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 THE DISPOSAL OF 51% EQUITY INTERESTS IN SHANGHANG FENGDA REAL ESTATE CO., LTD*

THE DISPOSAL

The Board is pleased to announce that on 12 March 2021 (after trading hours), the Purchaser has agreed to acquire, and the Vendor (an indirect wholly-owned subsidiary of the Company) has agreed to procure Ganzhou Differ to sell, the Disposal Shares, being 51% of the entire equity interest in the Disposal Company.

Upon Completion, the Disposal Company will no longer be a subsidiary of the Company.

LISTING RULES IMPLICATION

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but fall below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements.

As the Purchaser is the existing registered owner of 49% of the entire equity interest in the Disposal Company, which is an indirect non-wholly owned subsidiary of the Company as at the date of the announcement, the Purchaser is a connected person of the Company at the subsidiary level under the Listing Rules.

Since (i) the Purchaser is a connected person of the Company at subsidiary level under the Listing Rules; (ii) the Directors (including the independent non-executive Directors) have approved the terms of the Agreement and the Disposal; and (iii) the independent non-executive Directors of the Company have confirmed that the terms of the Agreement are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Agreement and the Disposal will constitute a connected transaction of the Company which is only subject to the reporting and announcement requirements, but exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors have any material interest in the Agreement and the transactions contemplated thereunder, and none of the Directors have abstained from voting on the board resolution approving the Agreement and the transactions contemplated thereunder.

THE AGREEMENT

On 12 March 2021 (after trading hours), the Purchaser, the Vendor and the Disposal Company entered into the Agreement, pursuant to which the Purchaser has agreed to acquire, and the Vendor (an indirect wholly-owned subsidiary of the Company) has agreed to procure Ganzhou Differ to sell, the Disposal Shares, being 51% of the entire equity interest of the Disposal Company at the Total Consideration.

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

Date : 12 March 2021 (after trading hours)

Parties : (i) the Purchaser;

(ii) the Vendor; and

(iii) the Disposal Company.

As advised by the Purchaser, the Purchaser is principally engaged in property development and is the existing registered owner of 49% of the entire equity interest in the Disposal Company, hence a substantial shareholder of the Disposal Company, which is an indirect non-wholly owned subsidiary of the Company. Hence, the Purchaser is a connected person of the Company at the subsidiary level under the Listing Rules. The Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The ultimate beneficial owners of the Purchaser are Huang Longkun* (黃龍坤), Que Fengdong* (闕鳳東), Que Zixian* (闕梓賢) and Tang Yusheng* (湯玉生).

The Vendor is an indirect wholly-owned subsidiary of the Company and is principally engaged in, among other things, investment holding.

The Disposal Company is an indirect non-wholly owned subsidiary of the Company and is principally engaged in, among other things, property development.

CONSIDERATION

Pursuant to the Agreement, the Purchaser will have to pay the Total Consideration which consist of the following to the Vendor as consideration for the Disposal:

1. *Share of the net income (淨收益) derived from the Land (“**Income Share**”)*

   The Purchaser will procure the Disposal Company to grant the rights to the Vendor for share of the net income derived from the sale of residential properties and car park spaces on the Land of the Disposal Company. The amount of the Income Share to be received by the Vendor will be calculated based on the following formula:

   (Pre-sale price of the residential properties (商品房住宅預售價格) per sq.m. less RMB8,200 per sq.m.) x 50% x 51% x sq.m. of saleable area of residential properties

   plus

   (Pre-sale price of each car park space less RMB70,000) x 50% x 51% x number of car park spaces

   The Disposal Company shall pay the Income Share to the Vendor on a monthly basis, specifically before the 10th day of each calendar month. If the pre-sale price of the residential properties per sq.m. is less than RMB8,200 per sq.m or the pre-sale price of each car park space is less than RMB70,000, the Vendor does not have the right to share any income nor bear any liabilities and/or risk. All tax shall be borne by the Purchaser and the Disposal Company.

   The saleable area of the residential properties of the Land is about 152,837 sq.m. and there will be about 1,488 car park spaces available for sale. As preliminarily assessed by an independent valuer, it is expected the fair value of the Income Share to be received by the Vendor will be RMB47,480,000 (equivalent to approximately HK$55,859,000), which is calculated based on the discounted cash flows of the Income Share. The estimated pre-sale price of the residential properties per sq.m. is based on the actual average pre-sale prices of the residential properties per sq.m. in the last quarter of 2020, plus an estimated price increase of approximately 1-3% per year and the estimated pre-sale price of each car park space is RMB80,000 with no price change during the period.

2. *Brand management fee (品牌管理費) (“**License Fee**”)*

   After Completion, the Vendor will permit the Disposal Company to continue to use the brand of the Vendor in promoting the sales of the saleable area of the Land, in exchange for the License Fee, payable by the Purchaser, which will be 2% of the total tax-inclusive sales revenue of the saleable areas of residential properties and car park spaces of the Land to the Vendor. The Purchaser shall pay the License Fee simultaneously with the Income Share to the Vendor.

As preliminarily assessed by an independent valuer, it is expected the fair value of the License Fee to be received by the Vendor will be RMB29,397,000 (equivalent to approximately HK$34,585,000), which is calculated based on the discounted cash flows of the License Fee.

In the event that there are still residential properties and/or car park spaces that remain unsold as at the Settlement Date, the Purchaser will be obliged to pay the Income Share and License Fee for such unsold properties and/or car park spaces by using the following formula:

(Average pre-sale price per sq.m. at which the residential properties were sold up to the Settlement Date less RMB8,200) x 50% x 51% x sq.m. of unsold residential properties

plus

(Average pre-sale price at which each car park space was sold up to the Settlement Date less RMB70,000) x 50% x 51% x number of unsold carpark spaces

In order to safeguard the rights of the Vendor for receipt of the Income Share and License Fee, the Purchaser has agreed for the Vendor to retain the project sales receipt account inquiry shield* (項目銷售回款帳戶查詢盾) and the sales network signing disc* (查詢銷售網簽盤) for the Vendor to examine and track the sales and payment status of Disposal Company. In addition, on the last business day of each calendar month, the Purchaser will provide the Vendor with a monthly sales summary setting out the sale prices, sale units and payment statuses for the Vendor's verification of the Income Share and License Fee.

Basis of the Consideration

The Total Consideration, was determined by the Purchaser, the Vendor and the Disposal Company after arm's length negotiation on normal commercial terms with reference to the proportionate interest of 51% of the unaudited adjusted net asset value of Disposal Company (the "Adjusted NAV") as at 31 December 2020. The Adjusted NAV in the amount of RMB75,729,000 (equivalent to approximately HK$89,093,000) represents an aggregate value of:

(a) the unaudited consolidated net liabilities of the Disposal Company as at 31 December 2020 in the amount of RMB1,631,000; plus
(b) the amount of the valuation of the market value, by using the market approach, of the Land as determined by an independent valuer in the sum of RMB570,000,000; less
(c) the relevant book value of Land as at 31 December 2020 in the sum of approximately RMB492,640,000.

The Disposal Shares were originally acquired by the Vendor in July 2020, together with the Debt, which was owed by the Disposal Company to the previous vendor of RMB95,164,200, at the aggregate consideration of RMB159,705,000. The Disposal Company has already repaid the Debt to the Vendor. After the repayment of the Debt, the original acquisition cost of the Disposal Shares to the Vendor is RMB64,540,800 (equivalent to approximately HK$75,930,000).

As the fair value of the Total Consideration as at 31 December 2020 preliminarily assessed by an independent value is approximately RMB76,877,000, the Vendor believes that it will gain a return on its investment in the Disposal Shares. Accordingly, the Directors (including the independent non-executive Directors) consider that the Total Consideration and the terms of the Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

ASSETS TO BE DISPOSED OF

Pursuant to the Agreement, the Vendor has agreed to procure Ganzhou Differ to sell and the Purchaser has agreed to purchase the Disposal Shares, being 51% of the entire equity interest in the Disposal Company.

As at the date of this announcement, the Purchaser is the registered owner of 49% of the entire equity interest in the Disposal Company and Ganzhou Differ is the registered owner of 51% of the entire equity interest in the Disposal Company. The principal business of the Disposal Company is property development and its primary asset is the Land and property under development located in the PRC. The property development project is named Differ Hua Cheng* (鼎豐華城) which is a residential and commercial development with total site area of approximately 69,994 sq.m. and part of the residential units are currently open for pre-sale.

FINANCIAL INFORMATION ON THE DISPOSAL COMPANY

The Disposal Company was incorporated on 12 May 2020, there is no financial information of the Disposal Company for the financial year ended 31 December 2019. As at 31 December 2020, the financial information of the Disposal Company is as follows:

	For the period from 12 May (date of incorporation) to 31 December 2020 *RMB'000* (unaudited)
Revenue	Nil
Net Loss before taxation	RMB2,098
Net Loss after taxation	RMB1,631

The unaudited total net liabilities value of the Disposal Company, as at 31 December 2020 was RMB1,631,000.

COMPLETION

The Completion shall take place on the Completion Date. At Completion, the Vendor will procure Ganzhou Differ to transfer the Disposal Shares to the Purchaser at nil cash consideration. After Completion, the Disposal Company will cease to be a subsidiary of the Company. As a result, the financial results of the Disposal Company will no longer be consolidated with the Group's financial statements.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Based on the preliminary assessment (i) on the financial information of the Disposal Company as at 31 December 2020 and (ii) the Total Consideration, it is estimated that the Company will record an unaudited gain on the Disposal of approximately RMB11,322,000 (equivalent to approximately HK$13,320,000) as a result of the Disposal which represents:

(i) the fair value of the Total Consideration as at 31 December 2020 preliminarily assessed by an independent valuer of approximately RMB76,877,000; less

(ii) the aggregate amount of the net liabilities value of the Disposal Company attributable to the Group as at 31 December 2020 of approximately RMB715,000 and the intangible assets arising from acquisition of Land of approximately RMB66,270,000.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to a final audit to be performed by the auditors of the Company. The Board intends to apply the net proceeds from the Disposal of approximately RMB76,757,000 (equivalent to approximately HK$90,302,000) for (i) acquisition of valuable assets in the ordinary and usual course of the Group's business, and (ii) general working capital of the Group.

Upon Completion, the Disposal Company will be wholly owned by the Purchaser and will cease to be a subsidiary of the Company, thus its financial results will no longer be consolidated with the financial statements of the Group.

Shareholders should note that the above figures are for illustrative purpose only. The actual gain or loss on the Disposal may be different from the above and will be determined based on a final audit by the Company's auditors.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the (i) assets management business (including a) property development and investment and b) distressed assets, equities investment and fund management), (ii) provision of financial related services (including finance lease services, express loan services, consultancy services, guarantee services and the security brokerage services) and (iii) commodity trading business.

The Directors consider the Disposal will be a good opportunity for the Group to dispose the Disposal Shares at this stage in order to lock in a fixed percentage of the profit that will be realised upon the upcoming sale of properties on the Land and to mitigate future risk from potential fluctuations in the property market in the PRC. The Total Consideration to be received by the Vendor allows the Group to receive a constant stream of income despite the Disposal Company will cease to be a subsidiary of the Company after Completion, which should improve the Group's overall cashflow and liquidity. Further, the completion of the Disposal means that the Company will no longer need to contribute to the construction or management costs of the Disposal Company but can still benefit from receiving a share of its profits in the future. This means that the Company will have increased funds in other aspects of the Group's businesses, such as for the acquisition of assets and general working capital. As such, the Directors consider that it is an opportunity for the Group to dispose the Disposal Shares so as to realise profit from the Disposal and release funds in the future which will be used for the purposes mentioned above under the section headed "Possible Financial Effect of the Disposal and Use of Proceeds".

As the Disposal is being conducted after arm's length negotiations based on normal commercial terms, and the Group is expected to make a gain on the Disposal, the Directors consider that the Disposal is in the ordinary and usual course of business, and that the terms of the Agreement 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 applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but fall below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements.

As the Purchaser is the registered owner of 49% of the entire equity interest in the Disposal Company, hence a substantial shareholder of the Disposal Company, which is an indirect non-wholly owned subsidiary of the Company, the Purchaser is a connected person of the Company at the subsidiary level under the Listing Rules.

Since (i) the Purchaser is a connected person of the Company at subsidiary level under the Listing Rules; (ii) the Directors (including the independent non-executive Directors) of the Company have approved the terms of the Agreement and the Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of the Agreement are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Agreement and the Disposal will constitute a connected transaction which is only subject to the reporting and announcement requirements, but exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors have any material interest in the Agreement and the transactions contemplated thereunder, and none of the Directors have abstained from voting on the board resolution approving the Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

"Agreement"	the written agreement dated 12 March 2021 entered into by the Purchaser, the Disposal Company and the Vendor in respect of the sale and purchase of the Disposal Shares
"associate"	has the meaning as ascribed thereto under the Listing Rules
"Board"	the board of Directors
"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 Disposal pursuant to the terms of the Agreement
"Completion Date"	one business day after the signing of the Agreement
"connected person(s)"	has the meaning as ascribed thereto under the Listing Rules
"Debt"	a sum of RMB95,164,200 previously owed by the Disposal Company to the original vendor which has been fully settled to the Vendor prior to the date of this announcement

"Disposal"	the disposal of 51% of the entire equity interest in the Disposal Company from Ganzhou Differ (as procured by the Vendor) to the Purchaser pursuant to the terms of the Agreement
"Disposal Shares"	51% of the entire equity interest in the Disposal Company held by Ganzhou Differ
"Disposal Company"	Shanghang Fengda Real Estate Co., Ltd* (上杭豐達置業有限公司), a limited liability company established in the PRC, which is owned by the Purchaser and Ganzhou Differ as to 49% and 51% respectively as at the date of this announcement
"Director(s)"	the director(s) of the Company
"Ganzhou Differ"	Ganzhou Differ Cultural Tourism Development Co., Ltd.* (贛州鼎豐文化旅遊發展有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company and the Vendor
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Land"	the land parcel held by the Disposal Company, situated on the east side of Jinshan Road on the south side of the Second Ring Road, Lincheng Town, Shanghang County, the PRC, with a total site area of approximately 69,994 sq.m.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"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
"Purchaser"	Fujian Liantai Real Estate Development Co., Ltd.* (福建聯泰房地產開發有限公司), a limited company incorporated in the PRC

"Settlement Date"	the date on which the pre-sale of the residential properties of the Land has reached 80% of all the total residential properties of the Land or 31 December 2022, whichever is the earlier
"Share(s)"	the ordinary share(s) of par value of HK$0.0025 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Total Consideration"	collectively the Income Share and the License Fee
"Vendor"	Differ Cultural Tours Limited (鼎豐文化旅遊有限公司), an indirect wholly-owned subsidiary of the Company, which is a limited company incorporated in the Cayman Islands
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square meter
"%"	per cent

* *For identification purpose only*

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

Hong Kong, 12 March 2021

* *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$1: RMB0.85. No representation is made that any amounts in RMB and HK$ 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.