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DIFFER GROUP AUTO LIMITED

鼎豐集團汽車有限公司

(formerly known as Differ Group Holding Company Limited)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6878)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- Turnover of the Group for the six months ended 30 June 2022 was approximately RMB416,275,000 (2021: RMB291,784,000), representing an increase of approximately 42.7% as compared with the corresponding period in 2021.
- Profit for the six months ended 30 June 2022 was approximately RMB80,588,000 (2021: RMB55,481,000), representing an increase of approximately 45.3% as compared with the corresponding period in 2021.
- Profit attributable to owners of the Company for the six months ended 30 June 2022 was approximately RMB80,588,000 (2021: RMB48,451,000), representing an increase of approximately 66.3% as compared with the corresponding period in 2021.
- Earnings per share of the Company for the six months ended 30 June 2022 was approximately RMB1.12 cents (2021: RMB0.67 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022.

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 2022, together with the unaudited comparative figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Income from automobile e-commerce business	4	111,965	–
Income from assets management business	4	182,148	66,990
Income from financial related services	4	80,853	103,836
Income from trading of commodities	4	41,309	120,958
Other income	4	13,068	22,757
Costs of automobile e-commerce business		(54,750)	–
Costs of property sold		(154,238)	(44,388)
Costs of trading of commodities		(41,275)	(120,837)
Gain on disposal of subsidiaries		10,558	19,499
Employee benefit expenses		(31,659)	(25,604)
Depreciation expenses		(8,815)	(8,297)
Other expenses		(45,105)	(34,279)
Share of results of associates		(19,981)	(13,448)
Change in fair value of investment properties		44,699	37,133
Fair value gain/(loss) of other financial assets		14,344	(6,088)
Finance costs	6	(32,017)	(38,100)
Profit before income tax	7	111,104	80,132
Income tax expense	8	(30,516)	(24,651)
Profit for the period		80,588	55,481

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		2,055	566
– Net change in debt investments measured at fair value through other comprehensive income		2,502	4,223
		<u>85,145</u>	<u>60,270</u>
Total comprehensive income for the period		<u>85,145</u>	<u>60,270</u>
Profit for the period attributable to:			
Owners of the Company		80,588	48,451
Non-controlling interests		–	7,030
		<u>80,588</u>	<u>55,481</u>
Total comprehensive income attributable to:			
Owners of the Company		85,145	53,240
Non-controlling interests		–	7,030
		<u>85,145</u>	<u>60,270</u>
Earnings per share	10		
– Basic (<i>RMB cents</i>)		1.12	0.67
– Diluted (<i>RMB cents</i>)		1.12	0.67

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 (Unaudited) <i>RMB'000</i>	As at 31 December 2021 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	386,407	309,327
Investment properties		771,500	756,801
Interest in an associate		350,199	370,180
Finance lease, loan and account receivables	12	57,495	60,538
Goodwill		105,197	96,031
Other financial assets	13	357,027	342,020
Prepayments, deposits and other receivables	14	237,093	347,481
Deferred tax assets		36,897	36,897
		2,301,815	2,319,275
		2,301,815	2,319,275
Current assets			
Inventories of properties		3,915,938	3,810,641
Finance lease, loan and account receivables	12	1,164,490	1,086,596
Prepayments, deposits and other receivables	14	1,142,181	474,004
Other financial assets	13	112,800	138,858
Tax receivables		161,525	60,076
Restricted bank deposits		155,916	228,054
Cash and bank balances – general accounts		59,528	99,951
Cash and bank balances – held on behalf of customers		18,676	5,486
		6,731,054	5,903,666
		6,731,054	5,903,666
Assets classified as held-for-sale		–	96,906
		6,731,054	6,000,572

		As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
Current liabilities			
Accounts payable	15	415,887	411,094
Accruals, other payables, deposits received and deferred income		740,605	749,196
Contract liabilities	16	2,959,017	2,644,848
Dividend payable		30,636	–
Lease liabilities		8,121	10,229
Financial guarantee		–	23,846
Provision for taxation		409,248	367,982
Bank and other borrowings		716,090	558,201
Corporate bonds		284,825	146,370
		<u>5,564,429</u>	<u>4,911,766</u>
Liabilities classified as held-for-sale		–	7,905
		<u>5,564,429</u>	<u>4,919,671</u>
Net current assets		<u>1,166,625</u>	<u>1,080,901</u>
Total assets less current liabilities		<u>3,468,440</u>	<u>3,400,176</u>
Non-current liabilities			
Other payables and deposits received		139,452	145,956
Lease liabilities		5,927	9,134
Bank and other borrowings		212,572	159,631
Corporate bonds		163,838	196,988
Deferred tax liabilities		170,750	167,075
		<u>692,539</u>	<u>678,784</u>
Net assets		<u>2,775,901</u>	<u>2,721,392</u>
EQUITY			
Share capital	17	14,734	14,734
Reserves		2,761,167	2,706,658
Total equity		<u>2,775,901</u>	<u>2,721,392</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company										
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Merger and other reserve <i>RMB'000</i>	Share options reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Financial assets revaluation reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2022 (Unaudited)											
At 1 January 2022	14,734	1,619,971	(1,184,215)	-	180,449	17,572	(13,987)	2,086,868	2,721,392	-	2,721,392
Profit for the period	-	-	-	-	-	-	-	80,588	80,588	-	80,588
Other comprehensive income for the period	-	-	-	-	-	2,502	2,055	-	4,557	-	4,557
Total comprehensive income for the period	-	-	-	-	-	2,502	2,055	80,588	85,145	-	85,145
Dividend recognised as distribution (note 9)	-	(30,636)	-	-	-	-	-	-	(30,636)	-	(30,636)
Transfer to statutory reserve	-	-	-	-	10,220	-	-	(10,220)	-	-	-
At 30 June 2022	<u>14,734</u>	<u>1,589,335</u>	<u>(1,184,215)</u>	<u>-</u>	<u>190,669</u>	<u>20,074</u>	<u>(11,932)</u>	<u>2,157,236</u>	<u>2,775,901</u>	<u>-</u>	<u>2,775,901</u>
For the six months ended 30 June 2021 (Unaudited)											
At 1 January 2021	14,734	1,650,607	(1,184,212)	26,143	145,497	12,251	(13,906)	1,654,918	2,306,032	42,288	2,348,320
Profit for the period	-	-	-	-	-	-	-	48,451	48,451	7,030	55,481
Other comprehensive income for the period	-	-	-	-	-	4,223	566	-	4,789	-	4,789
Total comprehensive income for the period	-	-	-	-	-	4,223	566	48,451	53,240	7,030	60,270
Dividend recognised as distribution (note 9)	-	(30,636)	-	-	-	-	-	-	(30,636)	-	(30,636)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	1,907	1,907
Acquisition of additional interests in subsidiary	-	-	15,000	-	-	-	-	-	15,000	(15,000)	-
Transfer upon lapse of share option	-	-	-	(26,143)	-	-	-	26,143	-	-	-
Transfer to statutory reserve	-	-	-	-	7,375	-	-	(7,375)	-	-	-
At 30 June 2021	<u>14,734</u>	<u>1,619,971</u>	<u>(1,169,212)</u>	<u>-</u>	<u>152,872</u>	<u>16,474</u>	<u>(13,340)</u>	<u>1,722,137</u>	<u>2,343,636</u>	<u>36,225</u>	<u>2,379,861</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Net cash generated from operating activities	13,980	270,989
Net cash used in investing activities	(60,833)	(99,268)
Net cash generated from/(used in) financing activities	<u>2,940</u>	<u>(137,880)</u>
Net (decrease)/increase in cash and cash equivalents	(43,913)	33,841
Cash and cash equivalents at the beginning of the period	99,951	87,935
Effect of foreign exchange rate changes, net	<u>3,490</u>	<u>1,103</u>
Cash and cash equivalents at the end of the period	<u>59,528</u>	<u>122,879</u>

NOTES

1. CORPORATE AND GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 December 2012. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in the PRC is located at 33/F, Differ Fortune Centre, No.503 Gaolin Middle Road, Huli District, Xiamen City, Fujian Province, the People's Republic of China (the "PRC") and the principal place of business of the Company in Hong Kong is located at Suites 501-05, 5/F, AIA Central, No.1 Connaught Road Central, Central, Hong Kong.

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.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"). The unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 Functional and presentation currency

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

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 2021 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 2022.

Amendment to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS	Annual improvements to HKFRS 2018-2020

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

4. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2022	2021
	(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	55,572	–
Service fee income	56,393	–
	<u>111,965</u>	<u>–</u>
Income from assets management business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from sales of properties	174,742	59,283
Revenue from other sources		
Rental income and sublease rental income	2,328	2,272
Management fee income	5,078	5,435
	<u>182,148</u>	<u>66,990</u>
Income from financial related services		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from financial securities services	700	4,668
Revenue from other sources		
Income from guarantee services	8,023	10,946
Interest income from:		
– Money lending	68,957	84,407
– Finance lease services	3,173	3,815
	<u>80,853</u>	<u>103,836</u>

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Income from trading of commodities		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of commodities	<u>41,309</u>	<u>120,958</u>
Timing of revenue recognition within the scope HKFRS 15		
At a point in time	<u>328,716</u>	<u>184,909</u>
	<u>328,716</u>	<u>184,909</u>
Other income		
Bank and other interest income	11,607	13,104
Government grants	209	2,799
Sales of electronic devices	–	6,106
Others	<u>1,252</u>	<u>748</u>
	<u>13,068</u>	<u>22,757</u>

5. SEGMENT INFORMATION

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

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

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

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

Segment assets include all assets other than 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, other borrowings and corporate bonds that are managed on a group basis.

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 2022

	Automobile e-commerce (Unaudited) RMB'000	Property development and investment (Unaudited) RMB'000	Financial services (Unaudited) RMB'000	Trading of commodities (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue					
Revenue from external customers	<u>111,965</u>	<u>180,237</u>	<u>82,764</u>	<u>41,309</u>	<u>416,275</u>
Segment results	49,936	11,609	81,603	(8,270)	134,878
Unallocated corporate expenses and finance costs					<u>(23,774)</u>
Profit before income tax					<u>111,104</u>

For the six months ended 30 June 2021

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

Segment assets and liabilities

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

	As at 30 June 2022 (Unaudited) <i>RMB'000</i>	As at 31 December 2021 (Audited) <i>RMB'000</i>
Segment assets		
Automobile e-commerce	154,402	47,009
Property development and investment	6,716,489	6,496,700
Financial services	1,993,980	1,735,658
Trading of commodities	150,122	22,356
	<hr/>	<hr/>
Total segment assets	9,014,993	8,301,723
Unallocated		
– Property, plant and equipment	11,595	13,650
– Deposits and prepayments	3,960	2,820
– Cash and bank balances	2,321	1,654
	<hr/>	<hr/>
Total assets	9,032,869	8,319,847
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Automobile e-commerce	70,701	2,917
Property development and investment	4,890,559	4,732,403
Financial services	199,058	96,561
Trading of commodities	245,888	2,318
	<hr/>	<hr/>
Total segment liabilities	5,406,206	4,834,199
Unallocated		
– Accruals and other payables	47,281	46,840
– Lease liabilities	11,932	14,766
– Other borrowings	312,250	359,292
– Corporate bonds	448,663	343,358
– Dividend payable	30,636	–
	<hr/>	<hr/>
Total liabilities	6,256,968	5,598,455
	<hr/> <hr/>	<hr/> <hr/>

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.

Revenue from customer of the corresponding periods contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A	–	58,988
	<u> </u>	<u> </u>

Note: The above customer is from trading of commodities segment for the six months ended 30 June 2021.

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank and other borrowings	32,998	35,809
Interest on corporate bonds	11,431	8,565
Interest on lease liabilities	801	854
	<u> </u>	<u> </u>
	45,230	45,228
Less: interest capitalised	(13,213)	(7,128)
	<u> </u>	<u> </u>
	32,017	38,100
	<u> </u>	<u> </u>

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories recognised as expenses	250,263	165,225
Depreciation of property, plant and equipment	8,815	8,297
Employee costs (including Directors' remuneration)		
Salaries, allowances and other benefits	28,032	22,331
Pension scheme contributions – defined contribution plans	3,627	3,273
	31,659	25,604
Impairment loss on finance lease, loan and account receivables and financial guarantee, net	5,238	1,508

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Hong Kong profits tax (“Profits Tax”)	–	415
PRC enterprise income tax (“EIT”)	24,487	14,799
PRC land appreciation tax (“LAT”)	2,024	1,111
PRC withholding tax	330	322
Deferred tax	3,675	8,004
	30,516	24,651

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

EIT arising from subsidiaries operated in the PRC for the six months ended 30 June 2022 as calculated at 25% (2021: 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%.

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

Withholding tax was calculated at 7% (2021: 7%) of interest paid by PRC entities to a non-PRC holding company during the period.

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of qualifying cooperation is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% for the six months ended 30 June 2022 and 2021. Hong Kong Profits Tax of a qualifying entity of the Group is calculated in accordance with the two-tiered profits tax rate regime. The Profits Tax of other Group entities in Hong Kong are calculated at 16.5%.

9. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend for the year ended 31 December 2021 of HK0.5 cent per share (2020: HK0.5 cent)	30,636	30,636

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (For the six months ended June 2021: Nil).

10. EARNINGS PER SHARE

The calculations of basic earnings per share for the six months ended 30 June 2022 is based on the profit attributable to owners of the Company of approximately RMB80,588,000 (2021: RMB48,451,000 and on the weighted average number of ordinary shares of 7,208,387,880 (2021: 7,208,387,880) issued throughout the six months ended 30 June 2022.

Diluted earnings per share for the six months ended 30 June 2022 and 2021 are the same as the basic earnings per share because there were no dilutive potential ordinary shares outstanding.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group spent approximately RMB85,895,000 (2021: RMB64,136,000) on leasehold improvement, other properties leased for own use and acquisition of motor vehicles, furniture, fixtures and office equipment.

12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Non-current assets		
Finance lease receivables	<u>57,495</u>	<u>60,538</u>
Current assets		
Finance lease receivables	51,979	55,921
Loan receivables	887,864	881,427
Receivables from guarantee customers	14,528	14,528
Account receivables	<u>210,119</u>	<u>134,720</u>
	<u>1,164,490</u>	<u>1,086,596</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 loan receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts. The contract term for each loan contract is normally not more than three years.

For account receivables, it represented interest receivables from finance lease and loan receivables, receivables from automobile e-commerce business and proceeds receivables from assets management business. The customers are obliged to settle the amounts according to the terms set out in relevant contracts and, normally, no credit period was granted to customers.

For receivables from guarantee customers, it represented the repayment paid to the banks on behalf of the guarantee customers. The guarantee customers are obliged to settle the amounts according to the term set out in relevant contracts.

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 2022 (Unaudited) <i>RMB'000</i>	As at 31 December 2021 (Audited) <i>RMB'000</i>
0 to 30 days	64,669	3,267
31 to 90 days	19,422	3,801
91 to 180 days	36,106	17,296
Over 180 days	<u>1,087,260</u>	<u>1,108,242</u>
	<u>1,207,457</u>	<u>1,132,606</u>

13. OTHER FINANCIAL ASSETS

	As at 30 June 2022 (Unaudited) <i>RMB'000</i>	As at 31 December 2021 (Audited) <i>RMB'000</i>
Non-current:		
Financial assets measured at fair value through profit or loss (“FVTPL”)		
– Distressed assets (<i>Note (a)</i>)	58,730	59,619
– Fund investment	600	600
– Unlisted equity securities	663	–
– Consideration receivable	<u>297,034</u>	<u>281,801</u>
	<u>357,027</u>	<u>342,020</u>
Current:		
Financial assets measured at FVTPL		
– Consideration receivable	14,400	42,960
Financial assets measured at fair value through other comprehensive income		
– Distressed assets (<i>Note (a)</i>)	<u>98,400</u>	<u>95,898</u>
	<u>112,800</u>	<u>138,858</u>
	<u>469,827</u>	<u>480,878</u>

Note:

- (a) The distressed assets represented equity and debt instruments without open or active quotations.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Non-current assets		
Other receivables and deposits paid	237,093	262,747
Consideration receivables	–	84,734
	<u>237,093</u>	<u>347,481</u>
Current assets		
Amounts due from an associate	561,018	12,899
Consideration receivables	341,338	256,604
Prepaid expenses, other receivables and deposits paid	239,825	204,501
	<u>1,142,181</u>	<u>474,004</u>

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

Note: As at 30 June 2022, the amount due from an associate was unsecured, interest bearing at 10% per annum (2021: interest-free) and repayable on demand.

15. ACCOUNTS PAYABLE

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Accounts payable from property development	396,453	405,159
Accounts payable from financial services		
– clearing house	8,461	539
– cash client	10,973	5,396
	<u>415,887</u>	<u>411,094</u>

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 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Less than 1 month	364,097	394,250
1 to 3 months	19,113	1,482
More than 3 months but less than 12 months	19,325	10,813
More than 12 months	13,352	4,549
	<u>415,887</u>	<u>411,094</u>

16. CONTRACT LIABILITIES

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Contract liabilities related to property sales	<u>2,959,017</u>	<u>2,644,848</u>

17. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value of share capital HK\$'000	Equivalent nominal value of share capital RMB'000
Authorised:			
Ordinary share of HK\$0.0025 each			
At 31 December 2021, 1 January 2022 and 30 June 2022	<u>20,000,000</u>	<u>50,000</u>	<u>39,000</u>
Issued and fully paid:			
At 31 December 2021, 1 January 2022 and 30 June 2022	<u>7,208,386</u>	<u>18,021</u>	<u>14,734</u>

18. CONTINGENT LIABILITIES

As at 30 June 2022, the Group has issued the following significant guarantees:

- (a) The Group has arranged mortgage loan facility with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayments. The outstanding guarantees amounted to approximately RMB1,969,336,000 (31 December 2021: RMB1,703,137,000) at the reporting date. The guarantees provided by the Group to the banks would be released upon (i) the satisfaction of mortgage loans by the purchasers of properties; or (ii) receiving the real estate owner certificates of the respective properties by the banks from the buyers as security for the mortgage loan facilities granted. No provision for the Group's obligation under the guarantees has been made as the directors considered that it was not probable that the repayments of the loans would be in default. The directors also considered that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the buyer default payments to the banks. The Group has not recognised any income in respect of these guarantees as its fair value is considered to be minimal by the directors.
- (b) The Group had given financial guarantee to banks for banking facilities granted to certain customers and associate of the Group, of maximum amount of approximately RMB253,000,000 (31 December 2021: RMB255,000,000) and RMB110,000,000 (31 December 2021: RMB382,152,000) respectively.

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short-term employee benefits	2,490	2,452

(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	2021
			2022	2021
			(Unaudited)	(Unaudited)
			RMB'000	RMB'000
Zhongcheng City Development Group Co., Limited [^] (中城城開集團有限公司)	Associate	Disposal of subsidiaries	25,000	–
		Acquisition of subsidiaries	30,000	–
		Interest income	13,726	–
Xiamen Ding Huan Supply Chain Technology Company Limited [^] (廈門鼎奐供應鏈科技有限公司)	Associate	Guarantee service income	400	687
		Disposal of subsidiary	–	1,000
		Cost of trading of commodities	–	27,387
		Acquisition of 10% equity interest of subsidiary	–	15,000
Lishui Fu Feng Cultural Tours Company Limited [^] (麗水市富豐文化旅遊有限公司)	Associate	Guarantee service income	1,634	1,914

Company Name	Relationship	Type of transaction	Transaction amount	
			Six months ended 30 June	
			2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Quanzhou Ding Huan Supply Chain Management Company Limited [^] (泉州鼎奐供應鏈管理有限公司)	Associate	Guarantee service income	2,351	156
Zhongcheng City Development (Lishui) Supply Chain Company Limited (中城城開(麗水)供應鏈有限公司)	Associate	Cost of goods	3,825	–
		Income from sales of properties	23,147	–
Jingning Outdoor Residence Tour Investment Development Company Limited [^] (“Jingning Outdoor”) (景寧外舍古鎮旅遊投資發展有限公司)	Associate	Guarantee service income	–	3,821
Xiamen Ding Huan Investment Company Limited [^] (廈門鼎奐投資有限公司)	Associate	Disposal of financial assets	–	30,000

20. COMMITMENTS

(i) Operating lease commitments

Group as lessor

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

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Within one year	4,951	4,889
After one year but within two years	5,134	5,079
After two years but within five years	3,850	6,166
	13,935	16,134

Leases are negotiated for terms of 8 years (2021: 8 years).

(ii) As at 30 June 2022, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,089,038,000 (2021: RMB1,132,650,000).

(iii) At the reporting date, the Group had the following capital and other commitments:

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Contracted, but not provided for		
– Property development	692,186	677,601
– Property, plant and equipment	183,425	167,266

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2022, the turnover of the Group was mainly derived from the (i) automobile e-commerce business; (ii) assets management business (including a) property development and investment and b) distressed assets, equities investment and fund management); (iii) provision of financial related services (including finance lease services, express loan services, guarantee services and security brokerage services) and (iv) commodity trading business.

FINANCIAL REVIEW

Turnover

The turnover increased from approximately RMB291.8 million for the six months ended 30 June 2021 to approximately RMB416.3 million for the six months ended 30 June 2022, representing an increase of approximately RMB124.5 million or 42.7%. The increase was attributable to the net effect of the following reasons:

(i) Automobile e-commerce Business

The Group commenced its automobile e-commerce business in fourth quarter of 2021 under the brand of Cherries Car (車厘籽汽車), which provides comprehensive solutions and services to a wide range of customers ranging from car manufacturers, car dealers to retailing customers. As the Group had rich experience in providing financial relative services in the automobile industry in the past, it is familiar with running automobile e-commerce business. The income from automobile e-commerce business had exponential growth in the first half of 2022, recording turnover of automobile e-commerce business of approximately RMB112.0 million for the six months ended 30 June 2022.

(ii) 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 One City (鼎豐壹城), Differ Humane Mansion (鼎豐書香豪庭), Differ Sky Realm (鼎豐天境) and She People Ancient City (畚鄉古城) which Differ One City (鼎豐壹城) is located in Longguan City, Differ Sky Realm (鼎豐天境) and She People Ancient City (畚鄉古城) are located in Lishui, the PRC and Differ Humane Mansion (鼎豐書香豪庭) is located in Nanan, the PRC. The income of sales of properties increased by 194.8% from approximately RMB59.3 million for the six months ended 30 June 2021 to approximately RMB174.7 million for the six months ended 30 June 2022.

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 558,180 sq.m upon completion. The revenue from the Differ One City (鼎豐壹城) for the six months ended 30 June 2022 was approximately RMB86.6 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 2022 was approximately RMB46.4 million.

Differ Sky Realm (鼎豐天境) is a residential development comprises mostly properties for residential purposes and minor areas for commercial use on the ground floor. The said development covers a total site area of approximately 99,729 sq.m and a total gross floor area of approximately 377,169 sq.m upon completion. The revenue from the Differ Sky Realm (鼎豐天境) for the six months ended 30 June 2022 was approximately RMB25.3 million.

Furthermore, 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 311,585 sq.m. The revenue from She People Ancient City (畚鄉古城) for the six months ended 30 June 2022 was approximately RMB16.4 million.

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

Apart from the income as mentioned above, the Group also recorded the income from assets management business of approximately RMB7.4 million during the six months ended 30 June 2022. Such income mainly represented the income from rental income, asset management fee income and property management fee income.

(iii) Financial related services

(a) Express loan services

The Group has provided money lending services to customers in the PRC and Hong Kong. Our customers are mainly small and medium enterprises. Our Group's express loan service income decreased by 18.3% from approximately RMB84.4 million for the six months ended 30 June 2021 to RMB69.0 million for the six months ended 30 June 2022. The decrease of express loan service income was mainly due to the decrease of average loan receivables during the period.

(b) Finance lease business

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

Our Group's finance lease services income decreased by 16.8% from approximately RMB3.8 million for the six months ended 30 June 2021 to RMB3.2 million for the six months ended 30 June 2022. The decrease was mainly due to the Group's prudent and conservative strategy to develop this business.

(c) Guarantee services

We provided the financing guarantee services during the six months ended 30 June 2022 and 2021. Our Group's guarantee service income decreased by 26.7% from approximately RMB10.9 million for the six months ended 30 June 2021 to approximately RMB8.0 million for the six months ended 30 June 2022. The Group adopted a prudent approach of guarantee business causing the decrease of guarantee income.

(iv) Commodity trading business

During the six months ended 30 June 2022, the Group recorded the income from commodity trading business of approximately RMB41.3 million (2021: RMB121.0 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. The income from commodity trading business decreased significantly due to the fact that the Group devoted its financial resources to develop its other existing businesses during the six months ended 30 June 2022.

Other income

Other income decreased from approximately RMB22.8 million for the six months ended 30 June 2021 to approximately RMB13.1 million for the six months ended 30 June 2022, representing a decrease of approximately RMB9.7 million or 42.6%. Our Group's other income for the six months ended 30 June 2022 mainly represented bank and other interest income and government grants.

Costs of property sold

The Group recorded cost of property development of approximately RMB154.2 million for the six months ended 30 June 2022 (2021: RMB44.4 million). It mainly represented the land costs, construction costs and other relevant costs for part of Differ One City (鼎豐壹城) and other property projects.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB25.6 million for the six months ended 30 June 2021 to approximately RMB31.7 million for the six months ended 30 June 2022, representing an increase of approximately RMB6.1 million or 23.6%. Our Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits.

Other expenses

The other expenses increased from approximately RMB34.3 million for the six months ended 30 June 2021 to approximately RMB45.1 million for the six months ended 30 June 2022, representing an increase of approximately RMB10.8 million or 31.6%. Our Group's other expenses mainly comprised legal and professional fee, advertising expense, various office expenses, provision of impairment loss on receivables and business tax and other taxes. The increase of other expenses was mainly due to business expansion of automobile e-commerce business.

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 2022, the carrying amount of investment properties represents the shopping mall of Differ One City (鼎豐壹城) project and an investment property in Xiamen which are held to earn rentals under operating lease. The fair value gains on the Group's investment properties of approximately RMB44.7 million (2021: RMB37.1 million) for the six months ended 30 June 2022 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions.

Profit for the period attributable to the owners of the Company

Our Group's profit for the period attributable to the owners of the Company was approximately RMB80.6 million for the six months ended 30 June 2022, representing an increase of approximately RMB32.1 million, or 66.3%, from approximately RMB48.5 million for the six months ended 30 June 2021.

OUTLOOK

It is anticipated that global economic uncertainties will persist in the foreseeable future amid the continuous outbreak of various COVID-19 mutant strains. On one hand, the Group will adopt a prudent approach to the asset management business. It will closely monitor the rapidly changing environment of the Chinese property market and will seize various opportunities to transact the valuable assets at a suitable time. On the other hand, the Group will actively explore business expansion of the automobile e-commerce business through different means, including strategic cooperation with strategic partners, acquisition or investment in certain potential companies and forming joint-ventures with other companies.

The Company successfully changed its name to Differ Group Auto Limited. The change of company name has both practical and symbolic significance, as the Company intends to put more emphasis on its automobile e-commerce business by deploying more human and financial resources to develop this business with great potential. The Group's goal is to take a leading position in China's e-commerce automobile industry in the near future.

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 2022.

CHANGE IN INFORMATION OF DIRECTORS DISCLOSED PURSUANT TO LISTING RULE 13.51B(1)

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors since the Company's 2021 Annual Report are set out below:

Name of Director	Change
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Mr. Ng Chi Chung ("Mr. Ng")	With effect from 21 April 2022, Mr. Ng has been appointed as the chairman of the Board, the chairman of the nomination committee and the authorised representative.
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Fixed remuneration for each month of the three-year term mandate as chairman of the Board and executive director equal to HKD80,000.

CHANGE OF DIRECTORS

On 21 April 2022, Mr. Hong Mingxian has resigned as the chairman of the Board, an executive Director, the chairman of the nomination committee and the authorised representative of the Company. Mr. Cai Huatan has resigned as a non-executive director and Mr. Wu Qinghan has resigned as a non-executive director and a member of the audit committee.

On 21 April 2022, Mr. Kang Fuming has been appointed as a non-executive director and a member of the audit committee and Mr. Xu Yiwei has been appointed as a non-executive director.

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at 30 June 2022, 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	Interest in controlled corporation (<i>Note 1</i>)	827,400,000	11.47%
	Beneficial owner	337,342,000	4.68%

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 827,400,000 Shares under the SFO.

Save as disclosed above, as at 30 June 2022, 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 2022, 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>)	3,017,300,000	41.85%
Expert Corporate Limited ("Expert Corporate")	Beneficial owner (<i>Note 1</i>)	3,017,300,000	41.85%
Ms. Shi Hongjiao ("Ms. Shi")	Interest of spouse (<i>Note 2</i>)	3,017,300,000	41.85%
Ever Ultimate	Beneficial owner (<i>Note 3</i>)	827,400,000	11.48%
Ms. Ting Pui Shan ("Ms. Ting")	Interest of spouse (<i>Note 4</i>)	1,164,742,000	16.15%
Huatai Securities Co., Ltd	Interest in controlled corporation (<i>Note 5</i>)	516,488,000	7.16%
Huatai International Financial Holding Company Limited	Interest in controlled corporation (<i>Note 5</i>)	516,488,000	7.16%
Huatai Financial Holdings (Hong Kong) Limited	Beneficial owner	516,488,000	7.16%

Notes:

1. These Shares were held by Expert Corporate, which was wholly and beneficial owned by Mr. Hong. By virtue of the SFO, Mr. Hong is deemed to be interested in the 3,017,300,000 Shares under the SFO.
2. Ms. Shi is the spouse of Mr. Hong.
3. These Shares were held by Ever Ultimate, which was wholly and beneficial owned by Mr. Ng. By virtue of the SFO, Mr. Ng is deemed to be interested in the 827,400,000 Shares under the SFO.
4. Ms. Ting is the spouse of Mr. Ng.
5. These Shares were held by Huatai Financial Holdings (Hong Kong) Limited.

Save as disclosed above and as at 30 June 2022, 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 RMB497.0 million and RMB263.9 million as at 30 June 2022 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

On 11 July 2022, Xiamen Deng Yi Cultural Tourism Group Co., Limited (“廈門鼎繹文化旅遊集團有限公司”), an indirect wholly-owned subsidiary of the Company (as the purchaser) entered into a sale and purchase agreement with Zhongcheng City Development Group Co., Limited (“中城城開集團有限公司”) (as the vendor), an indirect 49% associate of the Company, to acquire 100% equity interests of Xiamen Dingzao Commercial Operation Management Company Limited (“廈門鼎造商業運營管理有限公司”) (“Xiamen Dingzao”) and Lishui Fu Feng Cultural Tours Company Limited (“麗水市富豐文化旅遊有限公司”) (“Lishui Fung”) in the consideration of RMB290,000,000 (the “Acquisition”). The principal activities of Xiamen Dingzao and Lishui Fung are property management and development. The Acquisition is completed on 20 July 2022.

INTERIM DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

HUMAN RESOURCES

As at 30 June 2022, the Group had a total of 471 employees (31 December 2021: 419). The staff costs (included Directors’ emoluments) were approximately RMB31.7 million for the six months ended 30 June 2022 (2021: RMB25.6 million). The remuneration package of the employees is determined by various factors such as their working experience and job performance, the market condition, industry practice and applicable employment law. Year-end bonus based on job performance will be paid to employees as recognition of and reward for their contributions.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed in this announcement, there was no specific plan for material investments or capital assets as at 30 June 2022 (2021: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB215.4 million (31 December 2021: RMB328.0 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 15.2% as at 30 June 2022 (31 December 2021: 12.8%). The current ratio is 1.21 times as at 30 June 2022 (31 December 2021: 1.22 times). The Group did not use any financial instruments for hedging purpose.

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme was adopted by the Company on 26 November 2013. Eligible participants of the Scheme include (a) full time or part time employees of our Group (including any Directors or directors of any subsidiary or any invested entity); (b) any suppliers, customers, consultants, agents, advisers, service providers; (c) any shareholder of any member of our Group or any invested entity or any holder of any securities issued by any member of our Group or any invested entity and partner or joint venture partner of our Company or any subsidiary or any invested entity; and (d) and person who, in the sole discretion of the Board, has contributed or may contribute to our Group or any invested entity eligible for any options under the Scheme. The Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted.

An offer of the grant of any option under the Scheme may be accepted within 21 business days from the date of grant together with a remittance of HK\$1.00 by way of consideration for the grant thereof. No option shall be granted to any eligible person if any further grant of options would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person in the 12 month period up to and including such further grant would exceed 1% of the total number of shares in issue, unless such further grant has been duly approved by the Company’s shareholders in general meeting.

The exercise price of the option shall be determined at the discretion of the Board which shall be the highest of: (i) the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (ii) the average closing price of the Company’s shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company’s shares. Details of the principal terms are set out in the paragraph headed “Share Option Scheme” under the section headed “Statutory and General Information” of the Prospectus.

The total number of shares in respect of which options may be granted under the Scheme shall not exceed 400,000,000 shares, being 5.55% of the total number of shares in issue as at the date of the report. On 25 April 2016, the Company granted an aggregate of 84,108,000 share options to the eligible persons. All share options which were granted under the Scheme had lapsed in 2021.

CHARGE ON ASSETS

The Group's restricted bank deposits of approximately RMB155.9 million as at 30 June 2022 (31 December 2021: RMB228.1 million) were mainly pledged to secure for construction of pre-sale properties and the Group's financial related service business. As at 30 June 2022, approximately RMB394.3 million (31 December 2021: RMB250.7 million) of bank borrowing were secured by properties held for sale with carrying amount of RMB1,387.4 million (31 December 2021: RMB1,105.9 million). As at 30 June 2022, other borrowings with carrying amount approximately RMB82.9 million (31 December 2021: RMB107.9 million) were secured by properties under development with carrying amount of RMB256.5 million (31 December 2021: RMB121.9 million) and investment properties with carrying amount of RMB674.1 million (31 December 2021: RMB661.0 million), which was also secured by 100% share equity of a subsidiary (31 December 2021: 100% share equity of a subsidiary). In addition, the Group's investment properties of carrying amount of approximately RMB97.4 million (31 December 2021: RMB220.2 million of properties held for sale and RMB95.8 million of investment properties) were pledged to banks in the PRC for financial related service business.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to establishing good corporate governance practices, procedures and fulfilling its responsibilities to its shareholders and protecting and enhancing shareholder's value. The Company's corporate governance practices are based on the principles and code provision as set out in the Corporate Governance Code ("CG code") in Appendix 14 to the Listing Rules.

Throughout the six months ended 30 June 2022, 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 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 announcement 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 two executive Directors, two non-executive Directors 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 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2022.

DIRECTORS’ INTERESTS IN A COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or any of their respective associates (as defined in the Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the six months ended 30 June 2022.

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 2022 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, 15 August 2022

As at the date of this announcement, the executive Directors are Mr. NG Chi Chung and Dr. Feng Xiaogang; 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 Mr. CHEN Naike.