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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)

DISCLOSEABLE AND CONNECTED TRANSACTION AT SUBSIDIARY LEVEL IN RELATION TO ACQUISITION OF 100% INTEREST IN CYUT SHING COMPANY LIMITED

THE ACQUISITION

The Board is pleased to announce that on 17 December 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of RMB405,000,000 (equivalent to approximately HK\$450,000,000). Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, PRC Subsidiary B, is an indirect and non-wholly owned subsidiary of the Company, which is indirectly held as to 70% by the Company and indirectly held as to 30% by the Vendor. Therefore, the Vendor is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) the Vendor is a connected person at the subsidiary level, (2) the Board has approved the Acquisition and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the Acquisition is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Completion of the Acquisition is subject to the satisfaction or waiver (as the case may be) of conditions precedent as set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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THE AGREEMENT

Set out below are summary of the principal terms of the Agreement:

Date : 17 December 2019 (after trading hours)

Parties : (i) the Purchaser; and
(ii) the Vendor.

As at the date of this announcement, PRC Subsidiary B is an indirect and non-wholly owned subsidiary of the Company, which is indirectly held as to 70% by the Company and indirectly held as to 30% by the Vendor. Therefore, the Vendor is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A.07(1) of the Listing Rules.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company.

As at the date of this announcement:

- (i) the Target Company directly holds the entire issued share capital of the HK Subsidiary;
- (ii) the HK Subsidiary in turn directly holds the entire issued share capital of PRC Subsidiary A;

- (iii) the PRC Subsidiary A in turn directly holds 30% of the issued share capital of PRC Subsidiary B;
- (iv) the PRC Subsidiary B in turn directly holds the entire issued share capital of PRC Subsidiary C.

The PRC Subsidiary C currently owns a property development named Differ One City (鼎豐壹城), which is situated at Longquan City, Zhejiang Province, the PRC (the “Property Development”). It is mainly a residential and commercial complex which comprises a hotel and shopping mall with total site area of approximately 179,791 sq.m. The Property Development is planned to be split into 3 phases with total planned gross floor area of over 400,000 sq.m.. Part of the Phase 1 of the Property Development is currently open for pre-sale.

Currently, the Purchaser is indirectly holding 70% interest in the PRC Subsidiary B and PRC Subsidiary C respectively. Upon Completion, the Target Company, HK Subsidiary, PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C will all become indirect wholly-owned subsidiaries of the Company. The financial results of the PRC Subsidiary B and PRC Subsidiary C will continue to be consolidated into the financial results of the Group. Upon Completion, the financial results of the remaining Target Group will be consolidated into the financial results of the Group.

Consideration

Pursuant to the Agreement, the total Consideration of RMB405,000,000 (equivalent to approximately HK\$450,000,000) for the sale and purchase of the Sale Shares shall be settled by the Purchaser in the following manner:

- (i) RMB80,000,000 (equivalent to approximately HK\$88,889,000) of the Consideration shall be payable by the Purchaser to the Vendor either in instalments or a lump sum on or before 31 January 2020; and
- (ii) the remaining balance of the Consideration in the sum of RMB325,000,000 (equivalent to approximately HK\$361,111,000), subject to Completion to the satisfaction of the Purchaser, shall be payable by the Purchaser to the Vendor either in instalments or as a lump sum on or before 30 April 2020.

Shareholder's Loan

As at the date of this announcement, the PRC Subsidiary A owes the Vendor the Shareholder's Loan which is unsecured, no repayment date and non-interest bearing. Pursuant to the Agreement, the Purchaser has, subject to the Completion has taken place to the satisfaction of the Purchaser, undertaken to repay or procure the PRC Subsidiary A to repay all the Shareholder's Loan to the Vendor within 5 Business Days from the date of the Agreement.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor on normal commercial terms after taking into account a number of factors including (i) the business development plans, prospects and future cost analysis of the Property Development; (ii) the prospect and future growth of the property market in Longquan; and (iii) the market value of similar existing properties in the locality.

Accordingly, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

The Company intends to finance the payment of the Consideration and repayment of the Shareholder's Loan by internal resources of the Group.

Conditions precedent

Completion is conditional upon the satisfaction (or waiver, if applicable) of, inter alia, the following conditions precedent on or before the Long Stop Date:

- (a) the Purchaser has completed the due diligence review (including but not limited to the assets, debt, operation and business conditions of the Target Group) and the Purchaser is satisfied with the results of such due diligence review;
- (b) the Purchaser has received (and is satisfied with) the transfer documents showing that the Sale Shares have been transferred from the Vendor to the Purchaser and the same has been registered with the relevant government department of the BVI;
- (c) every member of the Target Group has obtained approvals and permissions necessary for the Agreement and the transactions contemplated thereunder, including but not limited to the approvals by the board of directors and shareholders of the respective members of the Target Group; and

- (d) the Purchaser has received all other documents requested by the Purchaser to be supplied and/or executed by the Vendor or members of the Target Group.

All conditions precedent may be waived by the Purchaser in writing at its discretion at any time. Such waiver may be conditional waiver and subject to terms and conditions imposed by the Purchaser.

If the above conditions have not been fulfilled by the Vendor or waived by the Purchaser, as the case may be on or before the Long Stop Date, the Agreement shall lapse and the Vendor shall forthwith return to the Purchaser all monies, without interest, previously paid by the Purchaser to the Vendor. Thereafter neither party shall be bound to proceed with the sale and purchase of the Sale Shares. No party shall be liable to the terms of the Agreement, save for any antecedent breaches of the terms of the Agreement.

As at the date of this announcement, none of the above conditions precedent has been fulfilled.

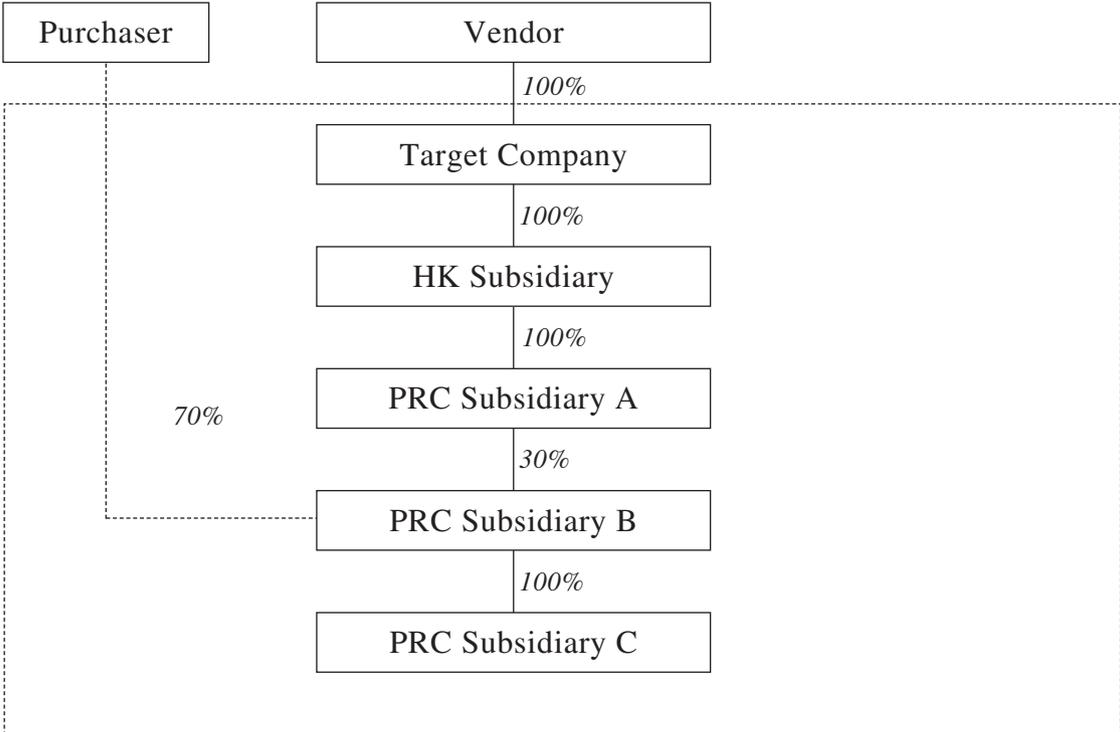
Completion

The Completion shall take place within five (5) Business Days after the Purchaser is fully satisfied with the fulfilment of all the conditions precedent (except for those waived by the Purchaser (if any)) or such other day as the parties to the Agreement may agree in writing.

INFORMATION ON THE VENDOR AND TARGET GROUP

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, as advised by the Vendor, he is a businessman and resident in the PRC, who is an Independent Third Party.

The following diagram illustrates the shareholding structure of the Target Group as at the date of this announcement:



Note:

Target Group

Target Company

The Target Company is a limited liability company incorporated under the laws of the BVI on 26 April 2019. As advised by the Vendor, the principal business of the Target Company is investment holding. As at the date of this announcement, the Target Company is directly wholly-owned by the Vendor.

HK Subsidiary

The HK Subsidiary is a limited liability company incorporated under the laws of Hong Kong on 6 May 2019. As advised by the Vendor, the principal business of the HK Subsidiary is investment holding. As at the date of this announcement, the HK Subsidiary is directly wholly-owned by the Target Company.

PRC Subsidiary A

The PRC Subsidiary A is a limited liability company established in the PRC on 28 May 2019. As advised by the Vendor, the principal business of the PRC Subsidiary A is, among others, corporate consultancy and investment holding. As at the date of this announcement, the PRC Subsidiary A is directly wholly-owned by the HK Subsidiary.

PRC Subsidiary B

The PRC Subsidiary B is a limited liability company established in the PRC on 23 August 2018 with limited liability, which principal activities, among other things, are provision of hotel and tourism services. As at the date of this announcement, the PRC Subsidiary B is 30% owned by the PRC Subsidiary A and 70% indirectly owned by the Company.

PRC Subsidiary C

The PRC Subsidiary C is a limited liability company established in the PRC on 21 November 2018 whose principal business is property development and provision of hotel management services. As at the date of this announcement, PRC Subsidiary C is directly wholly-owned by the PRC Subsidiary B.

Financial information of the Target Group

As disclosed above, the Target Company and the HK Subsidiary have short and insignificant operational history since its incorporation, therefore the financial performance of the Target Company and the HK Subsidiary are insignificant.

Due to the short operational history of the Target Company and HK Subsidiary since their respective date of its incorporation (i.e. 26 April 2019 and 6 May 2019), there were no revenue and profit was incurred during the period from the date of their respective incorporation to 30 November 2019 and the net asset value of the Target Company and HK Subsidiary as at 30 November 2019 was approximately RMB702 and RMB900 respectively.

The PRC Subsidiary A also has short and insignificant operational history since its incorporation, the financial performance of the PRC Subsidiary A is insignificant. There was no revenue and profit incurred during the period from the date of its incorporation, 28 May 2019, to 30 November 2019 and the net liabilities value of the PRC Subsidiary A as at 30 November 2019 was approximately RMB3,416,000.

Set out below are the consolidated financial information of the PRC Subsidiary B and PRC Subsidiary C, as extracted from its unaudited financial statements for the year ended 31 December 2018 and for the eleven (11) months ended 30 November 2019:

	For the year ended 31 December 2018 <i>RMB'000</i> (audited)	For the 11 months ended 30 November 2019 <i>RMB'000</i> (unaudited)
Revenue	–	–
Loss before tax	422	10,968
Loss after tax	422	10,968

The unaudited consolidated total assets value and net assets value of the PRC Subsidiary B and PRC Subsidiary C, as at 30 November 2019 was approximately RMB1,281,641,000 and RMB88,641,000 respectively.

REASONS OF AND BENEFITS FOR THE ACQUISITION

The Group is principally engaged in the provision of (i) assets management business (including investment in properties, equities and distressed assets); (ii) finance lease services and (iii) financial services (including express loan services, financial consultancy services, guarantee services and supply chain services).

The Company currently indirectly owns 70% interest in the PRC Subsidiary B and PRC Subsidiary C, the Directors believe that the Acquisition is in the best interests of both the Group and the Shareholders as a whole as the PRC Subsidiary C currently owns a substantial property development. Upon Completion, the Company will hold 100% interest in the PRC Subsidiary B and the PRC Subsidiary C which in turn will strengthen the assets management business of the Group.

Based on the above, the Board is of the view that the terms of the Acquisition, the Agreement and the Consideration are fair and reasonable and on normal commercial terms and that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, PRC Subsidiary B is an indirect and non-wholly owned subsidiary of the Company, which is indirectly held as to 70% by the Company and indirectly held as to 30% by the Vendor. Therefore, the Vendor is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) the Vendor is a connected person at the subsidiary level, (2) the Board has approved the Acquisition and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the Acquisition is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Completion is subject to the fulfilment or waiver (as the case may be) of certain conditions precedent as set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 17 December 2019 entered into between the Purchaser and the Vendor in respect of the Acquisition
“associate”	has the meaning as ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands

“Company”	Differ Group Holding Company Limited (鼎豐集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board (Stock Code: 6878)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement
“Completion Date”	within five (5) Business Days following the fulfillment or waiver of the conditions precedent set out the Agreement or such other date agreed by the parties to the Agreement in writing
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	RMB405,000,000, being the consideration for the Acquisition payable by the Purchaser to the Vendor under the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK Subsidiary”	Cyut Sing Company Limited (茁昇有限公司), a limited liability company established in Hong Kong, which is wholly-owned by the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2019 or such other date as the parties to the Agreement may agree in writing
“Main Board”	Main Board of the Stock Exchange

“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“PRC Subsidiary A”	廈門市茁昇商務諮詢有限公司 (Xiamen Cyut Sing Co. Ltd*), a limited liability company established in the PRC, which wholly-owned by HK Subsidiary
“PRC Subsidiary B”	龍泉市鼎豐文化旅遊有限公司 (Longquan Differ Cultural Tourism Company Limited*), a limited liability company established in the PRC, which is 30% owned by PRC Subsidiary A and 70% indirectly owned by the Company
“PRC Subsidiary C”	龍泉鼎豐酒店有限公司 (Longquan Differ Hotel Company Limited*), a limited liability company established in the PRC, which is wholly-owned by PRC Subsidiary B
“Purchaser”	Cultural Tours Limited (文旅有限公司), a company incorporated in BVI with limited liability and an indirectly wholly owned subsidiary of the Company
“Sale Share(s)”	100 issued shares of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	the ordinary share(s) of par value of HK\$0.0025 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholder’s Loan”	The sum of RMB30,015,500 owed by the PRC Subsidiary A to the Vendor as at the date of the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Cyut Shing Company Limited (茁晟有限公司), a company incorporated in the BVI with limited liability and wholly owned by the Vendor
“Target Group”	collectively, the Target Company, HK Subsidiary, PRC Subsidiary A, 30% equity interests of the PRC Subsidiary B and the PRC Subsidiary C
“Vendor”	Mr. Hong Baota (洪寶塔), a businessman and resident of the PRC

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent
“sq.m.”	square meter

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

Hong Kong, 17 December 2019

* *In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

In this announcement, translation of RMB into HK\$ is based on the exchange rate of HK\$1: RMB0.9. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the above exchange rate or any other rates.

As at the date of this announcement, 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. CHEN Naike.

If there is any inconsistency in this announcement between the Chinese and English versions and the English version shall prevail.