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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Differ Group Auto Limited (the “**Company**”), you should at once hand this circular together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

DIFFER GROUP AUTO LIMITED**鼎豐集團汽車有限公司***(incorporated in the Cayman Islands with limited liability)***(Stock Code: 6878)**

- (1) PROPOSED SHARE CONSOLIDATION;**
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(3) PROPOSED CHANGE IN BOARD LOT SIZE;
(4) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

This circular, for which the directors (the “**Directors**”) of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

A notice convening the extraordinary general meeting of the Company (the “**EGM**”) to be held at Suites 501-05, 5/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong on 19 February 2024 at 10:00 a.m. is set out on pages 29 to 31 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof should you so wish. This circular will be published on the websites of the Stock Exchange of Hong Kong at www.hkex.com.hk and that of the Company’s website at www.dfh.cn.

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DEFINITIONS

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

“Admitted Claim”	a Claim held by a Scheme Creditor against the Company which has been admitted by the Scheme Administrators or the adjudicators in accordance with the Scheme, including claims that have been admitted following adjudication
“Announcement”	the announcement of the Company dated 19 December 2023 in relation to, among other things, the Placing
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bonus Shares”	the maximum of 210,970,464 Scheme Shares representing a total of HK\$100,000,000 in worth which will be distributed to the Scheme Creditors who have opted for Option B in respect of their Elected Claim B on a pro-rata basis
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Existing Shares to 10,000 Consolidated Shares
“Claim(s)”	any debt, liability or obligation whatsoever, whether known or unknown, whether certain or contingent, whether present, future or prospective, whether liquidated or unliquidated, ascertained or sounding only in damages, whether based on contract (including quasi-contract), guarantee, indemnity or estoppel, and whether arising at common law, in equity, by statute or by regulation, in Hong Kong or in any other jurisdiction or in any manner whatsoever which would be admissible to proof in a compulsory winding up of the Company under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) and which includes, without limitation, a debt or liability to pay money or money’s worth, any liability for breach of trust, any liability in contract, tort or bailment, any liability arising out of an obligation to make restitution, and any liability arising out of any legal claims, whether certain or contingent

DEFINITIONS

“Company”	Differ Group Auto Limited, a company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6878)
“Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Completion Date”	on the third (3rd) Business Day upon the fulfillment of conditions set out in the Placing Agreement (or such other date as the Company and the Placing Agent may agree in writing)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consolidated and Enlarged Issued Share Capital”	the issued share capital after completion of the Share Consolidation and the Increase in Authorised Share Capital
“Consolidated Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company after the Share Consolidation becoming effective
“Differ Yield”	Differ Yield Company Limited, an indirect wholly-owned subsidiary of the Company and is incorporated in the British Virgin Islands
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Share Consolidation, the Increase in Authorised Share Capital and the Placing
“Existing Share(s)”	issued and unissued ordinary share(s) of HK\$0.0025 each in the existing share capital of the Company before the Share Consolidation becoming effective
“Guaranteed Selling Price”	the tentative prices of HK\$0.474 per Scheme Shares for Tranche A Option B Scheme Shares and Tranche B Option B Scheme Shares; HK\$0.498 per Scheme Shares for Tranche C Option B Scheme Shares; and HK\$0.521 per Scheme Shares for Tranche D Option B Scheme Shares, subject to finalisation of the terms of the Scheme
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from HK\$50,000,000 divided into 20,000,000,000 Existing Shares (equivalent to 2,000,000,000 Consolidated Shares assuming the Share Consolidation has become effective) to HK\$250,000,000 divided into 100,000,000,000 Existing Shares (equivalent to 10,000,000,000 Consolidated Shares assuming the Share Consolidation has become effective) by the creation of an additional 80,000,000,000 new Existing Shares (equivalent to 8,000,000,000 new Consolidated Shares assuming the Share Consolidation has become effective)
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Latest Practicable Date”	24 January 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Make Good Undertaking”	the undertaking by the Company in favour of the Scheme Creditors who elected Option B, to dispose of such Scheme Shares which are subject to a lock up arrangement at guaranteed prices for the benefit of the relevant Scheme Creditors, and to compensate the difference between the guaranteed prices and the actual sale prices to the relevant creditor in the event that the sale price is lower than the specified price, with any proceeds higher than the guaranteed prices shall be entitled by the relevant Scheme Creditors who elected Option B
“Option A”	an arrangement under for the Scheme Creditors to receive all the Scheme Shares upon the issuance after the adjudication without any lock arrangement
“Option B”	an arrangement to accept the Scheme Shares subject to a lock up arrangement whereby 5%, 20%, 33%, 42% of the Scheme Share shall be locked up for a period of 24, 36, 48 or 60 months from the date of their issuance respectively

DEFINITIONS

“Placee(s)”	any investor who is an individual, institutional or professional investor selected and/or procured by or on behalf of the Placing Agent as contemplated by the Placing Agreement and is (i) independent of the Company (and the Group), its connected person(s) and their respective associate(s), and (ii) independent of and not parties acting in concert with any person(s), other Placee(s) or the Shareholder(s) to the effect that any Placing to such investor shall not trigger any mandatory offer obligation under Rule 26.1 of the Takeovers Code, procured by the Placing Agent to subscribe for the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the offer by way of private placing of the Placing Shares by or on behalf of the Placing Agent to the Placee(s), on a partially underwritten basis, on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Fortune Origin Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the placing agent appointed by the Company in relation to the Placing
“Placing Agreement”	the placing agreement dated 19 December 2023 (as supplemented by a supplemental agreement on 24 January 2024) and entered into between the Company and the Placing Agent in relation to the Placing on a partially underwritten basis
“Placing Shares”	the 138,888,889 new Consolidated Shares to be placed pursuant to the Placing Agreement, representing approximately HK\$50,000,000 in value
“PRC”	the People’s Republic of China
“Proposed Restructuring”	the proposed debt restructuring of the Company which is being formulated
“Proposed Rights Issue”	the proposed rights issue to be conducted by the Company after the Completion, and which shall be announced further by the Company in due course
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“Scheme”	the scheme of arrangement to be entered into between the Company and the Scheme Creditors, subject to the approval by the High Court, which will be implemented in Hong Kong

DEFINITIONS

“Scheme Administrator”	the proposed administrator(s) of the Scheme, namely Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of Acclime Corporate Advisory (Hong Kong) Limited
“Scheme Creditors”	any person (other than the persons with an excluded claim) with the benefit of a Claim against the Company which arose on or before the date on which the Scheme become effective
“Scheme Shares”	the new Consolidated Shares to be issued for settling the outstanding debts due by the Company to the Scheme Creditors (other than excluding claims)
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the issued and unissued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share Consolidation”	The proposed consolidation of every ten (10) Existing Shares of HK\$0.0025 each into one (1) Consolidated Share of HK\$0.025 each
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board at the EGM for the allotment and issue of a maximum of 138,888,889 Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Takeovers Codes”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or modified from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation and the Change in Board Lot Size is set out below.

Events	Times and dates
Despatch date of circular with notice of the EGM	Friday, 26 January 2024
Latest time for lodging transfers of shares in order to qualify for attendance and voting at the EGM.	4:30 p.m. on Thursday, 8 February 2024
Register of members closes (both days inclusive).	Friday, 9 February 2024 to Monday, 19 February 2024
Latest time for lodging forms of proxy for the EGM.	10:00 a.m. on Saturday, 17 February 2024
Date and time of the EGM	10:00 a.m. on Monday, 19 February 2024
Publication of the announcement of the results of the EGM	Monday, 19 February 2024

EXPECTED TIMETABLE

The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation and the proposed Change in Board Lot Size of the Shares for trading on the Stock Exchange from 2,000 Existing Shares to 10,000 Consolidated Shares as set out in this circular.

Effective date of the Share Consolidation	Wednesday, 21 February 2024
First day of free exchange of existing share certificates for new share certificates for Consolidated Shares	Wednesday, 21 February 2024
Dealing in the Consolidated Shares commences	9:00 a.m. on Wednesday, 21 February 2024
Original counter for trading in the Existing Shares in board lots of 2,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 21 February 2024
Temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 21 February 2024
Original counter for trading in the Consolidated Shares in new board lots of 10,000 Consolidated Shares (in the form of new share certificates for the Consolidated Shares) re-opens	9:00 a.m. on Wednesday, 6 March 2024
Parallel trading in the Consolidated Shares (in the form of new share certificates for the Consolidated Shares and existing share certificates) commences	9:00 a.m. on Wednesday, 6 March 2024
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Wednesday, 6 March 2024

EXPECTED TIMETABLE

Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares 4:00 p.m. on Tuesday, 26 March 2024

Temporary counter for trading in the Consolidated Shares in board lots of 200 Consolidated Shares (in the form of existing share certificates) closes 4:10 p.m. on Tuesday, 26 March 2024

Parallel trading in the Consolidated Shares (in the form of new share certificates for the Consolidated Shares and existing share certificates) ends 4:10 p.m. on Tuesday, 26 March 2024

Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares Thursday, 28 March 2024

Note: All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

LETTER FROM THE BOARD

DIFFER GROUP AUTO LIMITED 鼎豐集團汽車有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6878)

Executive Directors:

Mr. Ng Chi Chung
Dr. Feng Xiaogang
Mr. Tong Lu

Non-executive Directors:

Mr. Kang Fuming
Mr. Xu Yiwei

Independent non-executive Directors:

Mr. Chan Sing Nun
Mr. Lam Kit Lam
Ms. Chuang Yin Lam

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:*

Unit 1309
13/F., Xinjingdi Building
No. 469 Gaolin Middle Road,
Huli District, Xiamen City,
Fujian Province, PRC

*Principal place of business in
Hong Kong registered under Part XI
of the Company Ordinance:*

Suites 501-05, 5/F, AIA Central,
1 Connaught Road Central,
Central, Hong Kong

26 January 2024

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED INCREASE IN AUTHORISED CAPITAL;
(3) PROPOSED CHANGE IN BOARD LOT SIZE;
(4) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other matters, further details of (i) the Share Consolidation; (ii) the Increase in Authorised Share Capital; (iii) the Change in Board Lot Size; (iv) the Placing; and (v) a notice convening the EGM together with the proxy form and other information as required under the Listing Rules.

LETTER FROM THE BOARD

PROPOSED SHARE CONSOLIDATION

Reference is made to the Announcement. On 19 December 2023, the Board proposes to implement the Share Consolidation on the basis that every ten (10) Existing Shares of par value of HK\$0.0025 each will be consolidated into one (1) Consolidated Share of HK\$0.025 each. The Share Consolidation is conditional upon, among other things, the approval of the Shareholders at the EGM.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$50,000,000 divided into 20,000,000,000 Existing Shares of par value of HK\$0.0025 each, of which 8,979,139,880 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming that no further Shares will be issued or repurchased from the Latest Practicable Date up to the effective date of the Share Consolidation, immediately after the Share Consolidation becoming effective, the authorised share capital of the Company shall remain at HK\$50,000,000 divided into 2,000,000,000 Consolidated Shares of par value of HK\$0.025 each, of which 897,913,988 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other.

As at the Latest Practicable Date, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or similar rights which are convertible or exchangeable into, any Shares or Consolidated Shares.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will have no effect on the consolidated net asset value of the Group, nor alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save that any fractional Consolidated Shares will not be allocated to Shareholders who may otherwise be entitled and the necessary professional expenses for the implementation of the Share Consolidation.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group and that on the date the Share Consolidation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Share Consolidation would be, unable to pay its liabilities as they become due solely due to the Share Consolidation. The Share Consolidation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

Conditions of the Share Consolidation

The implementation of the Share Consolidation is conditional upon:

- (i) The passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;
- (ii) The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Consolidated Shares in issue to and be issued upon the Share Consolidation becoming effective;
- (iii) The compliance with the relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the obtaining of all necessary approvals from the regulatory authorities otherwise as may be required in respect of the Share Consolidation, if any.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 21 February 2024, being the second Business Day after the date of EGM.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Listing Application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becomes effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

LETTER FROM THE BOARD

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares arising from the Share Consolidation, if any, will be disregarded and will not be allocated to the Shareholders, but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Odd lots arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company will appoint Fortune Origin Securities Limited as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Shareholders who wish to take advantage of this facility should contact Ashton Chong/Cherry Iun at Suites 2406, 24/F, Wing On House, 71 Des Voeux Road Central, Central, H.K. (telephone number: (852) 3702 7025/3702 7092) from 6 March, 2024 to 26 March, 2024 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation; (ii) odd lots arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price in the market.

Exchange of Share Certificate

Subject to the Share Consolidation becoming effective, Shareholders may during the period from 9:00 a.m. on Wednesday, 21 February 2024 to 4:30 p.m. on Thursday, 28 March 2024 (both days inclusive), submit share certificates for the Existing Shares (in red colour) to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange, at the expense of the Company for new share certificates for the Consolidated Shares (in light green colour). Thereafter, share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may be allowed by the Stock Exchange from time to time) for each share certificate for the Shares cancelled or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher.

The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to Monday, 26 March 2024, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of ten (10) Shares for one (1) Consolidated Share. The new share certificates for the Consolidated Shares will be issued in light green colour in order to distinguish them from the share certificates for the Existing Shares which are in red colour.

LETTER FROM THE BOARD

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Reference is made to the Announcement. As at the Latest Practicable Date, the existing authorised share capital of the Company is HK\$50,000,000 divided into 20,000,000,000 Existing Shares of HK\$0.0025 each, of which 8,979,139,880 Existing Shares have been allotted and issued as fully paid or credited as fully paid.

Immediately upon the Share Consolidation becoming effective and assuming there will be no change in the number of issued Shares from the Latest Practicable Date up to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$50,000,000 divided into 2,000,000,000 Consolidated Shares of HK\$0.025 each, of which 897,913,988 Consolidated Shares of HK\$0.025 each will be in issue.

In order to accommodate future expansion and growth of the Group and to provide the Company with greater flexibility to raise funds by allotting and issuing new Shares in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from HK\$50,000,000 divided into 20,000,000,000 Existing Shares (equivalent to 2,000,000,000 Consolidated Shares assuming the Share Consolidation has become effective) to HK\$250,000,000 divided into 100,000,000,000 Existing Shares (equivalent to 10,000,000,000 Consolidated Shares assuming the Share Consolidation has become effective) by the creation of an additional 80,000,000,000 new Existing Shares (equivalent to 8,000,000,000 new Consolidated Shares assuming the Share Consolidation has become effective).

The proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM. It should become effective Wednesday, 21 February 2024, being the second Business Day after the date of the EGM.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in the board lot size of 2,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 2,000 Existing Shares to 10,000 Consolidated Shares per board lot, conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.042 per Existing Share (equivalent to the theoretical closing price of HK\$0.42 per Consolidated Share) as at the Latest Practicable Date, (i) the value of each existing board lot of Existing Shares is HK\$84; (ii) the value of each board lot of 2,000 Consolidated Shares would be HK\$840 on the assumption that the Share Consolidation becomes effective; and (iii) the value of each board lot of 10,000 Consolidated Shares would be HK\$4,200 on the assumption that the Change in Board Lot Size has also become effective.

The Change in Board Lot Size will not result in any change in relative rights of the Shareholders.

LETTER FROM THE BOARD

REASONS FOR THE SHARE CONSOLIDATION AND THE INCREASE IN AUTHORISED SHARE CAPITAL

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Stock Exchange, (i) market price of the Shares at a level less than HK\$0.10 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value per board lot should be greater than HK\$2,000.

In view of the prevailing trading prices of the Existing Shares, the Board proposes to implement the Share Consolidation. It is expected that the proposed Share Consolidation would bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange. As a result, the proposed Share Consolidation would enable the Company to comply with the trading requirements under the Listing Rules. Based on the closing price of HK\$0.042 per Existing Share (equivalent to HK\$0.42 per Consolidated Share) as quoted on the Stock Exchange as at the Latest Practicable Date, the expected market value of each board lot of 10,000 Consolidated Shares, assuming the Share Consolidation had become effective, would be HK\$4,200, which is greater than HK\$2,000 and therefore complies with the requirement as set out in the said “Guide on Trading Arrangements for Selected Types of Corporate Actions”. Accordingly, the Board is of the view that the Share Consolidation with the Change in Board Lot Size is beneficial to the Company and the Shareholders as a whole.

Also, the Board is of the view that the Increase in Authorised Share Capital will provide flexibility to the Company for future fund-raising and expansion in the share capital of the Company in the long run, and is therefore in the interests of the Company and the Shareholders as a whole.

Save for the relevant expenses, including but not limited to professional fees and printing charge to be incurred by the Company, the implementation of the Share Consolidation will have no effect on the consolidated net asset value of the Group, nor alter the underlying assets, business operations, management or the financial position of the Company or the proportionate interests of the Shareholders. Although the Share Consolidation may lead to the creation of odd lots of Shares, the Company will appoint a securities firm as agent to provide matching services for odd lots of Shares for a period of not less than three weeks, which will alleviate the difficulties caused by the creation of odd lots of Shares. In view of the above, the Board considers that the Share Consolidation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company is formulating and is about to implement a debt restructuring plan which may involve fundraising activities or issue of new shares in the next twelve months. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

LETTER FROM THE BOARD

THE PLACING AGREEMENT

Date

19 December 2023 (after trading hours)(as supplemented on 24 January 2024)

Parties

- (1) The Company as the issuer; and
- (2) The Placing Agent

The terms of the Placing Agreement were arrived after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

Placing Agent

Pursuant to the terms and conditions of the Placing Agreement, the Company has conditionally agreed to place through the Placing Agent, on a partially underwritten basis up to HK\$10,000,000 (representing 27,777,778 Placing Shares), 138,888,889 Placing Shares to not less than six (6) independent Placees who and whose ultimate beneficial owners are Independent Third Parties. The terms and conditions of the Placing Agreement were arrived at after arm's length negotiation between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions. The Directors are of the view that the terms and conditions of the Placing Agreement are fair and reasonable based on current market conditions. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties. As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owners were not interested in any other securities of the Company. The Placing Agent will be entitled to receive a placing commission as follows: (i) of 9% of the amount which is equal to the Placing Price multiplied by the number of the Placing Shares underwritten by the Placing Agent, and (ii) of 6.5% of the amount which is equal to the Placing Price multiplied by the number of the Placing Shares placed by the Placing Agent in best endeavors and brokerage fee of 1% of the amount which is equal to the Placing Price multiplied by the number of the total Placing Shares actually placed by the Placing Agent plus any other out-of-pocket charges and expenses by the Placing Agent in relation to the Placing. Given the maximum gross proceeds of the Placing is HK\$50 million, the maximum placing commission and the maximum brokerage fee that the Placing Agent could receive from the Placing amounts to HK\$3.5 million and HK\$0.5 million respectively.

LETTER FROM THE BOARD

Placees

The Placing Agent will, on a partially underwritten basis up to HK\$10,000,000 (representing 27,777,778 Placing Shares), place 138,888,889 Placing Shares to not less than six (6) Placees at the Placing Price pursuant to the terms and conditions of the Placing Agreement. The Placing Agent shall use its best endeavours to ensure that, among others, (i) each and every of the Placee who is an individual, institutional or professional investor is an Independent Third Party; (ii) the Company will meet the public float requirements under Rule 8.08 of the Listing Rules immediately after the completion of Placing; (iii) no Placee(s) will become a substantial Shareholder (as defined in the Listing Rules) as a result of the Placing upon the Completion; and (iv) no Placee(s) shall be required to make any mandatory general offer for the Shares pursuant to Rule 26.1 of the Takeovers Code. Pursuant to the section “EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” in page 25 of this circular, the total shareholding of other public shareholders and independent placees (immediately upon the completion of the Placing assuming all the Placing Shares are placed in full) would be 87.11% which is higher than 25% of the shareholding of the Company. Therefore, the Company will meet the public float requirements under Rule 8.08 of the Listing rules immediately after the completion of Placing (assuming all the Placing Shares are placed in full). The Company shall remain in compliance with the public float requirement under the Listing Rules upon taking into account the list of Placees procured by the Placing Agent immediately prior to the Completion.

Number of Placing Shares

Assuming that there will be no further changes in the issued share capital of the Company between the Latest Practicable Date and the Completion apart from the Share Consolidation and the Increase in Authorised Share Capital, the number of Placing Shares under the Placing represents (i) approximately 15.47% of the Consolidated and Enlarged Issued Share Capital of the Company; and (ii) approximately 13.40% of the total issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (assuming the Placing is completed in full). The aggregate nominal value of the number of the Placing Shares under the Placing will be HK\$3,472,222.

Ranking of the Placing Shares

The Placing Shares under the Placing will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

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Placing Price

The Placing Price of HK\$0.36 per Placing Share represents (i) a discount of approximately 34.5% to the closing price of HK\$0.55 per Consolidated Share as quoted on the Stock Exchange on 19 December 2023, being the date of the Placing Agreement (assuming the Share Consolidation has become effective); (ii) a discount of approximately 39.2% to the average closing price of HK\$0.592 per Consolidated Share on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Placing Agreement (assuming the Share Consolidation has become effective); (iii) a discount of approximately 44.4% to the average closing price of HK\$0.647 per Consolidated Share on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the date of the Placing Agreement (assuming the Share Consolidation has become effective); and (iv) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 4.64% represented by the theoretical diluted price of approximately HK\$0.5245 to the benchmarked price of approximately HK\$0.55 per Consolidated Share as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the date of the Announcement of HK\$0.55 per Consolidated Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of HK\$0.55 per Consolidated Share, assuming the Share Consolidation has become effective.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent after taken into account (i) the Company's winding up petition in Hong Kong; (ii) the uncertainty of the outcome of the proposed Scheme in the Proposed Restructuring; (iii) the prevailing market prices of the Shares; (iv) the recent market performance of the Shares; (v) the financial position of the Company; and (vi) the current market sentiment of the shares of listed companies in Hong Kong which can be observed from the significant decrease of the Hang Seng Index of approximately 27.3% from 22,689 points, highest record in 2023, on 27 January 2023 to 16,505 points on 19 December 2023, whereby only a discounted price of the Shares would be attractive to the professional investors, such that the Company could raise sufficient capital from the partially underwritten Placing.

The Board also noticed that the placing fees charged by the Placing Agent is higher than the normal share placement in the market. To consider whether the Placing is in the best interest of the Company and the Shareholders, the Board has considered the following: (i) the difficulty in completing the Placing due to the current market sentiment of the shares of listed companies in Hong Kong as explained above; (ii) the financial position of the Company; (iii) the Company's winding up petition in Hong Kong; and (iv) the risk-free interest remains at a high level.

Given that the Company is under a winding-up petition, and the proposed Scheme is still pending the approval from the Court (please refer to paragraph headed "REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS" for details), the Placing Agent requested extra incentive for the placing of the Placing Shares. Given the reasons as stated above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Subject to the Completion, it is expected that the gross and net proceeds (after deducting the placing commission and other relevant costs and expenses of the Placing) from the Placing will be approximately HK\$50 million and HK\$46 million respectively (assuming the Placing Shares are placed in full). On such basis, the net issue price will be approximately HK\$0.33 per Placing Share. It is expected that the net proceeds from the Placing will be used for the Group's general working capital and part repayment of debts to the Scheme Creditors (as explained below).

Conditions of the Placing Agreement

The Completion is conditional upon the fulfilment of all of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares;
- (b) the passing of necessary resolution(s) at the EGM to be held and convened by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules and other applicable laws and regulations to approve the Placing Agreement and the transactions contemplated hereunder, including the Specific Mandate for the allotment and issue of the Placing Shares;
- (c) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated hereunder having been obtained;
- (d) the Company being able to maintain the public float as required by the Stock Exchange or under the Listing Rules upon the Completion; and
- (e) the Share Consolidation and the Increased in Authorised Share Capital becoming unconditional.

The Company shall use its reasonable endeavours to procure the fulfillment of the condition referred to in the above condition (a), (b), (d) and (e). The parties shall use their respective reasonable endeavours to procure the fulfillment of the condition referred to in the above condition (c). Save for the approvals set out in conditions (a) and (b) above and the approval of the Placing Agreement by the board of directors of the Placing Agent, the Company is not aware of other consent or approval required to be obtained by the parties to the Placing Agreement. In the event any of the conditions referred to in the above are not fulfilled on or before 28 February 2024 (or such later date as may be agreed between the parties hereto in writing), all rights, obligations and liabilities of the parties hereto shall cease and terminate and neither of the parties shall have any claim against the other save for any antecedent breach under the Placing Agreement prior to such termination.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

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Termination of the Placing Agreement

Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company save for antecedent breach under the Placing Agreement prior to such termination, by notice in writing given to the Company at any time prior to 8:00 a.m. on the Completion Date upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have an adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Placing Shares or has or may otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's absolute opinion would adversely affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than seven (7) trading days) or restriction on trading in the securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would adversely affect the success of the Placing; or
- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's absolute opinion any such new law or change may adversely affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group, which has or may have an adverse effect on the business or financial position of the Group and which in the Placing Agent's absolute opinion would adversely affect the success of the Placing; or
- (v) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (vi) any breach of any of the representations and warranties set out in Clause 4(A) comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date which if had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect or there has been a breach by the Company of any other provision of the Placing Agreement; or

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- (vii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

If notice is given pursuant in the manner abovementioned, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such termination.

Application for Listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares under the Placing.

Specific Mandate

The Placing Shares will be allotted and issued under the Specific Mandate which are subject to the approval of the Shareholders at the EGM.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

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. The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are provision of automobile e-commerce business, assets management business, financial related services and commodity trading business.

Reference is made to the announcements of the Company dated 16 June 2023, 20 June 2023, 4 July 2023, 23 August 2023, 30 August 2023, 20 September 2023, 18 October 2023, 30 October 2023, 5 January 2024 and 17 January 2024 respectively in relation to defending the winding-up petition and the Proposed Restructuring, in which a key part is to raise funds by means of Placing for general working capital and partial repayment of outstanding debts to the Scheme Creditors. Additionally, as disclosed in the announcements of the Company dated 5 January 2024 and 17 January 2024, the Court has ordered that (i) the hearing for the winding-up petition be adjourned to a date no earlier than 6 May 2024 pending the outcome of the Company's application to the Scheme; (ii) the direction hearing for the Scheme be adjourned to be heard on 26 April 2024 at 10:00 a.m.; and (iii) the hearing for the sanction of the Scheme was set to be heard on 6 June 2024 at 10:00 a.m..

As at 30 November 2023, the bonds, borrowings and corporate guarantee liabilities of the Company is approximately HK\$2,385.4 million, whereby the bonds and borrowings liabilities amounted to approximately HK\$1,156 million, and the financial guarantees/contingent liabilities amounted to approximately HK\$1,229.4 million (based on the rate of RMB1: HK\$1.08) for its subsidiaries' liability and third parties' liability. Among the said financial guarantees/contingent liabilities, approximately HK\$447.5 million of which has been demanded against the Company, and the balance of which may potentially be demanded for repayment either due to overdue repayment obligations of the borrower or the cross-default by the Company under the guarantee.

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While the negotiation between the Company and the creditors of the Company over the terms of the Proposed Restructuring is ongoing, in order to solicit support and confidence in the Proposed Restructuring from the creditors of the Company, the Group intends to include element of cash distribution in the Scheme. As such, HK\$10 million of the net proceeds of the Placing will be used for the cash distribution element of the Scheme. It is expected that the availability of cash repayment element in the Scheme will provide incentive to the creditors of the Company, and the negotiation with the creditors of the Company for supporting a proposed debt restructuring would be more secured.

The Directors have considered other alternative fundraising methods including equity financing (e.g. investments from strategic investor(s)), but the relatively weak capital market conditions and the ongoing negotiations on the terms of the Proposed Restructuring at the material time made it more challenging for the Group to explore other feasible fundraising alternatives for the implementation of the Scheme. Moreover, the Company also proposed to conduct rights issue to raise further capital for the cash compensation elements to the Scheme Creditors. In the circumstances, the Board considered that it would be more appropriate to conduct the Placing under Specific Mandate and the Rights Issue comparing with debt financing as it would not increase to debt-repayment obligations of the Group and would allow the holders of the Placing Shares to participate in the future returns of the Group when its business operations improve.

Assuming the Placing Shares are placed in full, the gross proceeds from the Placing will be approximately HK\$50 million. The net proceeds from the Placing (after deduction of placing commissions, estimated professional fees and other related expenses of approximately HK\$4 million) are estimated to be approximately HK\$46 million, which are intended to be applied in following manner (and order of descending priority):

- (i) as to HK\$10 million, being the underwritten part, for part repayment of debts to the Scheme Creditors; and
- (ii) as to HK\$36 million for general working capital for the period from March 2024 to December 2025 (22 months) which is necessary to allow the Company and Hong Kong subsidiaries of the Company to maintain its existence and operation. As mentioned in the section “The Proposed Restructuring” below, the Scheme Shares to be received by the Scheme Creditors will subject to a lock-up arrangement for 24 to 60 months from the date of issue and then be disposed through the arrangement by the Company with the Make Good Undertaking. In order to ensure the smooth operation of the Scheme and to provide certainty to the Scheme Creditors, it is important to ensure that the Company has sufficient general working capital for a relatively longer period of time. The breakdown of the expected expenses of the Company and Hong Kong subsidiaries of the Company are projected as follows:

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Description	Monthly	Projected for March 2024 to December 2025 (22 months)	Approximate percentage
	<i>Amount</i> (HK\$,000)	<i>Amount</i> (HK\$,000)	%
Salaries and Mandatory Provident Fund payment	500	11,000	30.56
Directors' remuneration and Mandatory Provident Fund payment	194	4,268	11.86
Rent plus government rates and building management fees of Registered Office	590	12,980	36.05
Professional Fees	54	1,188	3.30
Audit fee with disbursement for annual audit of the Group	142	3,117	8.66
Valuation fee for the annual audit and interim review of the Group	67	1,467	4.07
Provision of internal control review fee	10	220	0.61
Overhead expenses (e.g. fuel, travelling expenses, office cleaning, office supplies, printing)	80	1,760	4.89
Total:	<u>1,637</u>	<u>36,000</u>	<u>100</u>

Based on the above, the Board considers that raising capital through the Placing is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Proposed Restructuring

Due to the economic downturn and the sluggish performance of the property market in the PRC, the sales and operation of the Group, particularly its property development projects, have been adversely impacted, resulting a temporary cashflow problem of the Company and the Company is unable to repay certain of its debts when they fell due. As at 30 June 2023, the Group had bank and other borrowings of RMB1,458.1 million and corporate bonds of RMB669.4 million which are due within twelve months from 30 June 2023 or repayable on demand while its cash and cash equivalents amounted to RMB95.6 million only. Given the lack of cashflow, the Group's ability to repay its debts when they fall due is significantly impaired. The Group has depleted its cash and is not able to repay its liabilities as they became due. The Company likewise is not able to repay its liabilities and is facing legal action for the unpaid debts. As disclosed in the announcements of the Company dated 16 June 2023, 20 June 2023, 4 July 2023, 23 August 2023, 30 August 2023, 20 September 2023, 18 October 2023, 30 October 2023, 5 January 2024 and 17 January 2024 respectively, the Company is facing the winding up petition filed by its creditors and the winding up proceedings remain in process at the High Court of Hong Kong, while the Company has applied to the High Court of Hong Kong for the Scheme. As disclosed in the announcements dated 5 January 2024 and 17 January 2024, (i) the hearing for the winding-up petition be adjourned to a date no earlier than 6 May 2024 pending the outcome of the Company's application to the proposed Scheme; (ii) the direction hearing for the Scheme be adjourned to be heard on 26 April 2024 at 10:00 a.m.; and (iii) the hearing for the sanction of the Scheme was set to be heard on 6 June 2024 at 10:00 a.m..

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As mentioned above, the Placing is a part of the Proposed Restructuring of the Company, under which the Company intends to restructure its debts. The tentative terms of the Proposed Restructuring are as follows:

1. Cash Compensation

After the completion of the Placing, it is intended that the Proposed Rights Issue would be conducted by the Company on a non-underwritten basis for the existing shareholders of the Company in parallel to the Scheme, with 50% of the proceeds from it be used for the repayment to the Scheme Creditors of the Company on a pro-rata basis.

2. Scheme Shares

After repayment with the proceeds from the Placing and the Proposed Rights Issue of the debts, the remaining balance of the debts of the Scheme Creditors shall be settled by the allotment and issue of the Scheme Shares by the Company at a price representing 20% discount to the average of the closing prices of the Shares of the 5 consecutive trading days immediately prior to the Placing.

Such Scheme Shares may be received by the Scheme Creditors immediately upon allotment and issue, or be subject to lock up arrangement which will be locked up for 24 to 60 months from the date of issue and then be disposed through the arrangement by the Company with the Make Good Undertaking. Scheme Creditors shall have the discretion to allocate their Admitted Claim between Option A (which would receive the Scheme Shares immediately upon issue but will not be subject to the lock up arrangement and without enjoying the benefit of the Make Good Undertaking) and Option B (which would receive the Scheme Shares subject to the lock up arrangement but would enjoy the benefit of the Make Good Undertaking, as well as to receive the Bonus Shares and further cash repayment). As an incentive for the Scheme Creditors to opt for Option B as much as possible, the Company shall give those Scheme Creditors the Make Good Undertaking under which the Company will arrange for the disposal of the relevant Scheme Shares (through a placing agent to be appointed by the Company) within a specified period before the expiry of each relevant lock up periods, instead of receiving the Scheme Shares.

3. Bonus Shares

The Company will issue up to HK\$100 million worth of new shares as bonus shares. For Admitted Claims who have allocated to Option A, no Bonus Shares and further cash repayment will be entitled by them. For Admitted Claims who have allocated to Option B, they will, after adjudication, receive such number of bonus shares representing the portion of the bonus shares proportionate to the total amount of admitted claims among the total amount of admitted claims of such creditors' claims chosen for Option B. Bonus Shares will be distributed to the Scheme Creditors who elected Option B in two batches: (i) the first batch, being 50% of the Bonus Shares, will be distributed to the Creditors after the adjudication of the Scheme; and (ii) the second batch, being the remaining 50% of the Bonus Shares, will be issued on the last day of a 6-month period from the date of the distribution of the first batch of the Bonus Shares.

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4. Share Charge by the Company and Undertaking by subsidiary

The Company shall charge all the issued shares of Differ Yield in favour of the scheme company to secure the payment obligations of the Company under the Scheme.

Differ Yield shall also give a guarantee and undertaking in favour of the Scheme Company for the benefit of the Scheme Creditors not to dispose of certain specified assets, or if disposed due to the good market condition, not to dispense with or use the proceeds therefrom (save for first paying for all those necessary operating costs and expenses for the proper and unencumbered realisation of the assets and to pay for such ordinary course of business expenses of the members of the Differ Yield Group Company), unless for allowing the Company to perform its payment obligation under the Make Good Undertaking. To ensure the ability of the Company to honour its Make Good Undertaking, in the event that the Company has insufficient funds to pay the difference of the actual selling prices and the Guaranteed Selling Prices of the Option B Scheme Shares under a lock up Arrangement, the Scheme Administrator shall, on a best effort basis, create and monitor a mechanism to effect the disposal of the specified assets as soon as possible and to procure that whatever realisation would be streamed up and be used to pay the relevant Scheme Creditors on a pro rata basis until the liabilities of the Company under the Make Good Undertaking is fully discharged.

After negotiation with the creditors of the Company, the Group confirms that the Proposed Restructuring will include the above items. The terms of the Proposed Restructuring is not finalised and is subject to further negotiation with the creditors of the Company. The Company will take appropriate steps to comply with the Listing Rules at all times when implementing the Proposed Restructuring and conducting the transactions contemplated thereunder. Further details of the restructuring plan including any changes on the above items will be announced by the Company as and when appropriate.

LETTER FROM THE BOARD

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change in the number of Shares in issue from the Latest Practicable Date up to and including the date of completion of the Placing, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Consolidation; and (iii) immediately after completion of the Placing:

Shareholders	As at the		Immediately after		Immediately upon the		Immediately upon the	
	Latest Practicable Date		completion of the		completion of the Placing		completion of the Placing	
	<i>No. of</i>	<i>Approximate</i>	<i>No. of</i>	<i>Approximate</i>	assuming none of the Placing		assuming all the Placing	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	Shares are placed save for		Shares are placed in full	
					<i>No. of</i>	<i>Approximate</i>	<i>No. of</i>	<i>Approximate</i>
					<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Expert Corporate Limited (Note 1)	1,300,000,000	14.4	130,000,000	14.4	130,000,000	14.0	130,000,000	12.5
Ever Ultimate Limited (Note 2)	5,040,000	0.1	504,000	0.1	504,000	0.1	504,000	0.1
Other public Shareholders	7,674,099,880	85.5	767,409,988	85.5	767,409,988	82.9	767,409,988	74.0
Independent placees	-	-	-	-	27,777,778	3.00	138,888,889	13.40
Total	8,979,139,880	100.00	897,913,988	100.00	925,691,766	100.00	1,036,802,877	100.00

Notes:

- These Shares were held by Expert Corporate Limited, which was wholly and beneficially owned by Mr. Hong Mingxian. By virtue of the SFO, Mr. Hong Mingxian is deemed to be interested in the 1,300,000,000 Shares under the SFO.
- These Shares were held by Ever Ultimate Limited, which was wholly and beneficially owned by Mr. Ng Chi Chung. By virtue of the SFO, Mr. Ng Chi Chung is deemed to be interested in 5,040,000 Shares under the SFO.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Placing are subject to various factors.

LETTER FROM THE BOARD

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The following are fund raising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
17 April 2023	Placing of new Shares under general mandate	Approximately HK\$190.7 million	Approximately HK\$100.0 million for repayment of the outstanding indebtedness; and approximately HK\$90.7 million for general working capital of the Group	Approximately HK\$104.0 million for repayment of the outstanding indebtedness; and approximately HK\$86.9 million for general working capital of the Group
28 September 2023	Placing of new Shares under general mandate	Approximately HK\$19.4 million	General working capital of the Group of approximately HK\$8.0 million and costs of the implementation of the restructuring plan of the Company of approximately HK\$11.4 million	Pursuant to the validation order from the High Court of Hong Kong, the Company should use the net proceeds in the manner that (i) up to HK \$8.0 million in the ordinary course of business of the Group; and (ii) up to approximately HK\$11.4 million for the implementation of the restructuring plan of the Company. As at the Latest Practicable Date, approximately HK\$4.9 million was used for the general working capital of the Group and approximately HK\$6.8 million was used as the costs of the implementation of the restructuring plan of the Company. The unutilised net proceeds up to latest practicable date of HK\$3.1 million and HK\$4.6 million would be used for general working capital of the Group and the costs of the implementation of the restructuring plan of the Company in 2024 respectively

Saved as disclosed above, the Company did not conduct any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

The Placing Shares will be allotted and issued under the Specific Mandate which are subject to the approval of the Shareholders at the EGM.

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The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Consolidation, the Placing Agreement and transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Placing Shares. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholders have a material interest in the Placing Agreement and transactions contemplated thereunder and therefore, no Shareholders will be required to abstain from voting at the EGM to approve the relevant resolution(s) regarding the Placing and the Specific Mandate.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares under the Placing.

The Company has not conducted any rights issue, open offer or specific mandate placing within the twelve (12)-month period immediately preceding the Latest Practicable Date, or prior to such twelve (12)-month period where dealing in respect of the Shares issued pursuant thereto commenced within such twelve (12)-month period, nor has it issued any bonus securities, warrants or other convertible securities within such twelve (12)-month period. The Placing does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Placing is in compliance with Rule 7.27B of the Listing Rules. Since the Completion is subject to the fulfillment or waiver of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. The Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, (i) the Share Consolidation; (ii) the Increase in Authorised Share Capital; (iii) the grant of the Specific Mandate; and (iv) the Placing Agreement and the transactions contemplated thereunder.

A notice convening the EGM to be held at Suites 501-05, 5/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong on 19 February 2024 at 10:00 a.m. is set out on pages 29 to 31 of this circular. Ordinary resolutions will be proposed at the EGM to consider and, if thought fit, to approve (i) the Share Consolidation; (ii) the Increase in Authorised Share Capital; (iii) the Placing Agreement and the transactions contemplated thereunder; and (iv) the Specific Mandate by way of poll, the results of which will be announced after the EGM.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, none of the Shareholders have a material interest in the Share Consolidation, the Increase in Authorised Share Capital and the transactions contemplated under the Placing Agreement, including the grant of the Specific Mandate. Accordingly, no Shareholders will be required to abstain from voting on the resolutions to approve the Share Consolidation and the Placing Agreement and the transactions contemplated thereunder at the EGM.

None of the Directors are considered as having a material interest in the Share Consolidation, the Increase in Authorised Share Capital and the transactions contemplated under the Placing Agreement. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. The completion and return of the enclosed form of proxy will not preclude you from attending and voting at the EGM or any adjournment should you so wish.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9 February 2024 to Monday, 19 February 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 February 2024.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

VOTING BY WAY OF POLL

Pursuant to Rule 13.19 of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. Therefore the chairman of the meeting will demand a poll on the resolutions put to vote at the EGM.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the Placing Agreement are on normal commercial terms, and the Share Consolidation, the Increase in Authorised Share Capital, the Placing Agreement and the transactions contemplated thereunder and the Specific Mandate are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Board would recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Unless otherwise specified in this circular, the exchange rate adopted in this circular for illustration only is approximately RMB1 to HK\$1.08. No representation is made that any amounts in RMB could have been or could be converted at that rate or at any other rate.

By Order of the Board
Differ Group Auto Limited
Ng Chi Chung
Chairman and Chief Executive Officer

NOTICE OF EGM

DIFFER GROUP AUTO LIMITED

鼎豐集團汽車有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6878)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Differ Group Auto Limited (the “**Company**”) will be held at 10:00 a.m. on 19 February 2024 at Suites 501-05, 5/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Consolidated Shares (as hereinafter defined), every 10 existing issued and unissued shares of HK\$0.0025 each (the “**Existing Share(s)**”) in the share capital of the Company be and are hereby consolidated into one share of HK\$0.025 (each a “**Consolidated Share**”) with effect from the business day immediately following the day on which this resolution is passed (the “**Share Consolidation**”) and the directors of the Company (the “**Directors**”) be authorised to issue new share certificates in respect of the Consolidated Shares to holders of issued existing shares of the Company pursuant to the Share Consolidation and to do all things and execute all documents in connection with or incidental to the Share Consolidation;
2. “**THAT** the authorised share capital of the Company be increased from HK\$50,000,000 divided into 20,000,000,000 Existing Shares (equivalent to 2,000,000,000 Consolidated Shares assuming the Share Consolidation has become effective) to HK\$250,000,000 divided into 100,000,000,000 Existing Shares (equivalent to 10,000,000,000 Consolidated Shares assuming the Share Consolidation has become effective) by the creation of an additional 80,000,000,000 new Existing Shares (equivalent to 8,000,000,000 new Consolidated Shares assuming the Share Consolidation has become effective) (the “**Increase in Authorised Share Capital**”) and to do all things and execute all document in connection with or incidental to the Increase in Authorised Share Capital;

NOTICE OF EGM

3. subject to the passing of resolution 1 as set out in this notice of the Meeting,
- (i) Subject to and conditional upon the fulfillment of the conditions in the conditional placing agreement dated 19 December 2023 entered into between the Company and Fortune Origin Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the placing agent appointed by the Company in relation to the placing of up to 138,888,889 new consolidated share(s) of HK\$0.025 in the capital of the Company (the “**Placing Shares**”, each a “**Placing Share**”) on a best effort basis at the placing price of HK\$0.36 per Placing Share (a copy of the Placing Agreement marked “A” and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting), the form and substance of the Placing Agreement be and are hereby approved, ratified and confirmed and any one directors of the Company (“**Director**”) be and is hereby authorised to approve any changes and amendments thereto as he may consider necessary, desirable or appropriate;
 - (ii) subject to the fulfillment of the conditions of the Placing Agreement, any one Director be and is hereby authorised to exercise all the powers of the Company and to take all steps as might in his opinion be desirable or necessary in connection with the Placing Agreement, including without limitation, to allot and issue the Placing Shares;
 - (iii) subject to the fulfillment of the conditions of the Placing Agreement, any one Director be and is hereby authorised to exercise all the powers of the Company and to take all steps as might in his opinion be desirable or necessary in connection with the Placing Agreement, including without limitation, to allot and issue the Placing Shares;
 - (iv) subject to and conditional upon (i) the passing of resolutions as set out in this notice of the Meeting; (ii) the listing committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares; and (iii) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure events, the unconditional specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the Placing Shares pursuant to the Placing Agreement be and is hereby confirmed and approved.”

By the Order of the Board
Differ Group Auto Limited
Ng Chi Chung
Chairman and Chief Executive Officer

Hong Kong, 26 January 2024

NOTICE OF EGM

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of

business in Hong Kong:
Suite 501-05 on 5th Floor,
AIA Central,
No.1 Connaught Road Central,
Hong Kong

Notes:

1. Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint one or, if he/she is the holder of two or more Shares, more than one proxy to attend and vote on his/her behalf in accordance with the articles of association. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for Meeting or any adjournment meeting.
3. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the Meeting and in such event, appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto, if more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand first in the Register of member of the Company in respect of the joint holding.
5. Any vote at the Meeting shall be taken by poll.
6. For ascertaining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 9 February 2024 to Monday, 19 February 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 February 2024.

As at the date hereof, the executive Directors are Mr. NG Chi Chung, Dr. FENG Xiaogang and Mr. TONG Lu; the non-executive Directors are Mr. KANG Fuming and Mr. XU Yiwei; and the independent non-executive Directors are Mr. CHAN Sing Nun, Mr. LAM Kit Lam and Ms. CHUANG Yin Lam.