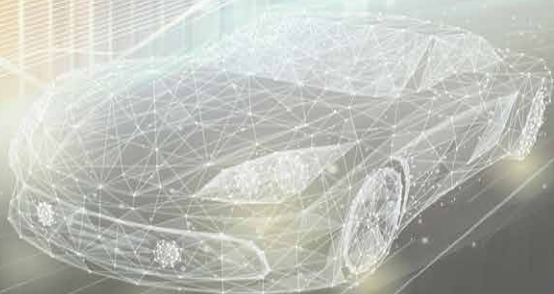


Differ Group Auto Limited 鼎豐集團汽車有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6878



2024

Interim Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. NG Chi Chung
(Chairman and Chief Executive Officer)
Dr. FENG Xiaogang
Mr. TONG Lu

NON-EXECUTIVE DIRECTORS

Mr. KANG Fuming
Mr. XU Yiwei *(resigned on 4 June 2024)*

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
469 Gaolin Middle Road
Huli District
Xiamen City
Fujian Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Unit 2105 on 21/F of West Tower
Shun Tak Centre, Nos. 168–200
Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. KO Leong

AUDITOR

SFAI (HK) CPA Limited
*(previously known as
“Yongtuo Fuson CPA Limited”)*

AUTHORISED REPRESENTATIVES

Mr. NG Chi Chung
Mr. KO Leong

MEMBERS OF AUDIT COMMITTEE

Mr. CHAN Sing Nun *(Chairman)*
Mr. LAM Kit Lam
Mr. KANG Fuming

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China Construction Bank
Tianjin Binhai Rural Commercial Bank Corporation
Bank of Communications

COMPANY WEBSITE

www.dfh.cn

STOCK CODE

06878

Differ Group Auto Limited
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UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Differ Group Auto Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2024, together with the unaudited comparative figures for the corresponding period in 2023.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<i>Notes</i>	Six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Income from automobile e-commerce business	4	—	11,288
Income from assets management business	4	153,079	958,827
Income from financial related services	4	37,840	53,668
Income from trading of commodities	4	—	59,319
Other income	5	1,321	22,389
Costs of automobile e-commerce business		—	(11,317)
Costs of property sold		(145,139)	(634,553)
Costs of trading of commodities		—	(59,241)
Employee benefit expenses		(11,235)	(22,176)
Depreciation expenses		(12,837)	(5,146)
Other expenses		(80,879)	(309,151)
Share of results of associates		738	(15,486)
Fair value loss of investment properties		(42,300)	(23,943)
Fair value gain of other financial assets		16,039	15,698
Finance costs	7	(51,781)	(63,172)

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		Six months ended 30 June		
		2024	2023	
		(Unaudited)	(Unaudited)	
<i>Notes</i>		RMB'000	RMB'000	
	Loss before income tax	8	(135,154)	(22,996)
	Income tax credit/(expense)	9	<u>3,558</u>	<u>(114,286)</u>
	Loss for the period		<u>(131,596)</u>	<u>(137,282)</u>
	Other comprehensive income			
	Items that may be reclassified to profit or loss in subsequent periods			
	— Exchange differences on translating foreign operation		<u>13,233</u>	<u>(15,462)</u>
	Total comprehensive expense for the period		<u>(118,363)</u>	<u>(152,744)</u>
	Loss for the period attributable to:			
	Owners of the Company		<u>(131,821)</u>	(137,213)
	Non-controlling interests		<u>225</u>	<u>(69)</u>
			<u>(131,596)</u>	<u>(137,282)</u>
	Total comprehensive expense attributable to:			
	Owners of the Company		<u>(118,588)</u>	(152,675)
	Non-controlling interests		<u>225</u>	<u>(69)</u>
			<u>(118,363)</u>	<u>(152,744)</u>
	Loss per share	11		(restated)
	— Basic (<i>RMB cents</i>)		<u>(14.2)</u>	(18.0)
	— Diluted (<i>RMB cents</i>)		<u>(14.2)</u>	(18.0)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	500,797	511,093
Investment properties		849,362	891,662
Interest in an associate		128,450	127,712
Other financial assets		2,160	1,107
Prepayments, deposits and other receivables	14	332	2,294
Deferred tax assets		6,623	10,370
		<u>1,487,724</u>	<u>1,544,238</u>
Current assets			
Inventories of properties		3,254,398	3,085,663
Finance lease, loan and account receivables	13	109,433	99,747
Other financial assets		361,108	346,122
Prepayments, deposits and other receivables	14	762,616	724,835
Tax receivables		33,411	64,265
Restricted bank deposits		114,483	119,757
Cash and bank balances — general accounts		30,631	17,790
		<u>4,666,080</u>	<u>4,458,179</u>
Current liabilities			
Account payables	15	720,020	451,901
Accruals, other payables, deposits received and deferred income		992,091	967,251
Contract liabilities	16	1,260,592	1,234,510
Lease liabilities		16,034	17,994
Financial guarantees		113,205	98,516
Provision for taxation		397,442	461,668
Bank and other borrowings		1,561,430	1,562,030
Corporate bonds		669,447	669,447
		<u>5,730,261</u>	<u>5,463,317</u>
Net current liabilities		<u>(1,064,181)</u>	<u>(1,005,138)</u>
Total assets less current liabilities		<u>423,543</u>	<u>539,100</u>

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	<i>Notes</i>	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Non-current liabilities			
Other payables and deposits received		217,330	217,330
Lease liabilities		14,347	13,182
Bank and other borrowings		19,500	19,500
Deferred tax liabilities		111,571	122,146
		<u>362,748</u>	<u>372,158</u>
Net assets		<u>60,795</u>	<u>166,942</u>
EQUITY			
Share capital	17	19,675	18,741
Reserves		41,120	148,426
		<u>60,795</u>	167,167
Equity attributable to owners of the Company		<u>60,795</u>	167,167
Non-controlling interests		<u>—</u>	<u>(225)</u>
Total equity		<u>60,795</u>	<u>166,942</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company								
	Share capital	Share premium	Merger and other reserve	Statutory reserve	Translation reserve	(Accumulated losses)/	Sub-total	Non-controlling interests	Total
						Retained profits			
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the six months ended 30 June 2024 (Unaudited)									
At 1 January 2024	18,741	1,775,053	(1,184,215)	146,121	(7,192)	(581,341)	167,167	(225)	166,942
Loss for the period	—	—	—	—	—	(131,821)	(131,821)	225	(131,596)
Other comprehensive expense for the period	—	—	—	—	13,233	—	13,233	—	13,233
Total comprehensive expense for the period	—	—	—	—	13,233	(131,821)	(118,588)	225	(118,363)
Issue of ordinary shares by placing	934	11,282	—	—	—	—	12,216	—	12,216
At 30 June 2024	<u>19,675</u>	<u>1,786,335</u>	<u>(1,184,215)</u>	<u>146,121</u>	<u>6,041</u>	<u>(713,162)</u>	<u>60,795</u>	<u>—</u>	<u>60,795</u>
For the six months ended 30 June 2023 (Unaudited)									
At 1 January 2023	14,734	1,589,335	(1,184,215)	116,533	18,058	1,970,579	2,525,024	(152)	2,524,872
Loss for the period	—	—	—	—	—	(137,213)	(137,213)	(69)	(137,282)
Other comprehensive expense for the period	—	—	—	—	(15,462)	—	(15,462)	—	(15,462)
Total comprehensive expense for the period	—	—	—	—	(15,462)	(137,213)	(152,675)	(69)	(152,744)
Issue of ordinary shares by placing	3,166	168,616	—	—	—	—	171,782	—	171,782
Transfer to statutory reserve	—	—	—	17,099	—	(17,099)	—	—	—
At 30 June 2023	<u>17,900</u>	<u>1,757,951</u>	<u>(1,184,215)</u>	<u>133,632</u>	<u>2,596</u>	<u>1,816,267</u>	<u>2,544,131</u>	<u>(221)</u>	<u>2,543,910</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	42,884	(244,367)
Net cash used in investing activities	(2,210)	(74,694)
Net cash (used in)/generated from financing activities	(40,960)	403,154
Net (decrease)/increase in cash and cash equivalents	(286)	84,093
Cash and cash equivalents at the beginning of the period	17,790	26,244
Effect of foreign exchange rate changes, net	13,127	(14,748)
Cash and cash equivalents at the end of the period	30,631	95,589

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NOTES

1. CORPORATE AND GENERAL INFORMATION

Differ Group Auto Limited (the “Company”) was incorporated in the Cayman Islands on 4 December 2012 as an exempted company with limited liability under the Cayman Companies Law and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in the People’s Republic of China (the “PRC”) is located at Unit 1309, No. 469 Gaolin Middle Road, Huli District, Xiamen City, Fujian Province, the PRC and the principal place of business of the Company in Hong Kong is located at Unit 2105 on 21/F of West Tower Shun Tak Centre, Nos.168–200 Connaught Road Central, Hong Kong.

The Company acts as an investment holding company. The Company and its subsidiaries (the “Group”) are mainly engaged in (i) assets management business (mainly including property development and investment); (ii) provision of financial related services (mainly including finance lease services and express loan services); (iii) commodity trading business; and (iv) automobile e-commerce business.

The functional currency of the Company is Hong Kong Dollar (“HK\$”). The consolidated financial statements are presented in Renminbi (“RMB”) since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

The English names of all the companies established in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

2. BASIS OF PRESENTATION

(a) The Scheme and Proposed Restructuring

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 23 April 2024, 6 June 2024, 19 July 2024 and 16 August 2024, and the circular of the Company dated 26 January 2024 respectively (collectively, the “Announcements and Circular”), the Company is facing the winding up petition filed by its creditors. 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 a proposed scheme of arrangement (i.e. the “Scheme”, as explained below) to be entered into between the Company and certain creditors of the Scheme (i.e. the “Scheme Creditors”, as explained below).

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On 30 June 2023, the Company has appointed a restructuring adviser (the “Restructuring Adviser”) to liaise with the Company’s creditors and to assist in the formulation of a restructuring plan. With the help of its Restructuring Adviser, the Board was able to formulate the terms of the proposed restructuring (the “Proposed Restructuring”, as explained below), which the Board considers to be in the interest of all of the stakeholders in the Company, including the scheme creditors (the “Scheme Creditors”).

On 6 June 2024, the High Court of Hong Kong has granted an order to the Company to convene a meeting of the creditors of the Company for the Scheme. Such creditors’ meeting was originally scheduled to be held on 16 August 2024 and has been postponed to another date to be announced. On 30 August 2024, the High Court of Hong Kong has ordered that the sanction hearing scheduled on 17 September 2024 (the “Sanction Hearing”) be vacated and the proceedings to convene the Sanction Hearing be dismissed. The Company will strive for a revised Scheme and make application to the Court for the convening of a new Scheme Meeting as soon as practicable.

Pursuant to the Company’s announcement dated 19 July 2024, the Proposed Restructuring comprises two main components namely (i) Increase in Authorised Share Capital; and (ii) the Scheme and details of which are as following:

1. The Increase in Authorised Share Capital: to facilitate the issuance of scheme shares (the “Scheme Shares”), the Company will reorganise its capital by increasing its authorised share capital from HK\$250,000,000 divided into 10,000,000,000 shares to HK\$2,500,000,000 divided into 100,000,000,000 shares.
2. The Scheme: the scheme claims (the “Scheme Claims”) of the Scheme Creditors against the Company as at the effective date of the Scheme (the “Effective Date”) will be discharged and released in full. In return, the Scheme Creditors whose claims are admitted will be entitled to the benefit of the scheme consideration which consists of the Scheme Shares.

Under the Scheme, the Scheme Claims of the Scheme Creditors will be compromised and discharged. In return, the Scheme Creditors with admitted claims will be entitled to receive the Scheme Shares. The Scheme Claims to be compromised essentially comprise any debt, liability or obligation of the Company which arose on or before the Effective Date but excludes the excluded claims (the “Excluded Claims”). Excluded Claims include Preferential Claims, Secured Claims, Operational Claims and Petition Costs.

Further, under the Scheme, it is proposed that the Company will settle the Scheme Claims by way of, among other things, the issuance of Scheme Shares, which shall settle the relevant amount of the Scheme Claims on a dollar to dollar basis.

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The Scheme Shares shall be allotted and issued at the Scheme Share issue price of HK\$0.0904 per Scheme Share in respect of the admitted claims. The Scheme Shares will be allotted and issued under the name of the relevant Scheme Creditors, but the physical certificates of the Scheme Shares will be placed in the custody of the scheme company. The Scheme Shares will be subject to various lock-up periods in accordance with the lock up arrangement and will have the benefit of the make good undertaking, meaning that the Company will appoint the scheme placing agent at its own expense to facilitate the placing of the Scheme Shares and will provide compensation if such shares are disposed of at a price less than the relevant guaranteed selling prices.

Further details of the above are set out in the Announcements and Circular.

(b) Going concern basis and liquidity

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

For the six months ended 30 June 2024, the Group incurred a net loss attributable to the shareholders of the Company of approximately RMB131,821,000, and as of that date, the Group had net current liabilities of approximately RMB1,064,181,000.

The Group was in default in most of the bank and other borrowings and corporate bonds as at 30 June 2024 due to the events of default of late or overdue payment of loan principal and interest or cross default of the Group's borrowings, which, as a consequence, would be immediately repayable if and when requested by the lenders.

Moreover, as described in note 2(a) above, the Company was served with a winding-up petition from a corporate bond holder issued with the High Court of Hong Kong for the winding-up of the Company.

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

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In view of aforementioned, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following measures and plans are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Company proposed the scheme of arrangement (the “Scheme”, as described in note 2(a)) and formulated the terms of the proposed debt restructuring of the Company (the “Proposed Restructuring”, as described in note 2(a)) to restructure its indebtedness payables to Scheme Creditors;
- (ii) The Group maintains continuous communication with other lenders and creditors and the directors believes that the existing borrowings available to the Group will be successfully restructured and renewed when their current terms expire given the long standing relationship the Group has with the relevant counter parties (the “Financing Restructuring Plan”);
- (iii) The Group has been actively monitoring its finance lease, loan and account receivables and other receivables to ensure their collectability upon their maturity and payment to the subcontractors and suppliers request by the Group so as to complete the Group’s construction projects as scheduled. In addition, the Group will retain sufficient fund in order to alleviate the Group’s liquidity pressure;
- (iv) The Group will continue to focus in maintaining its inventories of properties and adopting a more proactive sale strategy to attract purchasers. The directors of the Company expect that there will have a recovery of the PRC’s economy from the effects of the COVID-19 pandemic, especially the recent measures imposed by the PRC government to stabilise the properties market that will enhance the growth of the Group’s property development business and thus, the Group’s cash flows will be improved.

According to the current properties’ construction schedule, the directors of the Company estimate that most of its current properties’ construction will be completed in financial year ending 31 December 2025 and with the completion and promotion of sales of inventories of properties, the directors expect that the Group is able to obtain cash flows from its property development business, such as among five (5) major properties development projects of the Group, the construction of the three (3) projects (Differ Humane Mansion, She People Ancient City and ChuZhouFu City) were completed and the construction of two (2) projects (Differ Sky Peak and Differ One City) is still in progress. The directors of the Company consider that the Group will generate satisfactory income and cash flows from the sales of properties in the coming years.

The Group will continue to generate operating cash flows for the next twelve months by implementing various strategies to improve the Group’s income from property development and investment, financial services and automobile e-commerce to generate additional operating cash inflows (the “Funds from Operations and Businesses”); and

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- (v) The Group will also continue to seek for other additional and alternative financing to finance the settlement of its existing financial obligations and future operating expenditures (the “Additional and Alternative Sources of Financing”).

The directors of the Company have reviewed the Group’s cash flow forecast, which covers a period of at least twelve months from 30 June 2024. They are of the opinion that, taking into account the abovementioned measures and plans the Group will have sufficient funds to maintain its operations and to meet its financial obligations as and when they fall due within the next twelve months from 30 June 2024. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its measures and plans, which are subject to multiple uncertainties as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) The successful execution and completion of the Scheme and Proposed Restructuring in restructuring indebtedness payables to Scheme Creditors;
- (ii) The successful execution and completion of the Financing Restructuring Plan in restructuring and renewal some of existing borrowings from those other lenders and creditors when their current terms expire;
- (iii) The recovery of the real estate sector and other businesses to generate cash inflow from its operations, settlement of various receivables upon their maturity and payment request by the Group as planned and scheduled;
- (iv) The successful in obtaining Funds from Operations and Businesses in accordance with the timeline of the cash flow projection reviewed by the directors of the Company; and
- (v) The successful in obtaining Additional and Alternative Sources of Financing other than those mentioned above in meeting its financial obligations as and when they need.

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The Group's ability to obtain the abovementioned financing and operating funds depends on: (i) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; and (ii) whether the lenders and creditors of existing bank and other borrowings are agreeable to the terms and conditions for such extension or renewal and the Group's ability to continuously comply with the relevant terms and conditions of bank and other borrowings.

Should the Group fail to achieve the abovementioned measures and plans, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2023 except for the adoption of the following standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning on or after 1 January 2024.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The adoption of these new/revised HKFRSs did not have material impact on the consolidated financial standards in the foreseeable future.

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4. REVENUE AND OTHER INCOME

(a) Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Income from automobile e-commerce business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of goods	—	11,288
	<u>—</u>	<u>11,288</u>
Income from assets management business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from sales of properties	147,917	953,773
	<u>147,917</u>	<u>953,773</u>
Revenue from other sources		
Rental income and sublease rental income	2,091	4,078
Management fee income	3,071	976
	<u>5,162</u>	<u>5,054</u>
	<u>153,079</u>	<u>958,827</u>
Income from trading of commodities		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of commodities	—	59,319
	<u>—</u>	<u>59,319</u>
Income from financial related services		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from financial securities services	—	684
	<u>—</u>	<u>684</u>
Revenue from other sources		
Interest income from:		
— Money lending	37,840	50,497
— Finance lease services	—	2,487
	<u>37,840</u>	<u>52,984</u>
	<u>37,840</u>	<u>53,668</u>

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- (ii) Disaggregation of the Group's revenue by timing of revenue recognition:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Timing of revenue recognition within the scope HKFRS 15		
At a point in time	147,917	1,025,064
	147,917	1,025,064

- (iii) Disaggregation of the Group's revenue by geographical markets:

Information about the Group's revenue by geographical markets is set out in note 6.

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income		
Bank and other interest income	822	7,824
Imputed interest income	—	14,022
Others	499	543
	1,321	22,389

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6. SEGMENT INFORMATION

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

- (1) Financial services — provision of loan services and finance lease services in the PRC;
- (2) Property development and investment — property development project and properties investment activities in the PRC;
- (3) Trading of commodities — trading of commodities in the PRC; and
- (4) Automobile e-commerce — online e-commerce platform in the automobile industry in the PRC.

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

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

Segment assets include all assets other than corporate assets such as property, plant and equipment, deposits and prepayments and cash and bank balances that are managed on a group basis.

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

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Segment revenue and results

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

For the six months ended 30 June 2024

	Property development and investment (Unaudited) <i>RMB'000</i>	Financial services (Unaudited) <i>RMB'000</i>	Trading of commodities (Unaudited) <i>RMB'000</i>	Automobile e-commerce (Unaudited) <i>RMB'000</i>	Total (Unaudited) <i>RMB'000</i>
Segment revenue					
Revenue from external customers	<u>153,079</u>	<u>37,840</u>	<u>—</u>	<u>—</u>	<u>190,919</u>
Segment results	(78,935)	(2,876)	(650)	(14,407)	(96,868)
Unallocated corporate expenses and finance costs					<u>(38,286)</u>
Loss before income tax					<u>(135,154)</u>

For the six months ended 30 June 2023

	Property development and investment (Unaudited) <i>RMB'000</i>	Financial services (Unaudited) <i>RMB'000</i>	Trading of commodities (Unaudited) <i>RMB'000</i>	Automobile e-commerce (Unaudited) <i>RMB'000</i>	Total (Unaudited) <i>RMB'000</i>
Segment revenue					
Revenue from external customers	<u>957,851</u>	<u>54,644</u>	<u>59,319</u>	<u>11,288</u>	<u>1,083,102</u>
Segment results	(7,228)	44,241	(4,727)	(9,493)	22,793
Unallocated corporate expenses and finance costs					<u>(45,789)</u>
Loss before income tax					<u>(22,996)</u>

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Segment assets and liabilities

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

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Segment assets		
Financial services	1,301,312	1,307,910
Property development and investment	4,827,093	4,676,720
Trading of commodities	538	517
Automobile e-commerce	12,244	12,222
	<hr/>	<hr/>
Total segment assets	6,141,187	5,997,369
Unallocated		
— Property, plant and equipment	—	2,669
— Deposits and prepayments	297	2,274
— Cash and bank balances	12,320	105
	<hr/>	<hr/>
Total consolidated assets	6,153,804	6,002,417
Segment liabilities		
Financial services	136,915	138,468
Property development and investment	3,986,866	3,769,508
Trading of commodities	2,192	1,999
Automobile e-commerce	889,515	875,191
	<hr/>	<hr/>
Total segment liabilities	5,015,488	4,785,166
Unallocated		
— Accruals and other payables	96,211	66,092
— Lease liabilities	—	2,907
— Other borrowings	311,863	311,863
— Corporate bonds	669,447	669,447
	<hr/>	<hr/>
Total consolidated liabilities	6,093,009	5,835,475

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Geographical segment information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC (including Hong Kong). For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile.

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is principally sourced from the PRC (including Hong Kong). The Group's non-current assets other than financial instruments are principally located in the PRC.

Information about major customers

Revenues from external customers individually contributing 10% or more of the total revenue from the Group are as follows:

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Customer A*	37,368	N/A*
Customer B*	<u>35,611</u>	<u>N/A*</u>

* These customers did not individually contribute 10% or more of the total revenue from Group for the six months ended 30 June 2023. These customers are associates of the Group for the six months ended 30 June 2024.

7. FINANCE COSTS

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Interest on bank and other borrowings	43,072	44,324
Interest on corporate bonds	13,876	24,240
Interest on lease liabilities	<u>74</u>	<u>316</u>
	57,022	68,880
Less: Interest capitalised	<u>(5,241)</u>	<u>(5,708)</u>
	<u>51,781</u>	<u>63,172</u>

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8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Cost of inventories recognised as expenses	145,139	705,111
Depreciation of property, plant and equipment	12,837	5,146
Employee costs (including Directors' remuneration)		
Salaries, allowances and other benefits	10,001	19,739
Pension scheme contributions — defined contribution plans	1,234	2,437
	11,235	22,176
Provision for financial guarantees	14,689	10,984
Impairment loss on finance lease, loan and account receivables and other receivables, net	45,104	245,881
	<u>45,104</u>	<u>245,881</u>

9. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Current tax		
PRC enterprise income tax ("EIT")	—	66,090
PRC land appreciation tax ("LAT")	3,270	54,182
Deferred tax	(6,828)	(5,986)
	(3,558)	114,286
	<u>(3,558)</u>	<u>114,286</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in respective jurisdictions.

EIT arising from subsidiaries operated in the PRC for the six months ended 30 June 2024 as calculated at 25% (2023: 25%) of the estimated assessable profits during the period, except for subsidiaries established and operated in Ganzhou, which are beneficial from a preferential tax policy from the local tax authorities and are entitled to a reduce tax rate of 15%.

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

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil). No final dividend attributable to the previous financial year was recognised as distribution for the six months ended 30 June 2024 (2023: Nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss for the period attributable to owners of the Company	<u>(131,821)</u>	<u>(137,213)</u>
Number of shares		
	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>925,893,104</u>	<u>761,716,365</u>

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The weighted average number of ordinary shares for the purpose of basic and diluted loss the six months ended 30 June 2024 has been adjusted for the 2024 Placing of shares and details of which are set out in this report.

As described in this report, on 19 February 2024, an ordinary resolution passed at the extraordinary general meeting of the Company for the share consolidation of every 10 ordinary shares into 1 consolidated share, which was effective on 21 February 2024 (i.e. the “Share Consolidation”). The weighted average number of ordinary shares in issue for the purpose of calculating loss per share for the six months ended 30 June 2023 has been retrospectively adjusted on the assumption that the Share Consolidation had been effective since 1 January 2023.

The diluted loss per share is the same as the basic loss per share, as the Group has no dilutive ordinary shares for the six months ended 30 June 2024 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group spent approximately RMB2,211,000 (2023: RMB129,181,000) on leasehold improvement, other properties leased for own use and acquisition of motor vehicles, furniture, fixtures and office equipment.

13. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Current assets		
Finance lease receivables	12,587	12,587
Loan receivables	—	—
Receivables from guarantee customers	—	—
Account receivables	<u>96,846</u>	<u>87,160</u>
	<u>109,433</u>	<u>99,747</u>

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

For account receivables, it represented interest receivables from finance lease and loan receivables, proceeds receivables from assets management and service fee receivables. The customers are obliged to settle the amounts according to the terms set out in relevant contracts and, normally, no credit period was granted to customers. There was net outstanding amount due from associate of approximately RMB28,658,000 in relation to sales of properties recorded in Account receivables as at 30 June 2024.

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Based on the loan commencement date set out in the relevant contracts, ageing analysis of the Group's finance lease, loan and account receivables, excluding receivables from guarantee customers, net of impairment loss, as of each reporting date is as follows:

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
0 to 30 days	—	11,731
31 to 90 days	330	7
91 to 180 days	29,037	72,338
Over 180 days	80,066	15,671
	109,433	99,747

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Amount due from an associate (including interest receivables)	672,167	645,894
Prepaid expenses, other receivables and deposits paid	90,781	81,235
	762,948	727,129
Analysed as:		
— Current	762,616	724,835
— Non-current	332	2,294
	762,948	727,129

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15. ACCOUNT PAYABLES

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Account payables from property development	720,020	451,901

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

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Less than 1 month	263,677	170,347
1 to 3 months	351	2,826
More than 3 months but less than 12 months	92,546	7,215
More than 12 months	363,446	271,513
	720,020	451,901

16. CONTRACT LIABILITIES

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
The Group has recognised the following revenue-related contract liabilities:		
Contract liabilities from customers arising from:		
— sales of properties	1,260,592	1,234,510

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17. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value of share capital HK\$'000	Equivalent nominal value of share capital RMB'000
Authorised:			
Ordinary share of HK\$0.025 each (<i>after Share Consolidation</i>)			
At 31 December 2023 and 1 January 2024	2,000,000	50,000	39,000
Increase in Authorised Share Capital (<i>note</i>)	8,000,000	200,000	180,000
At 30 June 2024	10,000,000	250,000	219,000
Issued and fully paid:			
Ordinary share of HK\$0.025 each (<i>after Share Consolidation</i>)			
At 31 December 2023 and 1 January 2024	897,914	22,448	18,741
2024 Placing of shares (<i>note</i>)	41,510	1,038	934
At 30 June 2024	939,424	23,486	19,675

Note: Details of the Share Consolidation, Increase in Authorised Share Capital and 2024 Placing of shares are set out in this report below.

18. FINANCIAL GUARANTEES

(a) Guarantee for bank facilities granted to certain customers:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Financial guarantees to banks for bank facilities granted to certain customers of the Group	322,205	307,516
Financial guarantee liabilities recognised	113,205	98,516

Financial guarantees given to banks and other counterparties granted to certain customers

As at 30 June 2024, the Group had given financial guarantees to banks for banking facilities granted to certain customers of the Group with maximum amount of approximately RMB322,205,000 (31 December 2023: RMB307,516,000).

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As at 30 June 2024, among the financial guarantee amount, approximately RMB322,205,000 (31 December 2023: RMB307,516,000) is related to certain customers of the Company with their debts are default in payment. Such guarantees are secured by (i) properties held by certain customers with amount of RMB128,800,000; (ii) investment properties with carrying amount of RMB80,200,000 held by the associate; (iii) corporate guarantee provided by the Company and (iv) personal guarantee and corporate guarantee provided by Mr. Hong Mingxian (“Mr. Hong”) and Ms. Shi Hongjiao (“Ms. Shi”) and (v) corporate guarantee provided by independent third parties.

In the event of failure to repay the outstanding balance, the creditor has the right to proceed the sale of pledged properties held by certain customers under the banking facilities. The directors, with reference to the legal opinion from a PRC lawyer, considered that it is highly probably the creditors will demand the Company and the Group for the shortfall of the default amount after taken into consideration of the value of the pledged properties held by certain customers. Accordingly, the remaining outstanding amount of RMB113,205,000 are recognised as financial guarantee liabilities as at 30 June 2024, which was the directors’ best estimate on the probable cash outflow on the obligation of these financial guarantee contracts. As at 30 June 2024, all the financial guarantees granted to customers are default in payment and financial guarantee liabilities are recognised as mentioned above.

Mr. Hong is the sole shareholder of Expert Corporate Limited, the substantial shareholder of the Company, and Ms. Shi is the wife of Mr. Hong.

(b) Guarantees in respect of mortgage facilities for certain purchasers of the Group’s properties:

The Group has arranged mortgage loan facility with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayments. The outstanding guarantees amounted to approximately RMB1,083,052,000 as at 30 June 2024. (31 December 2023: RMB1,086,712,000). The guarantees provided by the Group to the banks would be released upon (i) the satisfaction of mortgage loans by the purchasers of properties; or (ii) receiving the real estate owner certificates of the respective properties by the banks from the buyers as security for the mortgage loan facilities granted. No provision for the Group’s obligation under the guarantees has been made as the directors considered that it was not probable that the repayments of the loans would be in default. The directors also considered that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the buyer default payments to the banks. The Group has not recognised any income in respect of these guarantees as its fair value is considered to be minimal by the directors.

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19. RELATED PARTY DISCLOSURES

(i) Compensation of key management personnel

Key management includes members of the board of directors and other members of key management of the Group. The compensation paid or payable to key management personnel is shown below:

	Six months ended 30 June	
	2024	2023
	(Unaudited) RMB'000	(Unaudited) RMB'000
Short-term employee benefits	2,875	2,481

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

Company Name	Relationship	Type of transaction	Transaction amount	
			Six months ended 30 June	
			2024	2023
			(Unaudited) RMB'000	(Unaudited) RMB'000
Zhongcheng City Development Group Co., Limited (中城城開集團有限公司)	Associate	Interest income	37,368	29,090
Zhongcheng City Development (Lishui) Supply Chain Company Limited (中城城開(麗水)供應鏈有限公司)	Associate	Cost of sales	—	10,615
Zhongcheng City Development Supply Chain Technology Company Limited (中城城開供應鏈科技有限公司)	Associate	Cost of trading of commodities	—	59,241
Zhongcheng City Development (Quanzhou) Supply Chain Company Limited (中城城開(泉州)供應鏈有限公司)	Associate	Sales of properties	35,611	—

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20. COMMITMENTS

- (i) As at 30 June 2024, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,078,077,000 (2023: RMB1,078,077,000).
- (ii) As at 30 June 2024, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to an associate of RMB195,000,000 (2023: RMB195,000,000).
- (iii) At the reporting date, the Group had the following capital and other commitments:

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Contracted, but not provided for		
— Property development	244,716	261,469

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2024, the turnover of the Group was mainly derived from the (i) assets management business (mainly including property development and investment); and (ii) provision of financial related services.

FINANCIAL REVIEW

Turnover

The turnover decreased from approximately RMB1,083.1 million for the six months ended 30 June 2023 (“Previous Period”) to approximately RMB190.9 million for the six months ended 30 June 2024 (“Current Period”), representing a decrease of approximately RMB892.2 million or 82.4%. The decrease was attributable to the net effect of the following reasons:

(i) Assets management business

(a) Property development and investment

The Group recorded income from assets management business is mainly contributed by the sales of properties of Differ Humane Mansion (鼎豐書香豪庭) and She People Ancient City (畚鄉古城). The income of sales of properties decreased by 84.5% from approximately RMB953.8 million for Previous Period to approximately RMB147.9 million for Current Period.

Differ One City (鼎豐壹城) is a residential and commercial development comprises properties for residential purposes, shops, a shopping mall and a hotel. The said development covers a total site area of approximately 145,688 sq.m. and a total gross floor area of approximately 560,404 sq.m. upon completion. The revenue from the Differ One City (鼎豐壹城) for the six months ended 30 June 2024 was approximately RMB4.4 million (2023: RMB868.4 million).

Differ Humane Mansion (鼎豐書香豪庭) is a residential development comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. Differ Humane Mansion (鼎豐書香豪庭) covers a total site area of approximately 23,762 sq.m. and total gross floor area of approximately 85,197 sq.m. The revenue of Differ Humane Mansion (鼎豐書香豪庭) for the six months ended 30 June 2024 was approximately RMB63.7 million (2023: RMB77.2 million).

She People Ancient City (畚鄉古城) is a commercial cultural development with total site area of approximately 173,934 sq.m. and a total gross floor area of approximately 306,313 sq.m. The revenue from She People Ancient City (畚鄉古城) for the six months ended 30 June 2024 was approximately RMB56.9 million (2023: RMB8.2 million).

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Differ Sky Realm (鼎豐天境) is a residential development located in Lishui City, Zhejiang Province, PRC, comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. The said development covers a total site area of approximately 99,729 sq.m. and a total gross floor area of approximately 377,226 sq.m. upon completion. The revenue from the Differ Sky Realm (鼎豐天境) for the six months ended 30 June 2024 was approximately RMB14.5 million (2023: nil).

Chu Zhou Fu Cheng (處州府城) is a commercial development located in Lishui City, Zhejiang Province, PRC, comprises mostly properties for commercial use. The said development covers a total site area of approximately 34,761 sq.m. and a total gross floor area of approximately 41,705 sq.m. upon completion. The revenue from the Chu Zhou Fu Cheng (處州府城) for the six months ended 30 June 2024 was approximately RMB8.4 million (2023: nil).

(b) Rental income and management fee income

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB5.2 million during the six months ended 30 June 2024 (2023: RMB5.0 million). Such income mainly represented the income from rental income and property management fee income.

(ii) Financial related services

(a) Loan services

The Group mainly recorded interest income from the customers in the PRC and its associate in the PRC. Our Group's loan service income decreased by 25.1% from approximately RMB50.5 million for Previous Period to approximately RMB37.8 million for Current Period. The decrease of loan service income was mainly due to the decrease of average loan receivables in Current Period as compared with Previous Period.

(b) Finance lease business

The Group mainly provided the finance lease services for machineries, properties and motor vehicles.

The Group's finance lease services income decreased by 100% from approximately RMB2.5 million in Previous Period to nil in Current Period. The decrease was mainly due to the Group's prudent and conservative strategy to develop this business.

(iii) Commodity trading business

During the six months ended 30 June 2024, the Group did not record any income from commodity trading business (2023: approximately RMB59.3 million). Commodity trading business is usually to be considered as a business with comparatively very low gross profit rate. The gist for carrying out such business is to reap profit from the volume of trade.

(iv) Automobile e-commerce business

The Group did not receive any income from automobile e-commerce business during the six months ended 30 June 2024 (2023: approximately RMB11.3 million). The Group adopted a prudent approach of automobile e-commerce business causing the decrease of income.

Other income

The other income of the Group in Current Period mainly represented bank and other interest income while the other income of the Group in Previous Period mainly represented imputed interest income and bank and other interest income.

Other income decreased from approximately RMB22.4 million in Previous Period to approximately RMB1.3 million in Current Period, representing a decrease of approximately RMB21.1 million or 94.2% as there was no imputed interest income recorded in Current Period and the bank and other interest income decrease from approximately RMB7.8 million in Previous Period to approximately RMB0.8 million in Current Period.

Costs of property sold

The Group recorded cost of property development of approximately RMB145.1 million for the six months ended 30 June 2024 (2023: RMB634.6 million). It mainly represented the land costs, construction costs and other relevant costs for part of Differ One City (鼎豐壹城), She People Ancient City (畚鄉古城), Differ Humane Mansion (鼎豐書香豪庭), Differ Sky Realm (鼎豐天境) and Chu Zhou Fu Cheng (處州府城).

Employee benefit expenses

The employee benefit expenses decreased from approximately RMB22.2 million in Previous Period to approximately RMB11.2 million in Current Period, representing a decrease of approximately RMB11.0 million or 49.5%. The Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits.

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Other expenses

The other expenses decreased from approximately RMB309.2 million in Previous Period to approximately RMB80.9 million in Current Period. The Group's other expenses mainly comprised legal and professional fee, advertising expense, various office expenses, provision for financial guarantees and impairment loss on receivables and business tax and other taxes. The decrease of other expenses was mainly due to impairment loss on finance lease, loan and account receivables and other receivables decreased from approximately RMB245.9 million in Previous Period to approximately RMB45.1 million in Current Period.

Change in fair value of investment properties

The Group's investment properties are situated in the PRC and are held under the lease term from 40 to 50 years. As at 30 June 2024, the carrying amount of investment properties represents the shopping mall of Differ One City (鼎豐壹城) project and investment properties include parts of Chu Zhou Fu Cheng (處州府城) project, which are held for capital investment or held to earn rentals. The fair value losses on the Group's investment properties of approximately RMB42.3 million (2023: RMB23.9 million) for the six months ended 30 June 2024 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions.

Loss for the period attributable to the owners of the Company

The Group's loss for the period attributable to the owners of the Company was approximately RMB131.8 million in Current Period, representing a decrease of approximately RMB5.4 million or 3.9%, from net loss of approximately RMB137.2 million in Previous Period.

OUTLOOK

Uncertainties in the PRC's economic growth and geopolitical environment continue to have a negative impact on the post-pandemic recovery of the PRC in the short run. China's real estate industry was affected significantly under the pressure of shrinking demand, supply chain disruption and weakened expectations.

Therefore, the Group will continue to ensure stable operation of its existing business lines, mainly including real estate projects in the asset management business. The Group will continue to adopt a prudent approach to the asset management business, by closely monitoring the rapidly changing environment of the Chinese property market, seizing various opportunities to transact for valuable assets at a suitable time and ensuring steady income streams to generate satisfactory returns for shareholders.

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The Company is facing the winding up petition filed by its creditors. In such circumstance, a restructuring adviser has been engaged by the Company in preparing a liquidation analysis of the Company and assisting the directors of the Company to formulating a viable restructuring plan with the detailed terms thereof. 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 a proposed scheme of arrangement to be entered into between the Company and certain creditors of the scheme.

On 6 June 2024, the High Court of Hong Kong has granted an order to the Company to convene a meeting of the creditors of the Company for the Scheme. Such creditors' meeting was originally scheduled to be held on 16 August 2024 and has been postponed to another date to be announced. On 30 August 2024, the High Court of Hong Kong has ordered that the sanction hearing scheduled on 17 September 2024 (the "Sanction Hearing") be vacated and the proceedings to convene the Sanction Hearing be dismissed. The Company will strive for a revised Scheme and make application to the Court for the convening of a new Scheme Meeting as soon as practicable.

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

There was no significant investment and material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2024.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The following information is disclosed in accordance with Chapter 13 of the Listing Rules.

On 12 November 2020, China Overseas Urban Development Co., Ltd* ("China Overseas") (中海外城市開發有限公司) (as the purchaser), entered into the reorganisation agreement ("Reorganisation Agreement") with the Group to acquire 51% of the entire issued share capital of the Zhongcheng City Development Group Co., Limited ("Zhongcheng") (中城城開集團有限公司), Zhongcheng became the 49% associate of the Company on 31 December 2020.

Pursuant to the Reorganisation Agreement, the Group agreed to provide financial assistance to Zhongcheng and its subsidiaries ("Zhongcheng Group") with a cap of RMB750,000,000. As at 30 June 2024, the outstanding principal amount of the financial assistance (before impairment) was approximately RMB749,816,000.

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The principal terms of the financial assistance are as follows:

Loan cap:	Up to RMB750 million
Interest rate:	Interest-free for 2021 and 10% per annum from 1 January 2022 until full repayment
Loan period:	No fixed repayment date

A condensed consolidated statement of financial position of the Zhongcheng Group as at 30 June 2024 is set out below:

	<i>RMB'000</i>
Current assets	1,698,036
Non-current assets	166,486
Current liabilities	(1,591,796)
Non-current liabilities	(10,583)
	<hr/>
Net assets	<u>262,143</u>

As at 30 June 2024, the Group's attributable interest in the Zhongcheng Group amounted to approximately RMB128,450,000.

CHANGE OF DIRECTOR

On 4 June 2024, Mr. Xu Yiwei has resigned as a non-executive Director of the Company.

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 30 June 2024, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Companies” contained in the Listing Rules, were as follows:

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

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Mr. Ng Chi Chung (“Mr. Ng”)	Interest in controlled corporation (<i>Note 1</i>)	504,000	0.05%

Note:

1. These Shares were held by Ever Ultimate Limited (“Ever Ultimate”), which was wholly and beneficially owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 504,000 Shares under the SFO.

Save as disclosed above, as at 30 June 2024, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2024, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

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

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Mr. Hong Mingxian ("Mr. Hong")	Interest in controlled corporation (<i>Note 1</i>)	130,000,000	13.84%
Expert Corporate Limited ("Expert Corporate")	Beneficial owner (<i>Note 1</i>)	130,000,000	13.84%
Ms. Shi Hongjiao ("Ms. Shi")	Interest of spouse (<i>Note 2</i>)	130,000,000	13.84%
Huatai Securities Co., Ltd	Interest in controlled corporation (<i>Note 3</i>)	51,648,800	5.49%
Huatai International Financial Holding Company Limited	Interest in controlled corporation (<i>Note 3</i>)	51,648,800	5.49%
Huatai Financial Holdings (Hong Kong) Limited	Beneficial owner	51,648,800	5.49%
Tianjin Binhai Rural Commercial Bank Corporation	Person having a security interest in shares	130,000,000	13.84%

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Notes:

1. These Shares were held by Expert Corporate, which was wholly and beneficially owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 130,000,000 Shares under the SFO.
2. Ms. Shi is the spouse of Mr. Hong.
3. These Shares were held by Huatai Financial Holdings (Hong Kong) Limited.

Save as disclosed above and as at 30 June 2024, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

FOREIGN EXCHANGE RISK MANAGEMENT

The exposure to currency exchange rate of the Group is minimal as majority of the Group's subsidiaries operates in the PRC with most of the transaction denominated and settled in RMB. Part of the Group's borrowings and corporate bonds are denominated in the currencies other than RMB. Such currencies are HK\$ and United States dollars and their RMB equivalent amounts are approximately RMB664.9 million and RMB313.4 million as at 30 June 2024 respectively. The Group has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation has no significant impact on our Group's financial performance.

TREASURY POLICIES

Our Group continuously monitors our current and expected liquidity requirements as well as our cash and receivables in order to ensure that we maintain sufficient liquidity to meet our liquidity requirements. In particular, we monitor the ageing of our loan and account receivables as well as the maturity profile of our corporate bonds and bank and other borrowings.

EVENT AFTER THE REPORTING DATE

Saved as disclosed elsewhere in this report, there is no significant event identified by the Directors subsequent to the report period.

INTERIM DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

HUMAN RESOURCES

As at 30 June 2024, the Group had a total of 96 employees (31 December 2023: 197). The staff costs (included Directors' emoluments) were approximately RMB11.2 million for the six months ended 30 June 2024 (2023: RMB22.2 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme. The Group also maintains the Mandatory Provident Fund ("MPF") Scheme and insurance for its employees in Hong Kong. Contributions to the MPF Scheme are in accordance with the statutory limits prescribed by the MPF ordinance. The Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this report, there was no specific plan for material investments or capital assets as at 30 June 2024 (2023: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2024, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB145.1 million (31 December 2023: RMB137.5 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 36.6% as at 30 June 2024 (31 December 2023: 37.5%). The current ratio is 0.81 times as at 30 June 2024 (31 December 2023: 0.82 times). The Group did not use any financial instruments for hedging purpose.

During the six months ended 30 June 2024, the movements of the share capital of the Company are as followings:

(a) Capital Reorganisation, comprised the Share Consolidation and Increase in Authorised Share Capital as described below:

(i) Share Consolidation

Pursuant to the Company's announcement dated 19 December 2023, the Company implemented the share consolidation (the "Share Consolidation") on the basis that every ten (10) existing shares (the "Existing Shares") of par value of HK\$0.0025 each would be consolidated into one (1) consolidated share (the "Consolidated Share") of HK\$0.025 each.

On 19 December 2023, the authorised share capital of the Company was 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 were fully paid or credited as fully paid.

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The Share Consolidation was approved by the shareholders of the Company at the extraordinary general meeting held on 19 February 2024.

Immediately after the Share Consolidation became effective on 21 February 2024, the authorised share capital of the Company was changed to 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 were in issue and fully paid or credited as fully paid.

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

(ii) Increase in Authorised Share Capital

Pursuant to the Company's announcement dated 19 December 2023, the Company proposed 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) to HK\$250,000,000 divided into 100,000,000,000 Existing Shares (equivalent to 10,000,000,000 Consolidated Shares) by the creation of an additional 80,000,000,000 new Existing Shares (equivalent to 8,000,000,000 new Consolidated Shares) (the "Increase in Authorised Share Capital").

The Increase in Authorised Share Capital was approved by the shareholders of the Company at the extraordinary general meeting held on 19 February 2024.

Immediately after the Increase in Authorised Share Capital became effective on 21 February 2024, the authorised share capital of the Company was changed to HK\$250,000,000 divided into 10,000,000,000 Consolidated Shares of par value of HK\$0.025 each.

(b) 2024 Placing of shares

Pursuant to the Company's announcement dated 19 December 2023, on 19 December 2023, the Company and a placing agent (the "Placing Agent") entered into a placing agreement (the "Placing Agreement"), pursuant to which, 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 new Consolidated Shares), 138,888,889 new Consolidated Shares (the "Placing Shares") to certain placees who and whose beneficial owners are Independent Third Parties at HK\$0.36 per Placing Share (the "Placing Price") (the "2024 Placing").

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The Placing Price of HK\$0.36 per Placing Share represented (i) a discount of approximately 34.5% to the closing price of HK\$0.055 per 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\$0.0592 per 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); and (iii) a discount of approximately 44.4% to the average closing price of HK\$0.0647 per 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).

The Placing Shares were allotted and issued under the special mandate (the “Specific Mandate”) which was approved by the shareholders of the Company at the extraordinary general meeting held on 19 February 2024.

Pursuant to the Company’s announcement dated 29 February 2024, all the conditions of the 2024 Placing have been fulfilled and completion of the 2024 Placing took place on 29 February 2024. A total of 41,510,000 Placing Shares have been successfully placed to those placees at the Placing Price of HK\$0.36 per Placing Share pursuant to the terms and conditions of the Placing Agreement.

The net proceeds from the 2024 Placing, amounted to approximately HK\$13.6 million (equivalent to RMB12.2 million) are intended to be used of:

- (i) as to HK\$10 million (equivalent to RMB9 million), being the underwritten part, for part repayment of debts to the creditors of the Company; and
- (ii) as to HK\$3.6 million (equivalent to RMB3.2 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 their operation.

The Placing Shares rank pari passu in all respects with the shares in issue on the date of allotment and issue of the Placing Shares.

Details of the above are set out in the Company’s announcements dated 19 December 2023, 5 January 2024, 26 January 2024 and 29 February 2024 and the Company’s circular dated 26 January 2024.

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As disclosed in the announcement of the Company dated 20 June 2023, the Company was served with a winding-up petition issued with the High Court of Hong Kong for the winding-up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) under Companies Winding-up Proceedings No. 266 of 2023 on 20 June 2023. In the circumstances, the Company has to apply to the High Court for a validation order to use the proceeds from 2024 Placing.

As disclosed in the circular dated 26 January 2024, the Company proposed to conduct rights issue to raise capital for the cash compensation elements to the Scheme Creditors. However, after careful consideration and detailed evaluation of the financial position of the Company, especially after taking into account the suspension of trading of the Shares with effect from 2 April 2024, the Company considered that it is impracticable to conduct rights issue to raise capital for the cash compensation element for the Scheme Creditors, and it is in the benefit of the Company, the Shareholders and the Scheme Creditors to remove the element of the cash compensation from the Scheme. In the circumstances, the Board had resolved to change the use of net proceeds in the following manner:

- (i) approximately HK\$6.3 million for the costs for the implementation of the Scheme after the Scheme has become effective; and
- (ii) approximately HK\$7.3 million for the general working capital of the Company and Hong Kong subsidiaries of the Company for the period from March 2024 to December 2025 to maintain its operation.

No proceed from 2024 Placing has been utilised for the six months ended 30 June 2024. Details of the above are set out in the Company's announcement dated 19 July 2024.

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

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “2013 Share Option Scheme”) on 26 November 2013. The 2013 Share Option Scheme had a term of 10 years from its adoption date and has expired on 25 November 2023. Upon the expiration of the 2013 Share Option Scheme, no further options will be offered. There are no share options remained outstanding under the 2013 Share Option Scheme. No share option has been granted, exercised, cancelled or lapsed during the six months ended 30 June 2024 and 2023. As at 30 June 2024, no option share was outstanding under the 2013 Share Option Scheme.

CHARGE ON ASSETS

As at 30 June 2024, the Group’s restricted bank deposits of approximately RMB114.5 million (31 December 2023: RMB119.8 million) were mainly pledged to secure for construction of pre-sale properties and the Group’s facilities of providing guarantee services to the customers.

As at 30 June 2024, the Group’s inventories of properties with carrying amount of approximately RMB1,588.9 million (31 December 2023: RMB1,642.2 million), property, plant and equipment with carrying amount of approximately RMB496.8 million (31 December 2023: RMB506.6 million), investment properties with carrying amount of approximately RMB823.8 million (31 December 2023: RMB866.1 million) and 100% share equity of a subsidiary (31 December 2023: 100% share equity of a subsidiary) were pledged to secure for bank and other borrowings with carrying amount of approximately RMB1,269.1 million (31 December 2023: RMB1,269.7 million) and financial related services business in PRC.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

The Company is committed to establishing good corporate governance practices, procedures and fulfilling its responsibilities to its shareholders and protecting and enhancing shareholder’s value. The Company’s corporate governance practices are based on the principles and code provision as set out in the Corporate Governance Code (“CG code”) in Appendix C1 to the Listing Rules.

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Throughout the six months ended 30 June 2024, the Company had complied with the CG Code with the exception from the deviation from the code provisions C.1.8 and C.2.1 (respectively relating to directors' insurance and segregation of chairman role) as explained below:

Under the code provision C.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its directors. No insurance cover has been arranged for directors up to the date of this report since the directors take the view that the Company shall support directors arising from corporate activities.

Under the code provision C.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. However, the roles of the Group's chairman and CEO are both performed by Mr. Ng. Although the responsibilities of the chairman and the CEO are vested in one person, all major decisions are made in consultation with the members of the Board. There are three executive Directors, one non-executive Director and three independent non-executive Directors in the Board. The Board considers that there is sufficient balance of power and the current management maintains a strong management position of the Company. The Board also considers that the current structure can promote efficient formulation and implementation of the Company's strategies and explore business opportunities efficiently and promptly.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by Directors of listed issuers as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2024.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or any of their respective associates (as defined in the Listing Rules) has any interest in a business which competes or may complete with the business of the Group or has any other conflict of interest with the Group during the six months ended 30 June 2024.

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AUDIT COMMITTEE

The audit committee of the Company currently comprises two independent non-executive directors, namely Mr. Chan Sing Nun (chairman of audit committee), Mr. Lam Kit Lam and one non-executive director, Mr. Kang Fuming. The unaudited consolidated results of the Group for the six months ended 30 June 2024 have been reviewed by the audit committee. The Board is of the opinion that such results complied with the applicable accounting standards, the requirements under Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board of
Differ Group Auto Limited
NG Chi Chung
Chairman and Executive Director

Hong Kong, 30 August 2024