

The background of the cover features a warm, golden-yellow color palette. It includes a stylized cityscape with buildings and a grid of dashed lines. In the foreground, there are several golden coins and two interlocking gears, symbolizing finance and industry. The text 'INTERIM REPORT 2021' is positioned in the upper right corner.

INTERIM REPORT
2021

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



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. CHEN Naïke

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 REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Suites 501-05 on 5th floor, AIA Central,
No.1 Connaught Road Central,
Hong Kong

COMPANY SECRETARY

TAM Wai Tak Victor

AUDITOR

BDO Limited

AUTHORISED REPRESENTATIVES

HONG Mingxian
TAM Wai Tak Victor

MEMBERS OF AUDIT COMMITTEE

Mr. CHAN Sing Nun (*Chairman*)
Mr. LAM Kit Lam
Mr. WU Qinghan

MEMBERS OF REMUNERATION COMMITTEE

Mr. LAM Kit Lam (*Chairman*)
Mr. NG Chi Chung
Mr. CHAN Sing Nun

MEMBERS OF NOMINATION COMMITTEE

Mr. HONG Mingxian (*Chairman*)
Mr. LAM Kit Lam
Mr. 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 Hong Kong 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

06878

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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 2021, together with the unaudited comparative figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Income from financial related services	4	103,836	71,642
Income from assets management business	4	66,990	122,759
Income from trading of commodities	4	120,958	2,551,968
Other income	4	22,757	25,244
Costs of property sold		(44,388)	(85,818)
Costs of trading of commodities		(120,837)	(2,549,129)
Loss on disposal of investment properties		–	(120)
Employee benefit expenses		(25,604)	(25,133)
Depreciation expenses		(8,297)	(8,942)
Short-term lease expenses		–	(306)
Equity-settled share-based payments		–	(354)
Other expenses		(34,279)	(28,224)
Share of results of associates		(13,448)	(7,863)
Share of results of a joint venture		–	(1,251)
Gain on disposal of subsidiaries		19,499	–
Change in fair value of investment properties		37,133	32,383
Change in fair value of other financial assets		(6,088)	(1,925)
Finance costs	6	(38,100)	(48,311)
Profit before income tax	7	80,132	46,620
Income tax expense	8	(24,651)	(23,508)
Profit for the period		55,481	23,112

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		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
<i>Notes</i>		RMB'000	RMB'000
	Other comprehensive income		
	Items that may be reclassified to profit or loss in subsequent periods		
	– Exchange differences on translating foreign operation	566	(4,717)
	– Net change in debt investments measured at fair value through other comprehensive income	4,223	3,000
	Total comprehensive income for the period	60,270	21,395
	Profit for the period attributable to:		
	Owners of the Company	48,451	22,035
	Non-controlling interests	7,030	1,077
		55,481	23,112
	Total comprehensive income attributable to:		
	Owners of the Company	53,240	20,318
	Non-controlling interests	7,030	1,077
		60,270	21,395
	Earnings per share		
	– Basic (<i>RMB cents</i>)	0.67	0.34
	– Diluted (<i>RMB cents</i>)	0.67	0.34

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	230,216	174,377
Investment properties		678,100	677,200
Interest in an associate		386,838	400,286
Finance lease, loan and account receivables	12	74,486	74,759
Goodwill		84,050	83,338
Other financial assets	13	323,252	358,238
Prepayments, deposits and other receivables	14	–	635,277
Deferred tax assets		46,272	43,569
		1,823,214	2,447,044
Current assets			
Inventories of properties		4,871,114	3,191,108
Other inventories		296	281
Finance lease, loan and account receivables	12	1,518,352	1,374,221
Prepayments, deposits and other receivables	14	633,811	554,117
Other financial assets	13	171,991	97,713
Tax receivables		103,456	50,343
Restricted bank deposits		333,871	333,293
Cash and bank balances – general accounts		122,879	87,935
Cash and bank balances – held on behalf of customers		9,806	12,435
		7,765,576	5,701,446

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	<i>Notes</i>	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Current liabilities			
Accounts payable	15	474,912	563,151
Accruals, other payables, deposits received and deferred income		1,084,192	1,513,266
Amounts due to associates		518,606	–
Contract liabilities	16	3,374,991	2,309,703
Dividend payable		30,636	–
Lease liabilities		15,434	10,659
Provision for taxation		297,172	265,774
Bank and other borrowings		573,581	278,013
Corporate bonds		177,257	111,223
		<u>6,546,781</u>	<u>5,051,789</u>
Net current assets		<u>1,218,795</u>	<u>649,657</u>
Total assets less current liabilities		<u>3,042,009</u>	<u>3,096,701</u>
Non-current liabilities			
Other payables and deposits received		68,975	75,472
Lease liabilities		12,007	5,176
Bank and other borrowings		207,678	469,196
Corporate bonds		201,535	163,753
Deferred tax liabilities		171,953	34,784
		<u>662,148</u>	<u>748,381</u>
Net assets		<u>2,379,861</u>	<u>2,348,320</u>
EQUITY			
Share capital	17	14,734	14,734
Reserves		2,328,902	2,291,298
Equity attributable to owners of the Company		<u>2,343,636</u>	<u>2,306,032</u>
Non-controlling interests		<u>36,225</u>	<u>42,288</u>
Total equity		<u>2,379,861</u>	<u>2,348,320</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										
	Share capital <i>RMB '000</i>	Share premium <i>RMB '000</i>	Merger and other reserve <i>RMB '000</i>	Share options reserve <i>RMB '000</i>	Statutory reserve <i>RMB '000</i>	Financial assets revaluation reserve <i>RMB '000</i>	Translation reserve <i>RMB '000</i>	Retained profits <i>RMB '000</i>	Total <i>RMB '000</i>	Non-controlling interests <i>RMB '000</i>	Total <i>RMB '000</i>
For the six months ended 30 June 2021 (Unaudited)											
At 1 January 2021	14,734	1,650,607	(1,184,212)	26,143	145,497	12,251	(13,906)	1,654,918	2,306,032	42,288	2,348,320
Profit for the period	-	-	-	-	-	-	-	48,451	48,451	7,030	55,481
Other comprehensive income for the period	-	-	-	-	-	4,223	566	-	4,789	-	4,789
Total comprehensive income for the period	-	-	-	-	-	4,223	566	48,451	53,240	7,030	60,270
Dividend recognised as distribution (note 9)	-	(30,636)	-	-	-	-	-	-	(30,636)	-	(30,636)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	1,907	1,907
Acquisition of additional interests in subsidiary	-	-	15,000	-	-	-	-	-	15,000	(15,000)	-
Transfer upon lapse of share option	-	-	-	(26,143)	-	-	-	26,143	-	-	-
Transfer to statutory reserve	-	-	-	-	7,375	-	-	(7,375)	-	-	-
At 30 June 2021	<u>14,734</u>	<u>1,619,971</u>	<u>(1,169,212)</u>	<u>-</u>	<u>152,872</u>	<u>16,474</u>	<u>(13,340)</u>	<u>1,722,137</u>	<u>2,343,636</u>	<u>36,225</u>	<u>2,379,861</u>
For the six months ended 30 June 2020 (Unaudited)											
At 1 January 2020	12,832	1,305,160	(1,018,984)	25,808	152,903	8,000	(24,735)	1,126,169	1,587,153	4,098	1,591,251
Profit for the period	-	-	-	-	-	-	-	22,035	22,035	1,077	23,112
Other comprehensive income for the period	-	-	-	-	-	3,000	(4,717)	-	(1,717)	-	(1,717)
Total comprehensive income for the period	-	-	-	-	-	3,000	(4,717)	22,035	20,318	1,077	21,395
Equity-settled share based transactions	-	-	-	354	-	-	-	-	354	-	354
Issue of ordinary shares by placing	596	89,576	-	-	-	-	-	-	90,172	-	90,172
Capital injection of non-controlling interests	-	-	-	-	-	-	-	-	-	25,000	25,000
Transfer to statutory reserve	-	-	-	-	4,945	-	-	(4,945)	-	-	-
At 30 June 2020	<u>13,428</u>	<u>1,394,736</u>	<u>(1,018,984)</u>	<u>26,162</u>	<u>157,848</u>	<u>11,000</u>	<u>(29,452)</u>	<u>1,143,259</u>	<u>1,697,997</u>	<u>30,175</u>	<u>1,728,172</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Net cash generated from/(used in) operating activities	270,989	(188,708)
Net cash used in investing activities	(99,268)	(37,164)
Net cash (used in)/generated from financing activities	(137,880)	217,751
Net increase/(decrease) in cash and cash equivalents	33,841	(8,121)
Cash and cash equivalents at the beginning of the period	87,935	139,770
Effect of foreign exchange rate changes, net	1,103	683
Cash and cash equivalents at the end of the period	122,879	132,332



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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, financial related services and commodity trading business.

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 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 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.

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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 2020 except for the adoption of the following standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on or after 1 January 2021.

Amendments to HKAS 39, HKFRS 4,
HKFRS 7, HKFRS 9 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

The adoption of these new/revised HKFRSs did not have significant impact on the Group's results of operations and financial position.

4. REVENUE AND OTHER INCOME

Disaggregation of the Group's revenue from major products or service lines:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Income from financial related services		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from financial consultancy services	–	1,623
Income from financial securities services	4,668	1,958
Revenue from other sources		
Income from guarantee services	10,946	5,041
Interest income from:		
– Entrusted loans and money lending	84,407	55,777
– Finance lease services	3,815	7,243
	103,836	71,642

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	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Income from assets management business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from sales of properties	59,283	116,116
Revenue from other sources		
Rental income and sublease rental income	2,272	4,422
Management fee income	5,435	1,402
Others	–	819
	66,990	122,759
Income from trading of commodities		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of commodities	120,958	2,551,968
Timing of revenue recognition within the scope HKFRS 15		
At a point in time	184,909	2,670,042
Transferred over time	–	1,623
	184,909	2,671,665
Other income		
Bank and other interest income	13,104	12,260
Government grants	2,799	3,228
Sales of electronic devices	6,106	8,621
Others	748	1,135
	22,757	25,244

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5. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Company's executive directors for the purposes of resource allocation and assessment of segment performance. The Company's executive directors have identified the reportable segments of the Group as follows:

- (1) Financial services – provision of guarantee services, express loan services, consultancy services, finance lease services, financial securities services and assets management (investments in distressed assets, equities and management of fund) in the PRC and Hong Kong;
- (2) Property development and investment – property development project and properties investment activities in the PRC; and
- (3) Trading of commodities – trading of commodities in the PRC

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and inter-segment revenue. Segment results exclude unallocated corporate expenses and unallocated financial costs. Corporate expenses include expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

Segment assets include all assets other than cash and bank balances are managed on a group basis.

Segment liabilities include all liabilities other than corporate liabilities such as accruals and other payables, other borrowings and corporate bonds that are managed on a group basis.

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Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the six months ended 30 June 2021

	Financial services (Unaudited) RMB'000	Property development and investment (Unaudited) RMB'000	Trading of commodities (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue				
Revenue from external customers	108,532	62,294	120,958	291,784
Segment results	97,075	12,810	(1,272)	108,613
Unallocated corporate expenses and finance costs				(28,481)
Profit before income tax				80,132

For the six months ended 30 June 2020

	Financial services (Unaudited) RMB'000	Property development and investment (Unaudited) RMB'000	Trading of commodities (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue				
Revenue from external customers	75,262	119,139	2,551,968	2,746,369
Segment results	72,380	11,445	195	84,020
Equity-settled share-based payments				(354)
Unallocated corporate expenses and finance costs				(37,046)
Profit before income tax				46,620

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Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	As at 30 June 2021 (Unaudited) <i>RMB'000</i>	As at 31 December 2020 (Audited) <i>RMB'000</i>
Segment assets		
Financial services	2,003,148	1,438,427
Property development and investment	7,551,950	6,217,932
Trading of commodities	23,186	491,190
Total segment assets	<u>9,578,284</u>	<u>8,147,549</u>
Unallocated		
– Cash and bank balances	10,506	941
Total assets	<u><u>9,588,790</u></u>	<u><u>8,148,490</u></u>
Segment liabilities		
Financial services	200,517	149,064
Property development and investment	6,194,801	4,835,116
Trading of commodities	–	48,857
Total segment liabilities	<u>6,395,318</u>	<u>5,033,037</u>
Unallocated		
– Accruals and other payables	30,218	29,651
– Other borrowings	373,965	462,506
– Corporate bonds	378,792	274,976
– Dividend payable	30,636	–
Total liabilities	<u><u>7,208,929</u></u>	<u><u>5,800,170</u></u>

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The Company's principal activities are investment holding company and provision of consultancy services and the principal place of the Group's operation is in the PRC (including 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 principally sourced from the PRC (including Hong Kong). The Group's non-current assets other than financial instruments are principally located in the PRC.

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Customer A	58,988	N/A
Customer B	–	400,102
	=====	=====

Note: The above customers are from trading of commodities segment for the six months ended 30 June 2021 and 2020.

6. FINANCE COSTS

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Interest on bank and other borrowings	35,809	52,180
Interest on corporate bonds	8,565	8,549
Interest on lease liabilities	854	825
	=====	=====
	45,228	61,554
Less: interest capitalised	(7,128)	(13,243)
	=====	=====
	38,100	48,311
	=====	=====

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7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cost of inventories recognised as expenses	165,225	2,634,947
Depreciation of property, plant and equipment	8,297	8,942
Employee costs (including Directors' remuneration)	22,331	22,121
Salaries, allowances and other benefits	3,273	3,012
Pension scheme contributions – defined contribution plans	25,604	25,133
Equity-settled share-based payments	–	354
Impairment loss on finance lease, loan and account receivables	1,508	1,026
Short-term lease expenses	–	306
	25,604	25,133
	–	354
	1,508	1,026
	–	306

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current tax		
Hong Kong profits tax ("Profits Tax")	415	227
PRC enterprise income tax ("EIT")	14,799	14,675
PRC land appreciation tax ("LAT")	1,111	2,364
PRC withholding tax	322	262
Deferred tax	8,004	5,980
	24,651	23,508

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 2021 as calculated at 25% (2020: 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%.

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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% (2020: 7%) of interest paid by PRC entities to a non-PRC holding company during the period.

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of qualifying cooperation is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% for the six months ended 30 June 2021 and 2020. Hong Kong Profits Tax of a qualifying entity of the Group is calculated in accordance with the two-tiered profits tax rate regime. The Profits Tax of other Group entities in Hong Kong are calculated at 16.5%.

9. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend for the year ended 31 December 2020 of HK0.5 cent per share (2019: Nil)	30,636	–
	=====	=====

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (For the six months ended June 2020: Nil).

10. EARNINGS PER SHARE

The calculations of basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to owners of the Company of approximately RMB48,451,000 (2020: RMB22,035,000) and on the weighted average number of ordinary shares of 7,208,387,880 (2020: 6,391,052,715) issued throughout the six months ended 30 June 2021.

Diluted earnings per share for the six months ended 30 June 2021 is the same as the basic earnings per share because there was no dilutive potential ordinary shares outstanding. (2020: the impact of the potential dilutive ordinary shares outstanding is anti-dilutive).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group spent approximately RMB64,136,000 (2020: RMB9,296,000) on leasehold improvement, other properties leased for own use and acquisition of motor vehicles, furniture, fixtures and office equipment.

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12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Non-current assets		
Finance lease receivables	74,486	74,759
Current assets		
Entrusted loan receivables	548	548
Finance lease receivables	33,521	33,631
Loan receivables	1,333,945	1,299,115
Receivables from guarantee customers	21,787	22,225
Account receivables	128,551	18,702
	1,518,352	1,374,221

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 contract term for each loan contract is ranging from two 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 contract term for each loan contract is normally two years.

For loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The contract term 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.

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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 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
0 to 30 days	87,657	209,272
31 to 90 days	71,744	2,058
91 to 180 days	211,694	407,612
Over 180 days	1,199,956	807,813
	<u>1,571,051</u>	<u>1,426,755</u>

13. OTHER FINANCIAL ASSETS

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Non-current:		
Financial assets measured at fair value through profit or loss ("FVTPL")		
– Unlisted equity securities (<i>Note (a)</i>)	–	36,000
– Distressed assets (<i>Note (b)</i>)	60,500	60,331
– Fund investment	1,000	1,000
– Consideration receivable (<i>Note (c)</i>)	261,752	260,907
	<u>323,252</u>	<u>358,238</u>
Current:		
Financial assets measured at FVTPL		
– Equity securities listed in Hong Kong	5,507	7,136
– Consideration receivable (<i>Note (c)</i>)	71,684	–
Financial assets measured at fair value through other comprehensive income		
– Distressed assets (<i>Note (b)</i>)	94,800	90,577
	<u>171,991</u>	<u>97,713</u>
	<u>495,243</u>	<u>455,951</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.
- (c) The balances represented the entitlement of dividend, net income and license fee in connection with the consideration receivable from the disposal of subsidiaries.

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14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Non-current assets		
Amounts due from an associate (<i>Note</i>)	–	635,277
	<u>–</u>	<u>635,277</u>
Current assets		
Amounts paid for land and properties acquired for assets management business	83,680	83,680
Prepaid expenses, other receivables and deposits paid	550,131	470,437
	<u>633,811</u>	<u>554,117</u>

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

Note: The amount due from an associate was unsecured, interest-free and repayable on demand.

15. ACCOUNTS PAYABLE

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Accounts payable from property development	464,982	549,024
Accounts payable from financial services		
– clearing house	494	1,614
– cash client	9,436	12,513
	<u>474,912</u>	<u>563,151</u>



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

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Less than 1 month	195,436	529,818
1 to 3 months	1,549	29,725
More than 3 months but less than 12 months	277,927	2,115
More than 12 months	-	1,493
	474,912	563,151
	474,912	563,151

16. CONTRACT LIABILITIES

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Contract liabilities related to property sales	3,374,991	2,309,703
	3,374,991	2,309,703

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 2020, 1 January 2021 and 30 June 2021	20,000,000	50,000	39,000
	20,000,000	50,000	39,000
Issued and fully paid:			
At 31 December 2020, 1 January 2021 and 30 June 2021	7,208,386	18,021	14,734
	7,208,386	18,021	14,734

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18. CONTINGENT LIABILITIES

As at 30 June 2021, 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 RMB1,956,935,000 (31 December 2020: RMB1,681,211,000) 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 RMB255,000,000 (31 December 2020: RMB304,470,000). The Group's exposures under unexpired financial guarantee contracts were secured by the collateral of the customers in total amount of approximately RMB984,689,000 (31 December 2020: RMB1,357,682,000).
- (c) The Group has provided financial guarantee of maximum amount of approximately RMB272,800,000 (31 December 2020: RMB467,000,000) to banks in respect of banking facilities granted to an associate.

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 consolidated 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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Short-term employee benefits	2,452	3,020
Equity-settled share based payment	—	229
	2,452	3,249

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- (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	2020
			2021 (Unaudited) RMB'000	(Unaudited) RMB'000
Xiamen Ding Huan Investment Company Limited [^] (廈門鼎奐投資有限公司)	Associate	Disposal of financial assets	30,000	–
Xiamen Ding Huan Supply Chain Technology Company Limited [^] (廈門鼎奐供應鏈科技有限公司)	Associate	Disposal of subsidiary	1,000	–
		Guarantee service income	687	–
		Cost of trading of commodities	27,387	–
		Acquisition of 10% equity interest of subsidiary	15,000	–
Jingning Outdoor Residence Tour Investment Development Company Limited [^] (“Jingning Outdoor”) (景寧外舍古鎮旅遊投資發展有限公司)	Associate	Guarantee service income	3,821	–
Lishui Fu Feng Cultural Tours Company Limited [^] (麗水市富豐文化旅遊有限公司)	Associate	Guarantee service income	1,914	–
Quanzhou Ding Huan Supply Chain Management Company Limited [^] (泉州鼎奐供應鏈管理有限公司)	Associate	Guarantee service income	156	–

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20. COMMITMENTS

(i) Operating lease commitments

Group as lessor

Future minimum lease payments receivable under non-cancellable operating lease at the Group were as follows:

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Within one year	4,889	4,841
After one year but within two years	4,961	4,889
After two years but within five years	8,770	11,245
	18,620	20,975

Leases are negotiated for terms of 8 years (2020: 8 years).

- (ii) As at 30 June 2021, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB807,000,000 (2020: RMB833,500,000).
- (iii) As at 30 June 2021, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to an associate of RMB146,510,000 (2020: RMB75,950,000).
- (iv) At the reporting date, the Group had the following capital and other commitments:

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Contracted, but not provided for		
– Investment properties under construction	297,864	198,602
– Property development	1,795,319	1,423,664
– Property, plant and equipment	45,499	37,028

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2021, the turnover of the Group was mainly derived from the (i) provision of financial related services (including finance lease services, express loan services, consultancy services, guarantee services and security brokerage services), (ii) assets management business (including a) property development and investment and b) distressed assets, equities investment and fund management) and (iii) commodity trading business.

FINANCIAL REVIEW

Turnover

The turnover decreased from approximately RMB2,746.4 million for the six months ended 30 June 2020 to approximately RMB291.8 million for the six months ended 30 June 2021, representing a decrease of approximately RMB2,454.6 million or 89.4%. The decrease was attributable to the net effect of the following reasons:

(i) Financial related services

a.) *Express loan services*

The Group has provided money lending services and entrusted loan services to customers in the PRC and Hong Kong. Our customers are mainly small and medium enterprises. Our Group's express loan service income increased by 51.3% from approximately RMB55.8 million for the six months ended 30 June 2020 to RMB84.4 million for the six months ended 30 June 2021. The increase of express loan service income was mainly due to the increase of average loan receivables during the period.

b.) *Finance lease business*

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

Our Group's finance lease services income decreased by 47.3% from approximately RMB7.2 million for the six months ended 30 June 2020 to RMB3.8 million for the six months ended 30 June 2021. The decrease was mainly due to the Group's prudent and conservative strategy to develop this business.



c.) *Guarantee services*

We provided the financing guarantee services during the six months ended 30 June 2021 and 2020. Our Group's guarantee service income increased by 117.1% from approximately RMB5.0 million for the six months ended 30 June 2020 to approximately RMB10.9 million for the six months ended 30 June 2021. The Group is adopting a prudent approach to approve the application of our guarantee services from potential customers. The increase of income from guarantee services was mainly due to the guarantee service income from associates.

(ii) *Assets management business*

a.) *Property development and investment*

The income from assets management business is mainly contributed by the sales of properties of Differ Sky Realm (鼎豐天境), which is located in Lishui, the PRC. Differ Sky Realm (鼎豐天境) 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 99,729 sq.m and a total gross floor area of approximately 377,169 sq.m upon completion. Part of the Phase 4 of Differ Sky Realm (鼎豐天境) were sold and delivered to the purchasers for the six months ended 30 June 2021. The revenue from the Differ Sky Realm (鼎豐天境) for the six months ended 30 June 2021 was approximately RMB53.9 million. The Group also recorded the revenue of approximately RMB5.4 million from sales of other property projects.

b.) *Distressed assets, equities investment and fund management*

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB7.7 million during the six months ended 30 June 2021. Such income mainly represented the income from rental income, asset management fee income and property management fee income.

(iii) *Commodity trading business*

During the six months ended 30 June 2021, the Group recorded the income from commodity trading business of approximately RMB121.0 million (2020: RMB2,552.0 million) and the relevant cost of trading of commodities and gross profits were approximately RMB120.8 million (2020: RMB2,549.1 million) and RMB0.2 million (2020: RMB2.9 million) respectively. Commodity trading business is usually to be considered as a business with comparatively very low gross profit rate. The gist for carrying out such business is to reap profit from the volume of trade. The income from commodity trading business decreased significantly due to the fact that the Group devoted its financial resources to develop its other existing businesses during the six months ended 30 June 2021.

Other income

Other income decreased from approximately RMB25.2 million for the six months ended 30 June 2020 to approximately RMB22.8 million for the six months ended 30 June 2021, representing a decrease of approximately RMB2.4 million or 9.9%. Our Group's other income for the six months ended 30 June 2021 mainly represented bank and other interest income, sales of electronic devices and government grants.

Costs of property sold

The Group recorded cost of property development of approximately RMB44.4 million for the six months ended 30 June 2021 (2020: RMB85.8 million). It mainly represented the land costs, construction costs and other relevant costs for part of Phase 4 of Differ Sky Realm (鼎豐天境) and other property projects.

Employee benefit expenses

The employee benefit expenses slightly increased from approximately RMB25.1 million for the six months ended 30 June 2020 to approximately RMB25.6 million for the six months ended 30 June 2021, representing an increase of approximately RMB0.5 million or 1.9%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits.

Other expenses

The other expenses increased from approximately RMB28.2 million for the six months ended 30 June 2020 to approximately RMB34.3 million for the six months ended 30 June 2021, representing an increase of approximately RMB6.1 million or 21.5%. Our Group's other expenses mainly comprised legal and professional fee, advertising expense, cost of electronic device sold, various office expenses, provision of impairment loss on receivables and business tax and other taxes.

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 2021, the carrying amount of investment properties represents i) parts of Differ One City (鼎豐壹城) project which are under construction for shopping mall and hold to earn rentals in future, ii) parts of Differ Fortune Plaza (鼎豐財富中心) project, which are under construction for office and held to earn rentals in future and iii) an investment property in Xiamen which are held to earn rentals under operating lease. The fair value gains on the Group's investment properties of approximately RMB37.1 million (2020: RMB32.4 million) for the six months ended 30 June 2021 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions.

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 RMB48.5 million for the six months ended 30 June 2021, representing an increase of approximately RMB26.5 million, or 119.9%, from approximately RMB22.0 million for the six months ended 30 June 2020.



OUTLOOK

The outbreak of coronavirus disease (COVID-19) has brought unprecedented challenges to the global and is expected to have a significant impact on China's economic development in 2021. On one hand, the Group will continue to leverage its strengths and build on its core competencies. The Group will strive to become a leading integrated asset management and financial services provider in the PRC. On the other hand, the Group will continue to seek and seize market opportunities and create multiple income streams in order to generate satisfactory returns to shareholders. The Group has been actively exploring new business opportunities in the potential operation of online e-commerce platform in the automobile industry in the first half year of 2021. In August 2021, the Group has acquired Tianjin Free Trade Gancheng Taifeng Technology Company Limited*天津自貿乾程泰鋒科技有限公司 ("Gancheng Taifeng") which is principally engaged in online e-commerce platform in the automobile industry in the PRC. The business scope of Gancheng Taifeng includes providing a wide range of automobile services to retail customers, manufacturers and dealers, including, (i) matching the needs of retail customers and the supplies of the manufacturers/dealers; (ii) providing finance services, automobile maintenance and insurance solutions through its network; and (iii) offering its platform for the manufacturers and dealers for different promotion activities. Considering that the COVID-19 pandemic has fundamentally changed the consumers' behavior worldwide and e-commerce is poised to become a major trend in the future, the Group is optimistic of the prospects of e-commerce in the PRC.

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

- (a) On 12 March 2021, Fujian Liantai Real Estate Development Co., Limited (福建聯泰房地產開發有限公司) (as the purchaser) and Differ Cultural Tours Limited (鼎豐文化旅遊有限公司), an indirect wholly-owned subsidiary of the Company (as the vendor) entered into a sale and purchase agreement, pursuant to which the vendor has agreed to procure Ganzhou Differ Cultural Tourism Development Co., Limited (贛州鼎豐文化旅遊發展有限公司), an indirect wholly owned subsidiary of the Company to sell 51% equity interest in Shanghang Fengda to the purchaser in the fair value of the consideration of RMB76,877,000. (the "Disposal"). The consideration will be settled by (i) share of the net income derived from the land of the Shanghang Fengda and (ii) license fee to be received for continued use of the brand of the vendor. The principal business of the Shanghang Fengda is property development. The Disposal was completed on 19 March 2021.
- (b) On 18 June 2021, Xiamen Differ Cultural Tourism Group Co., Limited* (廈門鼎豐文化旅遊集團有限公司), an indirect wholly-owned subsidiary of the Company (as the purchaser), entered into a sale and purchase agreement with Fujian Zhongcheng Chuangzhan Urban Development Co., Limited* (福建中城創展城市開發有限公司) (as the vendor), an indirect 49% associate of the Company, to acquire 100% equity interests in Jingning Outdoor in the aggregate consideration of RMB490,000,000 (the "Acquisition"). The consideration will be settled by: (i) RMB100,001,300 by way of cash and (ii) RMB389,998,700 by way of setting off the debt due from the vendor to the purchaser. The principal business of the Jingning Outdoor is property development. After completion, Jingning Outdoor ceased to be an associate of the Company and it became an indirect wholly-owned subsidiary of the Company.

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 2021.

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 30 June 2021, 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	Approximate percentage of the total issued share capital of the Company
Mr. Hong Mingxian (“Mr. Hong”)	Interest in controlled corporation (<i>Note 1</i>)	3,017,300,000	41.85%
Mr. Ng Chi Chung (“Mr. Ng”)	Interest in controlled corporation (<i>Note 2</i>)	827,400,000	11.48%
	Beneficial owner	334,068,000	4.63%

Notes:

- 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 3,017,300,000 Shares under the SFO.
- 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 827,400,000 Shares under the SFO.

Save as disclosed above, as at 30 June 2021, 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 2021, 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>)	3,017,300,000	41.85%
Ms. Shi Hongjiao ("Ms. Shi")	Interest of spouse (<i>Note 2</i>)	3,017,300,000	41.85%
Ever Ultimate	Beneficial owner (<i>Note 3</i>)	827,400,000	11.48%
Ms. Ting Pui Shan ("Ms. Ting")	Interest of spouse (<i>Note 4</i>)	1,161,468,000	16.11%

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 3,017,300,000 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 827,400,000 Shares under the SFO.
4. Ms. Ting is the spouse of Mr. Ng.

Save as disclosed above and as at 30 June 2021, 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. Part of the Group's borrowings and corporate bonds are denominated in the currencies other than RMB. Such currencies are HK\$ and United States dollars and their RMB equivalent amounts are approximately RMB299.8 million and RMB453.0 million as at 30 June 2021 respectively. 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.

INTERIM DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

HUMAN RESOURCES

As at 30 June 2021, the Group had a total of 475 employees (31 December 2020: 406). The staff costs (included Directors' emoluments) were approximately RMB25.6 million for the six months ended 30 June 2021 (2020: RMB25.1 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. Contributions to the MPF Scheme are in accordance with the statutory limits prescribed by the MPF ordinance. The Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this report, there was no specific plan for material investments or capital assets as at 30 June 2021 (2020: Nil).



LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB456.8 million (31 December 2020: RMB421.2 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 12.1% as at 30 June 2021 (31 December 2020: 12.5%). The current ratio is 1.19 times as at 30 June 2021 (31 December 2020: 1.13 times). The Group did not use any financial instruments for hedging purpose.

The capital structure of the Group consists of net debts, which include the bank and other borrowings, corporate bonds and net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

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) 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 5.55% 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. All share options which were granted under the Scheme had lapsed as at 30 June 2021.

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The following table discloses movements in the Company's share options during the six months ended 30 June 2021:

Name or category of participants	Date of grant	Number of share options					At 30 June 2021	Exercise period	Exercise price HK\$
		At 1 January 2021	Granted	Exercised	Forfeited	Lapsed			
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	22,232,000	-	-	-	(22,232,000)	-	30 April 2017 to 30 April 2021	0.734
Total		35,032,000	-	-	-	(35,032,000)	-		

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 RMB333.9 million as at 30 June 2021 (31 December 2020: RMB333.3 million) were pledged to secure for construction of pre-sale properties and the Group's facilities of providing guarantee services to the customers. As at 30 June 2021, approximately RMB280.0 million of bank borrowing were secured by properties held for sale with carrying amount of RMB1,714.8 million (31 December 2020: no charge on assets for the Group's bank borrowings). As at 30 June 2021, other borrowings with carrying amount approximately RMB43.2 million (31 December 2020: RMB76.7 million) were secured by charged of 510,000 shares of one of the subsidiaries; and approximately RMB73.9 million (31 December 2020: 150.0 million) were secured by properties under development with carrying amount of RMB741.6 million (31 December 2020: RMB546.5 million), which was also secured by 100% share equity of the one of the subsidiaries.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2021, 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 2021, 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 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 2021.

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 2021.

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 2021. 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 two independent non-executive directors, namely Mr. Chan Sing Nun (chairman of audit committee), Mr. Lam Kit Lam and one non-executive director, Mr. Wu Qinghan. The unaudited consolidated results of the Group for the six months ended 30 June 2021 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, 26 August 2021