank borrowings with carrying amount of approximately RMB18.0 million (31 December 2018: RMB24.0 million) were secured by finance lease receivables with carrying amount of approximately RMB28.2 million (31 December 2018: RMB34.2 million).

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2019, 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 2019, 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 2019.

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 2019.

All the independent non-executive Directors were delegated with the authority to review on an annual basis the compliance of the terms of the non-competition undertaking and the enforcement of the non-competition undertaking given by Mr. Hong, Mr. Ng, Expert Corporate and Ever Ultimate. Each of them confirmed that (a) they have provided all information necessary for the enforcement of the non-competition undertakings, as requested by all independent non-executive Directors from time to time; and (b) each of them had fully complied with the non-competition undertaking for the six months ended 30 June 2019. All independent non-executive Directors also confirmed that they were not aware of any non-compliance with the non-competition undertaking given by them during the same period.

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 consolidated results of the Group for the six months ended 30 June 2019 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, 28 August 2019

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

