

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2022	2021
Turnover	RMB1,007.7 million	RMB1,259.7 million
(Loss)/Profit for the year	(RMB180.4 million)	RMB438.3 million
(Loss)/Profit attributable to owners of the Company	(RMB180.2 million)	RMB440.8 million
(Loss)/Earnings per share	(RMB2.50 cents)	RMB6.11 cents
Final dividend per share	–	HK0.5 cent

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Differ Group Auto Limited (the “Company”) hereby announces the annual consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 together with the comparative figures for the corresponding period in 2021.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Income from automobile e-commerce business	4	135,790	21,490
Income from assets management business	4	426,424	917,906
Income from trading of commodities	4	269,531	120,958
Income from financial related services	4	175,977	199,378
Other income	4	95,489	66,642
Costs of automobile e-commerce business		(107,165)	(18,513)
Costs of property sold		(350,358)	(584,555)
Costs of trading of commodities		(269,312)	(120,837)
(Loss)/gain on disposal of subsidiaries		(58,484)	140,683
Employee benefit expenses		(66,629)	(60,163)
Depreciation expenses		(15,681)	(20,746)
Short-term lease expenses		(1,487)	(975)
Other expenses		(365,556)	(150,409)
Share of results of associates		(9,814)	(21,113)
Gain on bargain purchase arising from acquisition of subsidiaries		28,866	–
Change in fair value of investment properties		14,444	121,794
Change in fair value of other financial assets		41,742	61,076
Finance costs	6	(73,582)	(48,051)
(Loss)/profit before income tax	7	(129,805)	624,565
Income tax expense	8	(50,552)	(186,239)
(Loss)/profit for the year		(180,357)	438,326

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
– Exchange differences on translating foreign operation		(3,567)	–
– Net change in debt investments measured at fair value through other comprehensive income		1,746	5,321
– Release of translation reserve upon disposal of subsidiaries		35,612	(81)
– Release of financial assets revaluation reserve upon disposal of subsidiaries		(19,318)	–
		<u>14,473</u>	<u>5,240</u>
Total comprehensive income for the year		<u>(165,884)</u>	<u>443,566</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(180,205)	440,759
Non-controlling interests		(152)	(2,433)
		<u>(180,357)</u>	<u>438,326</u>
Total comprehensive income attributable to:			
Owners of the Company		(165,732)	445,999
Non-controlling interests		(152)	(2,433)
		<u>(165,884)</u>	<u>443,566</u>
(Loss)/earnings per share			
	10		
– Basic (RMB cents)		(2.50)	6.11
– Diluted (RMB cents)		(2.50)	6.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	444,529	309,327
Investment properties		769,843	756,801
Interests in associates		360,366	370,180
Finance lease, loan and accounts receivable	12	30,075	60,538
Goodwill		86,034	96,031
Other financial assets		379,818	342,020
Prepayments, deposits and other receivables		811,439	347,481
Deferred tax assets		48,997	36,897
		2,931,101	2,319,275
Current assets			
Inventories of properties		3,877,360	3,810,641
Finance lease, loan and accounts receivable	12	410,713	1,086,596
Prepayments, deposits and other receivables		1,191,701	474,004
Other financial assets		92,164	138,858
Tax receivables		135,276	60,076
Restricted bank deposits		142,623	228,054
Cash and bank balances – general accounts		26,244	99,951
Cash and bank balances – held on behalf of customers		7,645	5,486
		5,883,726	5,903,666
Assets classified as held for sale		–	96,906
		5,883,726	6,000,572

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current liabilities			
Accounts payable	13	395,779	411,094
Accruals, other payables, deposits received and deferred income		768,367	749,196
Contract liabilities	14	2,805,076	2,644,848
Lease liabilities		8,467	10,229
Financial guarantees		138,882	23,846
Provision for taxation		332,256	367,982
Bank and other borrowings		647,510	558,201
Corporate bonds		653,961	146,370
		5,750,298	4,911,766
Liabilities classified as held for sale		–	7,905
		5,750,298	4,919,671
Net current assets		133,428	1,080,901
Total assets less current liabilities		3,064,529	3,400,176
Non-current liabilities			
Other payables and deposits received		223,830	145,956
Lease liabilities		2,843	9,134
Bank and other borrowings		–	159,631
Corporate bonds		142,648	196,988
Deferred tax liabilities		170,336	167,075
		539,657	678,784
Net assets		2,524,872	2,721,392
EQUITY			
Share capital	15	14,734	14,734
Reserves		2,510,290	2,706,658
Equity attributable to owners of the Company		2,525,024	2,721,392
Non-controlling interests		(152)	–
Total equity		2,524,872	2,721,392

NOTES

1. CORPORATE 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 People's Republic of China (the "PRC") is located at 33/F, Differ Fortune Centre, No. 503 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 Suites 501-05, 5/F, AIA Central, No. 1 Connaught Road Central, Central, Hong Kong.

The Company's principal activities are investment holding and its subsidiaries are principally engaged in (i) automobile e-commerce business; (ii) assets management business; (iii) provision of financial related services; and (iv) commodity trading business.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement and going concern basis

(i) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

(ii) *Going concern basis*

The Group incurred a loss of approximately RMB180.4 million for the year ended 31 December 2022, and as of that date, the Group had bank and other borrowings of RMB647.5 million and corporate bonds of RMB654.0 million which are due within twelve months from 31 December 2022 while its cash and cash equivalents amounted to RMB26.2 million only.

Included in the current bank borrowings of RMB290.6 million, RMB250.7 million has been overdue and became repayable on demand. These events or conditions may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Directors 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 resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

1. The Group maintains continuous communication with lenders and management believes that the existing other borrowings and corporate bonds available to the Group, total amounting to approximately RMB332 million as at 31 December 2022, will be successfully renewed when their current terms expire given the long standing relationship the Group has with the relevant counter parties;
2. The Group will pursue plans for potential disposal of the Group's seized properties held for sale with carrying amount of RMB1,039 million to raise additional working capital to finance the repayment of defaulted bank borrowings of RMB250.7 million;
3. The Group has been actively monitoring its finance lease, loan and accounts receivable and other receivables to ensure their collectability upon their maturity and payment request by the Group. The Group will retain sufficient fund within the Group in order to alleviate the Group's liquidity pressure;
4. The Group continues 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; and
5. The Group will also continue to seek for other alternative financing to finance the settlement of its existing financial obligations and future operating expenditures.

The Directors have assessed the Group's cash flow projection covering a period of not less than twelve months from 31 December 2022. They are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists related to the events or conditions that may cast significant doubt on the Group's ability to continue as going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to successfully renew some of existing other borrowings and corporate bonds when their current terms expire, successfully dispose of assets to raise additional cash, recovery of the real estates sector and other businesses to generate cash inflow from operations, settlement of various receivables upon their maturity and payment request by the Group; and successfully in obtaining other additional sources of financing other than those mentioned above as and when needed.

Should the Group be unable to continue as a going concern, 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.

(c) Functional and presentation currency

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.

3. ADOPTION OF HKFRSs

3.1 Adoption of revised HKFRSs

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the annual period beginning on 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 the amendments to HKFRSs has no material impact on the consolidated financial statements.

3.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
HK Interpretation 5 (Revised) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKFRS 16	Lease liability in a sale and leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The adoption of the new and revised HKFRSs have been issued but are not yet effective are unlikely to have significant impact on the Group's consolidated financial statements.

4. REVENUE AND OTHER INCOME

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Income from automobile e-commerce business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from trading of goods	106,960	20,760
Membership fee income	–	730
Service income	28,830	–
	<u>135,790</u>	<u>21,490</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Income from assets management business		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from sales of properties	392,380	905,213
Revenue from other sources		
Rental income and sublease rental income	22,042	4,435
Management fee income	12,002	8,258
	<u>426,424</u>	<u>917,906</u>
	<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	269,531	120,958

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Income from financial related services		
Revenue from contracts with customers within the scope of HKFRS 15		
Income from financial consultancy services	–	3,302
Income from financial securities services	1,342	3,087
Revenue from other sources		
Income from guarantee services	4,353	23,673
Interest income from:		
– Entrusted loans	–	18
– Money lending	161,496	159,360
– Finance lease services	8,786	9,938
	<u>175,977</u>	<u>199,378</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Timing of revenue recognition within the scope HKFRS 15		
At a point in time	787,791	1,053,320
Transferred over time	11,252	730
	<u>799,043</u>	<u>1,054,050</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income		
Bank and other interest income	22,897	26,875
Gain on disposal of property, plant and equipment	208	142
Government grants (Note)	33,084	574
Reversal of impairment loss on financial assets	8,178	11,990
Reversal of provision on financial guarantees	23,032	–
Sales of electronic devices	–	6,565
Gain on disposal of an associate	–	11,007
Net foreign exchange gain	1,752	5,957
Others	6,338	3,532
	<u>95,489</u>	<u>66,642</u>

Note:

For the year ended 31 December 2022, the government grants of RMB30,100,000 was from the relevant PRC government authorities in support of the Group's asset management business in the PRC (2021: RMB487,000). The remaining portion of the government grant represented the financial support from the Hong Kong Special Administrative Region Government who set up the Anti-epidemic Fund under the Employment Support Scheme and the support of the Group's financial service business in the PRC. There were no unfulfilled conditions to receive the grants.

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) 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 funds) in the PRC and Hong Kong;
- (2) Property development and investment – property development projects and property 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 finance 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.

Segment revenue and results

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

For the year ended 31 December 2022

	Financial services <i>RMB'000</i>	Property development and investment <i>RMB'000</i>	Trading of commodities <i>RMB'000</i>	Automobile e-commerce <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
Revenue from external customers	<u>184,776</u>	<u>417,625</u>	<u>269,531</u>	<u>135,790</u>	<u>1,007,722</u>
Segment results	(98,648)	29,094	(16,556)	10,616	(75,494)
Unallocated corporate expenses					(10,219)
Unallocated finance costs					<u>(44,092)</u>
Loss before income tax					<u><u>(129,805)</u></u>

For the year ended 31 December 2021

	Financial services <i>RMB'000</i>	Property development and investment <i>RMB'000</i>	Trading of commodities <i>RMB'000</i>	Automobile e-commerce <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	208,249	909,035	120,958	21,490	1,259,732
Inter-segment revenue	<u>30,847</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>30,847</u>
Segment revenue	<u>239,096</u>	<u>909,035</u>	<u>120,958</u>	<u>21,490</u>	<u>1,290,579</u>
Segment results	247,991	415,310	2,743	(1,922)	664,122
Unallocated corporate expenses					(6,443)
Unallocated finance costs					<u>(33,114)</u>
Profit before income tax					<u><u>624,565</u></u>

Segment assets and liabilities

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Segment assets		
Financial services	2,317,733	1,735,658
Property development and investment	6,373,989	6,496,700
Trading of commodities	3,517	22,356
Automobile e-commerce	103,929	47,009
	<hr/>	<hr/>
Total segment assets	8,799,168	8,301,723
Unallocated		
– Property, plant and equipment	8,872	13,650
– Deposits and prepayments	2,312	2,820
– Cash and bank balances	4,475	1,654
	<hr/>	<hr/>
Total assets	8,814,827	8,319,847
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Financial services	198,733	96,561
Property development and investment	4,901,903	4,732,403
Trading of commodities	6,467	2,318
Automobile e-commerce	49,770	2,917
	<hr/>	<hr/>
Total segment liabilities	5,156,873	4,834,199
Unallocated		
– Accruals and other payables	53,317	46,840
– Lease liabilities	9,305	14,766
– Other borrowings	273,851	359,292
– Corporate bonds	796,609	343,358
	<hr/>	<hr/>
Total liabilities	6,289,955	5,598,455
	<hr/> <hr/>	<hr/> <hr/>

Other segment information**For the year ended 31 December 2022**

	Financial services RMB'000	Property development and investment RMB'000	Trading of commodities RMB'000	Automobile e-commerce RMB'000	Unallocated RMB'000	Total RMB'000
Additions to non-current assets (other than financial assets)	1,048	153,763	458	51	1,246	156,566
Equity accounted for investments in associates	-	360,366	-	-	-	360,366
Depreciation of property, plant and equipment	(1,886)	(5,476)	(1,808)	(6)	(6,505)	(15,681)
Impairment loss on goodwill	(9,997)	-	-	-	-	(9,997)
Write off of property, plant and equipment	-	(734)	-	-	-	(734)
Share of results of associates	-	(9,814)	-	-	-	(9,814)
Gain on disposal of property, plant and equipment	46	161	1	-	-	208
(Loss)/gain on disposal of subsidiaries	(66,018)	7,534	-	-	-	(58,484)
Gain on bargain purchase	-	28,866	-	-	-	28,866
Change in fair value of investment properties	(388)	14,832	-	-	-	14,444
Change in fair value of other financial assets	(6,654)	48,396	-	-	-	41,742
Provision for financial guarantees	(138,068)	-	-	-	-	(138,068)
Reversal of financial guarantees	10,067	12,965	-	-	-	23,032
Write down of inventories	-	(47,341)	-	-	-	(47,341)
Provision of impairment loss on financial assets	(74,991)	(13,316)	-	(1,251)	-	(89,558)
Reversal of impairment loss on financial assets	2,535	5,643	-	-	-	8,178
Bank and other interest income	20,347	2,546	2	2	-	22,897
Finance costs	(2,067)	(16,529)	(9,254)	(1,640)	(44,092)	(73,582)

For the year ended 31 December 2021

	Financial services <i>RMB'000</i>	Property development and investment <i>RMB'000</i>	Trading of commodities <i>RMB'000</i>	Automobile e-commerce <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Additions to non-current assets (other than financial assets)	4,004	406,946	–	–	16,945	427,895
Equity accounted for investments in associates	–	370,180	–	–	–	370,180
Depreciation of property, plant and equipment	(12,060)	(5,390)	(1)	–	(3,295)	(20,746)
Share of results of associates	79	(21,192)	–	–	–	(21,113)
Gain on disposal of property, plant and equipment	142	–	–	–	–	142
(Loss)/gain on disposal of subsidiaries	(425)	137,495	3,613	–	–	140,683
Change in fair value of investment properties	597	121,197	–	–	–	121,794
Change in fair value of other financial assets	40,182	20,894	–	–	–	61,076
Provision for financial guarantees	(10,067)	(13,779)	–	–	–	(23,846)
Write down of inventories	–	(29,151)	–	–	–	(29,151)
Provision of impairment loss on financial assets	(20,172)	(4,875)	–	–	–	(25,047)
Reversal of impairment loss on financial assets	11,770	220	–	–	–	11,990
Bank and other interest income	22,955	3,918	1	1	–	26,875
Finance costs	(479)	(13,787)	(671)	–	(33,114)	(48,051)

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.

There is no revenue from a customer contributing over 10% of the total revenue of the Group for the year ended 31 December 2022 and 2021.

6. FINANCE COSTS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings	71,978	78,719
Interest on corporate bonds	29,603	19,386
Interest on lease liabilities	1,217	1,639
	102,798	99,744
Less: interests capitalised (<i>Note</i>)	(29,216)	(51,693)
	73,582	48,051

Note: The weighted average capitalisation rate for the year on fund's borrowed is 6.25% (2021: 7.73%) per annum.

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditor's remuneration		
– audit service	1,804	1,530
– non-audit service	179	–
	<u>1,983</u>	<u>1,530</u>
Cost of inventories	677,826	694,754
Write-down of inventories	47,341	29,151
Cost of inventories recognised as expenses	<u>725,167</u>	<u>723,905</u>
Depreciation of property, plant and equipment	15,681	20,746
Write off of property, plant and equipment	734	–
Impairment loss on goodwill	9,997	–
Impairment loss on financial assets	89,558	25,047
Reversal of impairment loss on financial assets	(8,178)	(11,990)
Provision for financial guarantees	138,068	23,846
Reversal of financial guarantees	(23,032)	–
Direct operating expenses arising from investment property that did not generate rental income during the year	–	6,733
Employee's costs (including Directors' remuneration)		
– Salaries and allowances	57,224	53,951
– Pension scheme contributions – Defined contribution plans	4,081	1,410
– Other benefits	5,324	4,802
	<u>66,629</u>	<u>60,163</u>
Net foreign exchange gains	(1,752)	(5,957)
Gain on disposal of property, plant and equipment	(208)	(142)
	<u><u>(1,960)</u></u>	<u><u>(6,141)</u></u>

8. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Hong Kong Profits Tax	117	280
PRC		
– Enterprise income tax (“EIT”)	41,958	89,315
– Land appreciation tax (“LAT”)	16,396	74,086
– Withholding tax	570	655
	<u>59,041</u>	<u>164,336</u>
Deferred tax	<u>(8,489)</u>	<u>21,903</u>
	<u><u>50,552</u></u>	<u><u>186,239</u></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.

EIT arising from subsidiaries operated in the PRC for the year was calculated at 25% (2021: 25%) of the estimated assessable profits during the year, 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 reduced 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 value, 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 the interest paid by PRC entities to a non-PRC holding company during the year.

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 corporation is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% for the years ended 31 December 2022 and 2021.

9. DIVIDENDS

- (a) No dividend was proposed during the year ended 31 December 2022 (2021: the final dividend of HK0.5 cent per ordinary share, totaling HK\$36,042,000 (equivalent to RMB30,636,000) was proposed, which is subject to the approval of the shareholders at the forthcoming annual general meeting and not recognised as dividend payable in the consolidated financial statements for the year ended 31 December 2021). No interim dividend was declared and paid during the year (2021: nil).
- (b) Dividend attributable to previous financial year, approved and paid during the year:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend paid in respect of prior year		
– HK0.5 cent per ordinary share (2021: HK0.5 cent)	<u>30,636</u>	<u>30,636</u>

10. (LOSS)/EARNINGS PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit for the year attributable to owners of the Company	<u>(180,205)</u>	<u>440,759</u>

	2022 Number of shares (<i>'000</i>)	2021 Number of shares (<i>'000</i>)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>7,208,386</u>	<u>7,208,386</u>
Basic (loss)/earnings per share (RMB cents)	<u>(2.50)</u>	<u>6.11</u>
Dilutive (loss)/earnings per share (RMB cents) (<i>Note</i>)	<u>(2.50)</u>	<u>6.11</u>

Note:

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share, as the Group has no dilutive ordinary shares for the year ended 31 December 2022 and 2021.

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2022, the Group has additions of approximately RMB156,566,000 (2021: RMB157,395,000) on construction-in-progress, other properties leased for own use, leasehold improvement and acquisition of motor vehicles, furniture, fixtures and office equipment.

12. FINANCE LEASE, LOAN AND ACCOUNTS RECEIVABLE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets		
Finance lease receivables	<u>30,075</u>	<u>60,538</u>
Current assets		
Finance lease receivables	52,092	55,921
Loan receivables	246,093	881,427
Receivables from guarantee customers	10,864	14,528
Accounts receivable	<u>101,664</u>	<u>134,720</u>
	<u>410,713</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 four years.

For accounts receivable, 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.

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 accounts receivable, excluding receivables from guarantee customers, net of impairment loss, as of each reporting date is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 to 30 days	16,987	3,267
31 to 90 days	–	3,801
91 to 180 days	–	17,296
Over 180 days	<u>412,937</u>	<u>1,108,242</u>
	<u>429,924</u>	<u>1,132,606</u>

Receivables from guarantee customers were excluded from ageing analysis as they were debts settled by the Group on behalf of its guarantee customers which were past due to their original creditors according to relevant loan/guarantee agreements but no exact due date to the Group.

13. ACCOUNTS PAYABLE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Accounts payable from property development	388,164	405,159
Accounts payable from financial services		
– clearing house	199	539
– cash client	7,416	5,396
	<u>395,779</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than 1 month	155,205	394,250
1 to 3 months	2,861	1,482
More than 3 months but less than 12 months	1,120	10,813
More than 12 months	236,593	4,549
	<u>395,779</u>	<u>411,094</u>

14. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract liabilities from customers arising from:		
– Sales of properties	2,803,173	2,644,848
– Sales of goods	1,903	–
	<u>2,805,076</u>	<u>2,644,848</u>

The Group receives payment from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are from sales of properties and sales of goods.

15. 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 31 December 2022	20,000,000	50,000	39,000
	<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 31 December 2022	7,208,386	18,021	14,734
	<u>7,208,386</u>	<u>18,021</u>	<u>14,734</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 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) rental income and management fee income); (iii) provision of financial related services (including express loan services, finance lease services, guarantee services and security brokerage services); and (iv) commodity trading business.

Effect of COVID-19 pandemic

During the year, the effects of the COVID-19 pandemic continued to pose challenges to the Group, particularly in China, despite other countries began to reopen their borders and economies. China's 'Dynamic zero-COVID' policy subsequently caused the postponement of economic activities in 2022 which affected the automobile e-commerce business and property development and investment business of the Group.

The stagnation of market impacted the Group's development planning of automobile e-commerce business in 2022 since the market demand and supply chain of automobile were affected. However, with the effort of management and staff, revenue from automobile e-commerce business for 2022 still recorded an increment over six times when compared to 2021.

Furthermore, the sales and delivery of properties have been delayed due to the number of COVID-19 infection cases reached a record high in December 2022, which caused by the relax of epidemic prevention and lock down policies in the cities especially in the fourth quarter of 2022. Such as part of our largest property development project, Differ One City, was completed and ready to be delivered to the buyer in December of 2022. However, the delivery schedule was affected due to severe outbreaks of COVID-19 pandemic in the China during this period. The revenue from property development and investment for 2022 was decreased by more than half as compared to 2021.

Unless there is any resurgence of COVID-19 pandemic in 2023, the Group is confident about its business prospects for 2023 which driven by the continuous digital transformation of automobile business and the speed up of properties construction and flat delivery schedule due to reopening of China market.

FINANCIAL REVIEW

Turnover

The turnover decreased from approximately RMB1,259.7 million for the year ended 31 December 2021 to approximately RMB1,007.7 million for the year ended 31 December 2022, representing a decrease of approximately RMB252.0 million or 20.0%. The decrease 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 related 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 2022, recording turnover of automobile e-commerce business of approximately RMB135.8 million for the year ended 31 December 2022, representing an increase of approximately RMB114.3 million or 531.9% as compared with last year.

(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), She People Ancient City (畚鄉古城) and Differ Sky Realm (鼎豐天境) 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 decreased by 56.7% from approximately RMB905.2 million for the year ended 31 December 2021 to approximately RMB392.4 million for the year ended 31 December 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 year ended 31 December 2022 was approximately RMB227.9 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 year ended 31 December 2022 was approximately RMB111.8 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 311,585 sq.m. The revenue from She People Ancient City (畚鄉古城) for the year ended 31 December 2022 was approximately RMB27.4 million. Furthermore, 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 year ended 31 December 2022 was approximately RMB25.3 million.

(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 RMB34.0 million during the year ended 31 December 2022 (2021: RMB12.7 million). 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 slightly increase by 1.3% from approximately RMB159.4 million for the year ended 31 December 2021 to RMB161.5 million for the year ended 31 December 2022.

(b) *Finance lease services*

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

Our Group's finance lease services income decreased by 11.6% from approximately RMB9.9 million for the year ended 31 December 2021 to RMB8.8 million for the year ended 31 December 2022. The decrease was mainly due to the Group has adopted a prudent and conservative approach to run this business.

(c) *Guarantee services*

We provided the financing guarantee services during the year ended 31 December 2022 and 2021. Our Group's guarantee service income decreased by 81.6% from approximately RMB23.7 million for the year ended 31 December 2021 to approximately RMB4.4 million for the year ended 31 December 2022. The decrease of income from guarantee services was mainly due to the Group did not focus on the development of this business, there were no new customers in 2022.

(iv) *Commodity trading business*

During the year ended 31 December 2022, the Group recorded the income from commodity trading business of approximately RMB269.5 million (2021: RMB121.0 million) and the relevant cost of trading of commodities and gross profits were approximately RMB269.3 million (2021: RMB120.8 million) and RMB0.2 million (2021: RMB0.2 million) respectively. Commodity trading business is usually to be considered as a low profit margin business and it is to reap profit from volume of trade.

Other income

Other income increased from approximately RMB66.6 million for the year ended 31 December 2021 to approximately RMB95.5 million for the year ended 31 December 2022, representing an increase of approximately RMB28.9 million or 43.3%. Our Group's other income for the year ended 31 December 2022 mainly represented bank and other interest income, government grants and sundry income. The increase of other income was mainly due to there were government grants and reversal of impairment loss on financial guarantee of approximately RMB33.1 million and RMB23.0 million respectively in 2022.

Costs of property sold

The Group recorded cost of property development of approximately RMB350.4 million for the year ended 31 December 2022 (2021: RMB584.6 million). It mainly represented the land costs, construction costs and other relevant costs for part of i) Differ One City (鼎豐壹城), ii) Differ Humane Mansion (鼎豐書香豪庭), iii) Differ Sky Realm (鼎豐天境) and iv) She People Ancient City (畚鄉古城) projects.

During the year, the Group recognised the amount of write-down of inventory on properties held for sale of approximately RMB47.3 million. The Group reviewed the market conditions of properties held for sale of the Group as of 31 December 2022, and made write-down of inventory on properties held for sale whose net realizable value was lower than cost. The Group estimates the net realizable value of properties held for sale mainly based on the latest selling prices and current market conditions.

Loss on disposal of subsidiaries

In December 2022, the Group disposed 100% equity interests of Differ Group (China) Company Limited (“Differ China BVI”) and other indirect wholly-owned subsidiaries (collectively “Differ China Group”) and recorded a loss of disposal of approximately RMB76.6 million in 2022 (the “Disposal”). Differ China Group is principally engaged in assets management business (including management of non-performing loans and property development and investment), provision of financial related services and commodity trading business. Although the Group made a loss on the Disposal, it was an opportunity for the Group to reduce the scale in aforementioned business and release funds to further invest in automobile e-commerce business in the future.

In addition, the Group also disposed certain subsidiaries for the year ended 31 December 2022 and recorded net gain on disposal of such other subsidiaries of approximately RMB18.1 million.

Employee benefit expenses

The employee benefit expenses increased from approximately RMB60.2 million for the year ended 31 December 2021 to approximately RMB66.6 million for the year ended 31 December 2022, representing an increase of approximately RMB6.4 million or 10.7%. Our Group’s employee benefit expenses mainly comprised staff salaries, directors’ emoluments and other benefits.

Other expenses

The other expenses increased from approximately RMB150.4 million for the year ended 31 December 2021 to approximately RMB365.6 million for the year ended 31 December 2022, representing an increase of approximately RMB215.2 million or 143.0%, mainly attributable to the recognition of the provision for financial guarantee of approximately RMB138.1 million for the year ended 31 December 2022 which was due to certain of guarantee customers failed to repay the principals and the relevant interests to the bank by due date during the year. The other expenses mainly comprised provision for financial guarantee, provision of impairment loss on financial assets, business tax and other taxes, advertising expense, legal and professional fee and various office expenses.

Share of results of associates

For the year ended 31 December 2022, the Group recorded share of loss of associates of approximately RMB9.8 million (2021: RMB21.1 million), primarily due to share of loss from Zhongcheng City Development Co., Limited* (“Zhongcheng”) (中城城開集團有限公司).

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 31 December 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 gain on the Group's investment properties of approximately RMB14.4 million (2021: RMB121.8 million) for the year ended 31 December 2022 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions. The decrease in fair value gains of investment properties mainly attributable to the completion of certain investment properties and the mild downward adjustment of the property market in PRC during the year amid the COVID-19 outbreak.

Loss for the year attributable to the owners of the Company

Our Group's loss for the year attributable to the owners of the Company was approximately RMB180.2 million for the year ended 31 December 2022, representing a decrease of approximately RMB621.0 million, from net profit of approximately RMB440.8 million for the year ended 31 December 2021.

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

- (a) On 11 July 2022, Xiamen Differ Yield Cultural Tourism Group Co., Limited* ("Xiamen Differ") (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 (as the vendor), an indirect 49% associate of the Company, to acquire 100% equity interests in Lishui Fu Feng Cultural Tours Company Limited* (麗水市富豐文化旅遊有限公司) and Xiamen Dingzao Commercial Operation Management Company Limited* (廈門鼎造商業運營管理有限公司) (collectively the "Lishui Group") in the consideration of RMB290,000,000 (the "Acquisition"). The principal business of the Lishui Group is property development and management. The Acquisition was completed on 20 July 2022.
- (b) On 23 December 2022, Differ Hub Company Limited, a direct wholly-owned subsidiary of the Company (as the vendor), entered into a sale and purchase agreement with Hon Yin Company Limited (as the purchaser) to dispose 100% equity interests of Differ China BVI, sale loan of RMB217.8 million and procure Xiamen Differ to sell Lishui Group, for a total consideration of approximately RMB1.07 billion which will be settled by cash. Differ China Group is principally engaged in assets management business (including management of non-performing loans and property development and investment), provision of financial related services and commodity trading business. The disposal was completed on 30 December 2022.

Save as disclosed above, there was no significant investment and material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2022.

OUTLOOK

In China, it is anticipated that life will take on a semblance of pre-COVID normality in 2023, as it shed most of pandemic-control measures. However, it is anticipated that PRC economic uncertainties will still persist in the short run. 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 will continue to carry out its automobile e-commerce business under the brand of Cherries Car (車厘籽汽車), which provide comprehensive solutions and services to a wide range of customers ranging from car manufacturers, car dealers to retailing customers. The Group's goal is to take a leading position in China's e-commerce automobile industry in the near future.

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 RMB730.1 million and RMB340.4 million as at 31 December 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.

FINAL DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: HK0.5 cent).

EVENT AFTER THE REPORTING DATE

Save as disclosed elsewhere in this announcement, there is no significant event identified by the management subsequent to the report period.

HUMAN RESOURCES

As at 31 December 2022, the Group had a total of 336 employees (2021: 419). The staff costs (included Directors' emoluments) were approximately RMB66.6 million for the year ended 31 December 2022 (2021: RMB60.2 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. 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 ("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 announcement, there was no specific plan for material investments or capital assets as at 31 December 2022 (2021: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2022, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB168.9 million (2021: RMB328.0 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 16.4% as at 31 December 2022 (2021: 12.8%). The current ratio is 1.02 times as at 31 December 2022 (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 of directors, 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 months 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 of directors 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 as at 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the year ended 31 December 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 year ended 31 December 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 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 Chi Chung. 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 year ended 31 December 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 year ended 31 December 2022.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2022

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 2 (b) (ii) to the consolidated financial statements, which states that the Group incurred a loss of approximately RMB180.4 million for the year ended 31 December 2022, and as of that date, the Group had bank and other borrowings of RMB647.5 million and corporate bonds of RMB654.0 million which are due within twelve months from 31 December 2022 while its cash and cash equivalents amounted to RMB26.2 million only. These conditions, along with other matters as set forth in Note 2(b) (ii), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AUDIT COMMITTEE

The audit committee of the Company currently comprises two independent non-executive directors, namely Mr. Chan Sing Nun (chairman of audit committee) and Mr. Lam Kit Lam and one non-executive director, Mr. Kang Fuming. The unaudited consolidated results of the Group for the year ended 31 December 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.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position and consolidated comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary results announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.dfh.cn) and the website of the Stock Exchange (www.hkexnews.hk). The annual report will be available at the respective websites of the Company and the Stock Exchange and will be despatched to shareholders of the Company in late April 2023.

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

Hong Kong, 31 March 2023

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.

* *For identification purpose only*