

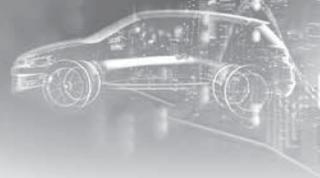
# Differ Group Auto Limited 鼎豐集團汽車有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6878



**INTERIM  
REPORT  
2023**



## **CORPORATE INFORMATION**

### **EXECUTIVE DIRECTORS:**

Mr. NG Chi Chung (*Chairman and Chief Executive Officer*)  
Dr. FENG Xiaogang  
Mr. TONG Lu (*appointed on 15 May 2023*)

### **NON-EXECUTIVE DIRECTORS:**

Mr. KANG Fuming  
Mr. XU Yiwei

### **INDEPENDENT NON-EXECUTIVE DIRECTORS:**

Mr. CHAN Sing Nun  
Mr. LAM Kit Lam  
Mr. CHEN Naïke (*resigned on 15 May 2023*)  
Ms. CHUANG Yin Lam  
(*appointed on 15 May 2023*)

### **REGISTERED OFFICE**

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

### **HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC**

33/F, Differ Fortune Centre  
No. 503 Gaolin Middle Road  
Huli District  
Xiamen City  
Fujian Province, PRC

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

Suites 501-05 on 5th floor, AIA Central,  
No.1 Connaught Road Central,  
Hong Kong

### **COMPANY SECRETARY**

Mr. TAM Wai Tak Victor (*resigned on 2 May 2023*)  
Ms. LEUNG Fung Yee Alice  
(*appointed on 2 May 2023*)

### **AUDITOR**

BDO Limited

### **AUTHORISED REPRESENTATIVES**

Mr. NG Chi Chung  
Mr. TAM Wai Tak Victor (*resigned on 2 May 2023*)  
Ms. LEUNG Fung Yee Alice  
(*appointed on 2 May 2023*)

### **MEMBERS OF AUDIT COMMITTEE**

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

### **MEMBERS OF REMUNERATION COMMITTEE**

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

### **MEMBERS OF NOMINATION COMMITTEE**

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

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **PRINCIPAL BANKERS**

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

### **COMPANY WEBSITE**

[www.dfh.cn](http://www.dfh.cn)

### **STOCK CODE**

06878

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**UNAUDITED INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Differ Group Auto Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2023, together with the unaudited comparative figures for the corresponding period in 2022.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2023*

|   | Notes | Six months ended 30 June       |                                |
|---|-------|--------------------------------|--------------------------------|
|   |       | 2023<br>(Unaudited)<br>RMB'000 | 2022<br>(Unaudited)<br>RMB'000 |
| Income from automobile e-commerce business      | 4     | 11,288                         | 111,965                        |
| Income from assets management business          | 4     | 958,827                        | 182,148                        |
| Income from financial related services          | 4     | 53,668                         | 80,853                         |
| Income from trading of commodities              | 4     | 59,319                         | 41,309                         |
| Other income                                    | 4     | 22,389                         | 13,068                         |
| Costs of automobile e-commerce business         |       | (11,317)                       | (54,750)                       |
| Costs of property sold                          |       | (634,553)                      | (154,238)                      |
| Costs of trading of commodities                 |       | (59,241)                       | (41,275)                       |
| Gain on disposal of subsidiaries                |       | –                              | 10,558                         |
| Employee benefit expenses                       |       | (22,176)                       | (31,659)                       |
| Depreciation expenses                           |       | (5,146)                        | (8,815)                        |
| Other expenses                                  |       | (309,151)                      | (45,105)                       |
| Share of results of associates                  |       | (15,486)                       | (19,981)                       |
| Fair value (loss)/gain of investment properties |       | (23,943)                       | 44,699                         |
| Fair value gain of other financial assets       |       | 15,698                         | 14,344                         |
| Finance costs                                   | 6     | (63,172)                       | (32,017)                       |
| <b>(Loss)/profit before income tax</b>          | 7     | <b>(22,996)</b>                | 111,104                        |
| Income tax expense                              | 8     | (114,286)                      | (30,516)                       |
| <b>(Loss)/profit for the period</b>             |       | <b>(137,282)</b>               | 80,588                         |

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|  | <i>Notes</i> | <b>Six months ended 30 June</b>                     |   |
|--|--------------|---|---|
|  |              | <b>2023</b><br><b>(Unaudited)</b><br><b>RMB'000</b> | <b>2022</b><br><b>(Unaudited)</b><br><b>RMB'000</b> |
| Other comprehensive income   |              |   |   |
| Items that may be reclassified to profit or loss in subsequent periods                     |              |   |   |
| – Exchange differences on translating foreign operation                                    |              | (15,462)  | 2,055   |
| – Net change in debt investments measured at fair value through other comprehensive income |              | –   | 2,502   |
|  |              | <u>                    </u>                         | <u>                    </u>                         |
| Total comprehensive income for the period  |              | <b>(152,744)</b>                                    | 85,145  |
|  |              | <u>                    </u>                         | <u>                    </u>                         |
| (Loss)/profit for the period attributable to:  |              |   |   |
| Owners of the Company  |              | (137,213)   | 80,588  |
| Non-controlling interests  |              | (69)  | –   |
|  |              | <u>                    </u>                         | <u>                    </u>                         |
|  |              | <b>(137,282)</b>                                    | 80,588  |
|  |              | <u>                    </u>                         | <u>                    </u>                         |
| Total comprehensive income attributable to:  |              |   |   |
| Owners of the Company  |              | (152,675)   | 85,145  |
| Non-controlling interests  |              | (69)  | –   |
|  |              | <u>                    </u>                         | <u>                    </u>                         |
|  |              | <b>(152,744)</b>                                    | 85,145  |
|  |              | <u>                    </u>                         | <u>                    </u>                         |
| (Loss)/earnings per share  | 10           |   |   |
| – Basic ( <i>RMB cents</i> )   |              | (1.80)  | 1.12  |
| – Diluted ( <i>RMB cents</i> )   |              | (1.80)  | 1.12  |
|  |              | <u>                    </u>                         | <u>                    </u>                         |

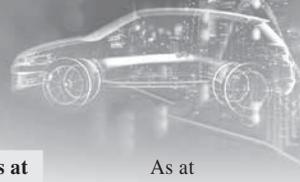
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2023

|   | <i>Notes</i> | As at<br>30 June<br>2023<br>(Unaudited)<br>RMB'000 | As at<br>31 December<br>2022<br>(Audited)<br>RMB'000 |
|---|--------------|--|--|
| <b>ASSETS AND LIABILITIES</b>                           |              |  |  |
| <b>Non-current assets</b>                               |              |  |  |
| Property, plant and equipment                           | 11           | 568,564  | 444,529  |
| Investment properties                                   |              | 745,900  | 769,843  |
| Interest in an associate                                |              | 344,880  | 360,366  |
| Finance lease, loan and account receivables             | 12           | 28,764   | 30,075   |
| Goodwill  |              | 86,034   | 86,034   |
| Other financial assets                                  |              | 88,836   | 379,818  |
| Prepayments, deposits and other receivables             | 13           | 552,495  | 811,439  |
| Deferred tax assets                                     |              | 48,997   | 48,997   |
|   |              | <b>2,464,470</b>                                   | <b>2,931,101</b>                                     |
| <b>Current assets</b>                                   |              |  |  |
| Inventories of properties                               |              | 3,432,289  | 3,877,360  |
| Finance lease, loan and account receivables             | 12           | 896,553  | 410,713  |
| Prepayments, deposits and other receivables             | 13           | 1,454,036  | 1,191,701  |
| Other financial assets                                  |              | 343,565  | 92,164   |
| Tax receivables   |              | 84,736   | 135,276  |
| Restricted bank deposits                                |              | 110,269  | 142,623  |
| Cash and bank balances – general accounts               |              | 95,589   | 26,244   |
| Cash and bank balances<br>– held on behalf of customers |              | 3,703  | 7,645  |
|   |              | <b>6,420,740</b>                                   | <b>5,883,726</b>                                     |

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|  | <i>Notes</i> | As at<br>30 June<br>2023<br>(Unaudited)<br>RMB'000 | As at<br>31 December<br>2022<br>(Audited)<br>RMB'000 |
|--|--------------|--|--|
| <b>Current liabilities</b>   |              |  |  |
| Accounts payable   | 14           | 375,417  | 395,779  |
| Accruals, other payables, deposits<br>received and deferred income |              | 736,552  | 768,367  |
| Contract liabilities   | 15           | 2,157,865  | 2,805,076  |
| Lease liabilities  |              | 7,189  | 8,467  |
| Financial guarantees   | 17           | 149,866  | 138,882  |
| Provision for taxation   |              | 389,139  | 332,256  |
| Bank and other borrowings  |              | 1,458,145  | 647,510  |
| Corporate bonds  |              | 669,447  | 653,961  |
|  |              | <u>5,943,620</u>                                   | <u>5,750,298</u>                                     |
| <b>Net current assets</b>  |              | <u>477,120</u>                                     | <u>133,428</u>                                       |
| <b>Total assets less current liabilities</b>                       |              | <u>2,941,590</u>                                   | <u>3,064,529</u>                                     |
| <b>Non-current liabilities</b>                                     |              |  |  |
| Other payables and deposits received                               |              | 223,830  | 223,830  |
| Lease liabilities  |              | –  | 2,843  |
| Bank and other borrowings  |              | 9,500  | –  |
| Corporate bonds  |              | –  | 142,648  |
| Deferred tax liabilities   |              | 164,350  | 170,336  |
|  |              | <u>397,680</u>                                     | <u>539,657</u>                                       |
| <b>Net assets</b>  |              | <u>2,543,910</u>                                   | <u>2,524,872</u>                                     |
| <b>EQUITY</b>  |              |  |  |
| Share capital  | 16           | 17,900   | 14,734   |
| Reserves   |              | 2,526,231  | 2,510,290  |
|  |              | <u>2,544,131</u>                                   | <u>2,525,024</u>                                     |
| Equity attributable to owners of the Company                       |              | 2,544,131  | 2,525,024  |
| Non-controlling interests  |              | (221)  | (152)  |
| <b>Total equity</b>  |              | <u>2,543,910</u>                                   | <u>2,524,872</u>                                     |

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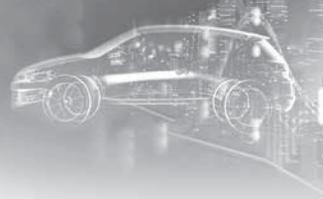
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the six months ended 30 June 2023*

|   | Attributable to owners of the Company |                           |                                      |                               |  |                                 |                              |                   |                                       |                   |
|---|---------------------------------------|---------------------------|--------------------------------------|-------------------------------|--|---------------------------------|------------------------------|-------------------|---------------------------------------|-------------------|
|   | Share capital<br>RMB '000             | Share premium<br>RMB '000 | Merger and other reserve<br>RMB '000 | Statutory reserve<br>RMB '000 | Financial assets revaluation reserve<br>RMB '000 | Translation reserve<br>RMB '000 | Retained profits<br>RMB '000 | Total<br>RMB '000 | Non-controlling interests<br>RMB '000 | Total<br>RMB '000 |
| For the six months ended 30 June 2023 (Unaudited) |                                       |                           |                                      |                               |  |                                 |                              |                   |                                       |                   |
| At 1 January 2023                                 | 14,734                                | 1,589,335                 | (1,184,215)                          | 116,533                       | -  | 18,058                          | 1,970,579                    | 2,535,024         | (152)                                 | 2,534,872         |
| Loss for the period                               | -                                     | -                         | -                                    | -                             | -  | -                               | (137,213)                    | (137,213)         | (69)                                  | (137,282)         |
| Other comprehensive income for the period         | -                                     | -                         | -                                    | -                             | -  | (15,462)                        | -                            | (15,462)          | -                                     | (15,462)          |
| Total comprehensive income for the period         | -                                     | -                         | -                                    | -                             | -  | (15,462)                        | (137,213)                    | (152,675)         | (69)                                  | (152,744)         |
| Issue of ordinary shares by placing               | 3,166                                 | 168,616                   | -                                    | -                             | -  | -                               | -                            | 171,782           | -                                     | 171,782           |
| Transfer to statutory reserve                     | -                                     | -                         | -                                    | 17,099                        | -  | -                               | -                            | -                 | -                                     | -                 |
| At 30 June 2023                                   | <u>17,900</u>                         | <u>1,757,951</u>          | <u>(1,184,215)</u>                   | <u>133,632</u>                | <u>-</u>   | <u>2,596</u>                    | <u>1,816,267</u>             | <u>2,544,131</u>  | <u>(221)</u>                          | <u>2,543,910</u>  |

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>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> |



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

*For the six months ended 30 June 2023*

|   | <b>Six months ended 30 June</b>                     |   |
|---|---|---|
|   | <b>2023</b><br><b>(Unaudited)</b><br><b>RMB'000</b> | <b>2022</b><br><b>(Unaudited)</b><br><b>RMB'000</b> |
| Net cash (used in)/generated from operating activities      | <b>(244,367)</b>                                    | 13,980  |
| Net cash used in investing activities                       | <b>(74,694)</b>                                     | (60,833)  |
| Net cash generated from financing activities                | <b>403,154</b>                                      | 2,940   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>84,093</b>                                       | (43,913)  |
| Cash and cash equivalents at the beginning of the period    | <b>26,244</b>                                       | 99,951  |
| Effect of foreign exchange rate changes, net                | <b>(14,748)</b>                                     | 3,490   |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>95,589</b>                                       | 59,528  |

## 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 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 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 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

#### 2.2 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 as explained in the accounting policies set out below.

(ii) *Going concern basis*

As at 30 June 2023, the Group had bank and other borrowings of RMB1,458.1 million and corporate bonds of RMB669.4 million which are due within twelve months from 30 June 2023 or repayable on demand while its cash and cash equivalents amounted to RMB95.6 million only. 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 of the Company (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:

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1. The Group maintains continuous communication with lenders and management believes that the Group will be able to successfully complete the debt restructuring with the lenders;
2. The Group will pursue plans for potential disposal of the Group's properties held for sale to raise additional working capital to finance the repayment of debts;
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 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.

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 discharges 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 complete the debt restructuring, 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.

### **2.3 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.

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**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 2022 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 2023.

|  |  |
|--|--|
| Amendments to HKAS 1 and<br>HKFRS Practice Statement 2 | Disclosure of Accounting Policies  |
| Amendments to HKAS 8                                   | Definition of Accounting Estimates   |
| Amendments to HKAS 12                                  | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 1                                   | Classification of Liabilities as Current or Non-current                          |

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:

|   | <b>Six months ended 30 June</b> |                |
|---|---------------------------------|----------------|
|   | <b>2023</b>                     | 2022           |
|   | <b>(Unaudited)</b>              | (Unaudited)    |
|   | <b>RMB'000</b>                  | RMB'000        |
| <b>Income from automobile e-commerce business</b>                         |                                 |                |
| <b>Revenue from contracts with customers within the scope of HKFRS 15</b> |                                 |                |
| Income from trading of goods  | 11,288                          | 55,572         |
| Others  | —                               | 56,393         |
|   | <b>11,288</b>                   | <b>111,965</b> |
| <b>Income from assets management business</b>                             |                                 |                |
| <b>Revenue from contracts with customers within the scope of HKFRS 15</b> |                                 |                |
| Income from sales of properties   | 953,773                         | 174,742        |
| <b>Revenue from other sources</b>   |                                 |                |
| Rental income and sublease rental income                                  | 4,078                           | 2,328          |
| Management fee income   | 976                             | 5,078          |
|   | <b>958,827</b>                  | <b>182,148</b> |

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|   | <b>Six months ended 30 June</b>                     |   |
|---|---|---|
|   | <b>2023</b><br><b>(Unaudited)</b><br><b>RMB'000</b> | <b>2022</b><br><b>(Unaudited)</b><br><b>RMB'000</b> |
| <b>Income from financial related services</b>                             |   |   |
| <b>Revenue from contracts with customers within the scope of HKFRS 15</b> |   |   |
| Income from financial securities services                                 | 684   | 700   |
| <b>Revenue from other sources</b>   |   |   |
| Income from guarantee services  | –   | 8,023   |
| Interest income from:   |   |   |
| – Money lending   | 50,497  | 68,957  |
| – Finance lease services  | 2,487   | 3,173   |
|   | <b>53,668</b>                                       | <b>80,853</b>                                       |
| <b>Income from trading of commodities</b>                                 |   |   |
| <b>Revenue from contracts with customers within the scope of HKFRS 15</b> |   |   |
| Income from trading of commodities  | 59,319  | 41,309  |
| <b>Timing of revenue recognition within the scope HKFRS 15</b>            |   |   |
| At a point in time  | 1,025,064   | 328,716   |
|   | <b>1,025,064</b>                                    | <b>328,716</b>                                      |
| <b>Other income</b>   |   |   |
| Bank and other interest income  | 7,824   | 11,607  |
| Imputed interest income   | 14,022  | –   |
| Government grants   | –   | 209   |
| Others  | 543   | 1,252   |
|   | <b>22,389</b>                                       | <b>13,068</b>                                       |



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**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.

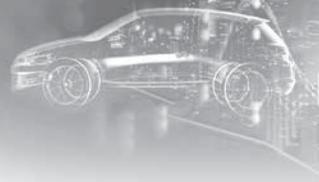
Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and inter-segment revenue. Segment results exclude unallocated corporate expenses and 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.

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**Segment revenue and results**

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

**For the six months ended 30 June 2023**

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

**For the six months ended 30 June 2022**

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

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**Segment assets and liabilities**

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

|                                     | As at<br>30 June<br>2023<br>(Unaudited)<br>RMB'000 | As at<br>31 December<br>2022<br>(Audited)<br>RMB'000 |
|-------------------------------------|--|--|
| <b>Segment assets</b>               |  |  |
| Automobile e-commerce               | 128,543  | 103,929  |
| Property development and investment | 6,030,544  | 6,373,989  |
| Financial services                  | 2,702,455  | 2,317,733  |
| Trading of commodities              | 3,783  | 3,517  |
|                                     | <hr/>  | <hr/>  |
| Total segment assets                | 8,865,325  | 8,799,168  |
| <b>Unallocated</b>                  |  |  |
| – Property, plant and equipment     | 5,871  | 8,872  |
| – Deposits and prepayments          | 13,909   | 2,312  |
| – Cash and bank balances            | 105  | 4,475  |
|                                     | <hr/>  | <hr/>  |
| <b>Total assets</b>                 | <b>8,885,210</b>                                   | <b>8,814,827</b>                                     |
|                                     | <hr/> <hr/>  | <hr/> <hr/>  |
| <b>Segment liabilities</b>          |  |  |
| Automobile e-commerce               | 420,213  | 49,770   |
| Property development and investment | 4,310,450  | 4,901,903  |
| Financial services                  | 580,673  | 198,733  |
| Trading of commodities              | 3,804  | 6,467  |
|                                     | <hr/>  | <hr/>  |
| Total segment liabilities           | 5,315,140  | 5,156,873  |
| <b>Unallocated</b>                  |  |  |
| – Accruals and other payables       | 41,578   | 53,317   |
| – Lease liabilities                 | 6,275  | 9,305  |
| – Other borrowings                  | 308,860  | 273,851  |
| – Corporate bonds                   | 669,447  | 796,609  |
|                                     | <hr/>  | <hr/>  |
| <b>Total liabilities</b>            | <b>6,341,300</b>                                   | <b>6,289,955</b>                                     |
|                                     | <hr/> <hr/>  | <hr/> <hr/>  |

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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 six months ended 30 June 2023 and 2022.

**6. FINANCE COSTS**

|                                       | <b>Six months ended 30 June</b> |                |
|---------------------------------------|---------------------------------|----------------|
|                                       | <b>2023</b>                     | 2022           |
|                                       | <b>(Unaudited)</b>              | (Unaudited)    |
|                                       | <b>RMB'000</b>                  | <b>RMB'000</b> |
| Interest on bank and other borrowings | <b>44,324</b>                   | 32,998         |
| Interest on corporate bonds           | <b>24,240</b>                   | 11,431         |
| Interest on lease liabilities         | <b>316</b>                      | 801            |
|                                       | <b>68,880</b>                   | 45,230         |
| Less: interest capitalised            | <b>(5,708)</b>                  | (13,213)       |
|                                       | <b>63,172</b>                   | 32,017         |

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**7. PROFIT BEFORE INCOME TAX**

Profit before income tax is arrived at after charging:

|   | Six months ended 30 June       |                                |
|---|--------------------------------|--------------------------------|
|   | 2023<br>(Unaudited)<br>RMB'000 | 2022<br>(Unaudited)<br>RMB'000 |
| Cost of inventories recognised as expenses  | 705,111                        | 250,263                        |
| Depreciation of property, plant and equipment   | 5,146                          | 8,815                          |
| Employee costs (including Directors' remuneration)  | 19,739                         | 28,032                         |
| Salaries, allowances and other benefits   | 2,437                          | 3,627                          |
| Pension scheme contributions – defined contribution plans                                 | 22,176                         | 31,659                         |
| Provision for financial guarantees  | 10,984                         | –                              |
| Impairment loss on finance lease, loan and account receivables and other receivables, net | 245,881                        | 5,238                          |
|   | <b>245,881</b>                 | <b>5,238</b>                   |

**8. INCOME TAX EXPENSE**

|                                   | Six months ended 30 June       |                                |
|-----------------------------------|--------------------------------|--------------------------------|
|                                   | 2023<br>(Unaudited)<br>RMB'000 | 2022<br>(Unaudited)<br>RMB'000 |
| Current tax                       |                                |                                |
| PRC enterprise income tax ("EIT") | 66,090                         | 24,487                         |
| PRC land appreciation tax ("LAT") | 54,182                         | 2,024                          |
| PRC withholding tax               | –                              | 330                            |
| Deferred tax                      | (5,986)                        | 3,675                          |
|                                   | <b>114,286</b>                 | <b>30,516</b>                  |

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 2023 as calculated at 25% (2022: 25%) of the estimated assessable profits during the period, except for subsidiaries established and operated in Ganzhou, which are beneficial from a preferential tax policy from the local tax authorities and are entitled to a reduce tax rate of 15%.

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

Withholding tax was calculated at 7% (2022: 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 2023 and 2022. 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**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil). No final dividend attributable to the previous financial year was recognised as distribution for the six months ended 30 June 2023 (2022: RMB30,636,000).

**10. (LOSS)/EARNINGS PER SHARE**

The calculations of basic earnings per share for the six months ended 30 June 2023 is based on the loss attributable to owners of the Company of approximately RMB137,213,000 (2022: profit of approximately RMB80,588,000 and on the weighted average number of ordinary shares of 7,617,163,657 (2022: 7,208,387,880) issued throughout the six months ended 30 June 2023.

Diluted earnings per share for the six months ended 30 June 2023 and 2022 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 2023, the Group spent approximately RMB129,181,000 (2022: RMB85,895,000) on leasehold improvement, other properties leased for own use and acquisition of motor vehicles, furniture, fixtures and office equipment.

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**12. FINANCE LEASE, LOAN AND ACCOUNT RECEIVABLES**

|                                      | <b>As at<br/>30 June<br/>2023<br/>(Unaudited)<br/>RMB'000</b> | <b>As at<br/>31 December<br/>2022<br/>(Audited)<br/>RMB'000</b> |
|--------------------------------------|---|---|
| <b>Non-current assets</b>            |   |   |
| Finance lease receivables            | <b>28,764</b>   | 30,075  |
| <b>Current assets</b>                |   |   |
| Finance lease receivables            | <b>55,499</b>   | 52,092  |
| Loan receivables                     | <b>645,404</b>  | 246,093   |
| Receivables from guarantee customers | <b>10,661</b>   | 10,864  |
| Account receivables                  | <b>184,989</b>  | 101,664   |
|                                      | <b>896,553</b>  | 410,713   |

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 account receivables, it represented interest receivables from finance lease and loan receivables, 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.

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

|                | As at<br>30 June<br>2023<br>(Unaudited)<br>RMB'000 | As at<br>31 December<br>2022<br>(Audited)<br>RMB'000 |
|----------------|--|--|
| 0 to 30 days   | 25,106   | 16,987   |
| 31 to 90 days  | 38,958   | -  |
| 91 to 180 days | 406,708  | -  |
| Over 180 days  | 443,884  | 412,937  |
|                | <b>914,656</b>                                     | <b>429,924</b>                                       |

**13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

|  | As at<br>30 June<br>2023<br>(Unaudited)<br>RMB'000 | As at<br>31 December<br>2022<br>(Audited)<br>RMB'000 |
|--|--|--|
| <b>Non-current assets</b>                                  |  |  |
| Other receivables and deposits paid                        | 2,294  | 2,242  |
| Consideration receivables                                  | 550,201  | 809,197  |
|  | <b>552,495</b>                                     | <b>811,439</b>                                       |
| <b>Current assets</b>                                      |  |  |
| Consideration receivables                                  | 435,648  | 439,820  |
| Prepaid expenses, other receivables and deposits paid      | 246,998  | 176,448  |
| Amounts due from associates (include interest receivables) | 771,390  | 575,433  |
|  | <b>1,454,036</b>                                   | <b>1,191,701</b>                                     |



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**14. ACCOUNTS PAYABLE**

|  | <b>As at<br/>30 June<br/>2023<br/>(Unaudited)<br/>RMB'000</b> | <b>As at<br/>31 December<br/>2022<br/>(Audited)<br/>RMB'000</b> |
|--|---|---|
| Accounts payable from property development | 371,714   | 388,164   |
| Accounts payable from financial services   |   |   |
| – clearing house                           | –   | 199   |
| – cash client                              | 3,703   | 7,416   |
|  | <b>375,417</b>  | <b>395,779</b>  |
|  | <b>375,417</b>  | <b>395,779</b>  |

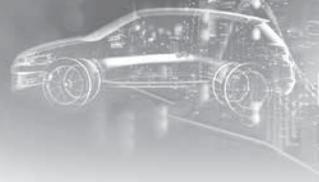
Included in accounts payable are creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

|  | <b>As at<br/>30 June<br/>2023<br/>(Unaudited)<br/>RMB'000</b> | <b>As at<br/>31 December<br/>2022<br/>(Audited)<br/>RMB'000</b> |
|--|---|---|
| Less than 1 month                          | 137,019   | 155,205   |
| 1 to 3 months                              | 2,732   | 2,861   |
| More than 3 months but less than 12 months | 15,621  | 1,120   |
| More than 12 months                        | 220,045   | 236,593   |
|  | <b>375,417</b>  | <b>395,779</b>  |
|  | <b>375,417</b>  | <b>395,779</b>  |

**15. CONTRACT LIABILITIES**

|   | <b>As at<br/>30 June<br/>2023<br/>(Unaudited)<br/>RMB'000</b> | <b>As at<br/>31 December<br/>2022<br/>(Audited)<br/>RMB'000</b> |
|---|---|---|
| Contract liabilities from customers arising from: |   |   |
| – sales of properties                             | 2,157,865   | 2,803,173   |
| – sales of goods                                  | –   | 1,903   |
|   | <b>2,157,865</b>  | <b>2,805,076</b>  |
|   | <b>2,157,865</b>  | <b>2,805,076</b>  |

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**16. SHARE CAPITAL**

|   | Number of<br>ordinary<br>shares<br>'000 | Nominal<br>value of<br>share capital<br>HK\$'000 | Equivalent<br>nominal<br>value of<br>share capital<br>RMB'000 |
|---|---|--|---|
| <b>Authorised:</b>                                      |   |  |   |
| Ordinary share of HK\$0.0025 each                       |   |  |   |
| At 31 December 2022, 1 January 2023<br>and 30 June 2023 | 20,000,000                              | 50,000   | 39,000  |
| <b>Issued and fully paid:</b>                           |   |  |   |
| At 31 December 2022, 1 January 2023                     | 7,208,386                               | 18,021   | 14,734  |
| Issue of ordinary shares by placing ( <i>note</i> )     | 1,407,132                               | 3,518  | 3,166   |
| At 30 June 2023   | 8,615,518                               | 21,539   | 17,900  |

*Note:* In connection with the placing, an aggregate of 1,407,132,000 new ordinary shares of the Company of HK\$0.0025 each were issued at a price of HK\$0.140 per share on 9 May 2023.

**17. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES**

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

|                             | As at<br>30 June<br>2023<br>RMB'000 | As at<br>31 December<br>2022<br>RMB'000 |
|-----------------------------|-------------------------------------|---|
| Financial guarantees issued | 149,866                             | 138,882                                 |

*Notes:*

- (i) As at 30 June 2023, the Group had given financial guarantees to banks for banking facilities granted to certain customers of the Group with maximum amount of approximately RMB394,166,000 (2022: RMB453,011,000).

Among the financial guarantee amount, RMB285,266,000 is related to certain customers with their debts are default in payment. Such banking facilities are secured by (i) properties pledged by certain customers with amount of RMB135,400,000; (ii) investment properties with carrying amount of RMB93,200,000 held by the Group; (iii) corporate guarantee provided by the Company; (iv) personal guarantee provided by various parties.

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In the event of failure to repay the outstanding balances, the creditors have the right to proceed the sale of properties pledged by certain customers and pledged investment properties of the Group under the banking facilities. The Directors, with reference to the legal opinion from a PRC lawyer, considered that it is highly probably the creditors will demand the Company and the Group for the shortfall of the default amount after taken into consideration of the value of the properties pledged by certain customers. Accordingly, the remaining outstanding amount of RMB149,866,000 (2022: RMB138,068,000) are recognised as financial guarantee liabilities as at 30 June 2023, which was the Directors' best estimate on the probable cash outflow on the obligation of these financial guarantee contracts.

For the remaining financial guarantees granted to certain customers of the Group with amount of approximately RMB108,900,000 (2022: RMB179,543,000), the ECL allowance was Nil as at 30 June 2023 (2022: RMB814,000).

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

The Group has arranged mortgage loan facility with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayments. The outstanding guarantees amounted to approximately RMB2,115,304,000 (2022: RMB1,696,867,000) 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.

## 18. 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:

|                              | <b>Six months ended 30 June</b> |             |
|------------------------------|---------------------------------|-------------|
|                              | <b>2023</b>                     | 2022        |
|                              | <b>(Unaudited)</b>              | (Unaudited) |
|                              | <b>RMB'000</b>                  | RMB'000     |
| Short-term employee benefits | <b>2,481</b>                    | 2,490       |

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- (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 2023<br>(Unaudited)<br>RMB'000 | 2022<br>(Unaudited)<br>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                 | <b>29,090</b>   | 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                            |
| 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                          |
| 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                          |
| 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                   | <b>10,615</b>   | 3,825                          |
|   |              | Income from sales of properties | -   | 23,147                         |
| Zhongcheng City Development Supply Chain Technology Company Limited (中城城開供應鏈科技有限公司) | Associate    | Cost of trading of commodities  | <b>59,241</b>   | -                              |

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**19. COMMITMENTS**

**(i) Operating lease commitments**

*Group as lessor*

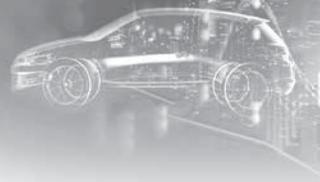
Future minimum lease payments receivable under non-cancellable operating lease at the Group were as follows:

|                                       | <b>As at<br/>30 June<br/>2023<br/>(Unaudited)<br/>RMB'000</b> | As at<br>31 December<br>2022<br>(Audited)<br>RMB'000 |
|---------------------------------------|---|--|
| Within one year                       | 5,710   | 5,705  |
| After one year but within two years   | 5,710   | 5,714  |
| After two years but within five years | <b>1,674</b>  | 5,710  |
|                                       | <b>13,094</b>   | 17,129   |

Leases are negotiated for terms of 8 years (2022: 8 years).

- (ii) As at 30 June 2023, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to its subsidiaries of RMB1,069,495,000 (2022: RMB1,128,536,000).
- (iii) As at 30 June 2023, the Group had capital commitments, which were contracted but not provided for, in respect of the capital injection to an associate of RMB196,000,000 (2022: RMB196,000,000).
- (iv) At the reporting date, the Group had the following capital and other commitments:

|                                  | <b>As at<br/>30 June<br/>2023<br/>(Unaudited)<br/>RMB'000</b> | As at<br>31 December<br>2022<br>(Audited)<br>RMB'000 |
|----------------------------------|---|--|
| Contracted, but not provided for |   |  |
| – Property development           | 133,869   | 181,449  |
| – Property, plant and equipment  | <b>319,801</b>  | 202,157  |



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the six months ended 30 June 2023, the turnover of the Group was mainly derived from the (i) automobile e-commerce business; (ii) assets management business; (iii) provision of financial related services and (iv) commodity trading business.

### FINANCIAL REVIEW

#### Turnover

The turnover increased from approximately RMB416.3 million for the six months ended 30 June 2022 to approximately RMB1,083.1 million for the six months ended 30 June 2023, representing an increase of approximately RMB666.8 million or 160.2%. The increase was attributable to the net effect of the following reasons:

(i) **Automobile e-commerce Business**

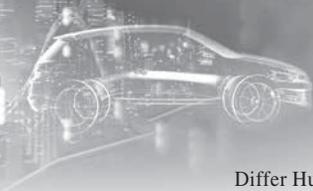
The Group commenced its automobile e-commerce business in fourth quarter of 2021 under the brand of Cherries Car (車厘籽汽車), which provides comprehensive solutions and services to a wide range of customers ranging from car manufacturers, car dealers to retailing customers. Under the current financial situation, the Group adopted a prudent approach to operate this business. The income from automobile e-commerce business decreased significantly in the first half of 2023, recording turnover of automobile e-commerce business of approximately RMB11.3 million for the six months ended 30 June 2023.

(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) and She People Ancient City (畚鄉古城) which Differ One City (鼎豐壹城) is located in Longquan City, the PRC, She People Ancient City (畚鄉古城) is 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 446.0% from approximately RMB174.7 million for the six months ended 30 June 2022 to approximately RMB953.8 million for the six months ended 30 June 2023.

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 2023 was approximately RMB868.4 million.



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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 2023 was approximately RMB77.2 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 2023 was approximately RMB8.2 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 RMB5.0 million during the six months ended 30 June 2023. Such income mainly represented the income from rental income, asset management fee income and property management fee income.

**(iii) Financial related services**

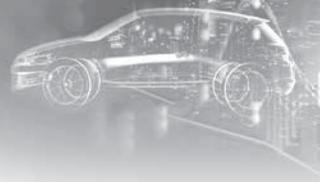
**(a) Express loan services**

The Group mainly received interest income from the customers in the PRC and its associate. Our Group's express loan service income decreased by 26.8% from approximately RMB69.0 million for the six months ended 30 June 2022 to approximately RMB50.5 million for the six months ended 30 June 2023. The decrease of express loan service income was mainly due to the decrease of average loan receivables during the period.

**(b) Finance lease business**

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

The Group's finance lease services income decreased by 21.9% from approximately RMB3.2 million for the six months ended 30 June 2022 to approximately RMB2.5 million for the six months ended 30 June 2023. The decrease was mainly due to the Group's prudent and conservative strategy to develop this business.



**(c) Guarantee services**

The Group did not receive any financing guarantee service income during the six months ended 30 June 2023 (2022: approximately RMB8.0 million). 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 2023, the Group recorded the income from commodity trading business of approximately RMB59.3 million (2022: RMB41.3 million). Commodity trading business is usually to be considered as a business with comparatively very low gross profit rate. The gist for carrying out such business is to reap profit from the volume of trade.

**Other income**

Other income increased from approximately RMB13.1 million for the six months ended 30 June 2022 to approximately RMB22.4 million for the six months ended 30 June 2023, representing an increase of approximately RMB9.3 million or 71.0% as there was imputed interest income of approximately RMB14.0 million recorded in the six months ended 30 June 2023. Our Group's other income for the six months ended 30 June 2023 mainly represented imputed interest income and bank and other interest income.

**Costs of property sold**

The Group recorded cost of property development of approximately RMB634.6 million for the six months ended 30 June 2023 (2022: RMB154.2 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 decreased from approximately RMB31.7 million for the six months ended 30 June 2022 to approximately RMB22.2 million for the six months ended 30 June 2023, representing a decrease of approximately RMB9.5 million or 30.0%. The Group's employee benefit expenses mainly comprised staff salaries, directors' emoluments and other benefits.

**Other expenses**

The other expenses increased from approximately RMB45.1 million for the six months ended 30 June 2022 to approximately RMB309.2 million for the six months ended 30 June 2023. The Group's other expenses mainly comprised legal and professional fee, advertising expense, various office expenses, provision for financial guarantees and impairment loss on receivables and business tax and other taxes. The increase of other expenses was mainly due to provision for financial guarantees and impairment loss on account and other receivables of approximately RMB11.0 million and RMB245.9 million for the six months ended 30 June 2023 respectively.

### **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 2023, 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 losses on the Group's investment properties of approximately RMB23.9 million (2022: fair value gains RMB44.7 million) for the six months ended 30 June 2023 are based on valuations of such properties conducted by independent property valuers, using property valuation techniques involving certain assumptions of market conditions.

### **(Loss)/profit for the period attributable to the owners of the Company**

The Group's loss for the period attributable to the owners of the Company was approximately RMB137.2 million for the six months ended 30 June 2023, representing a decrease of approximately RMB217.8 million, from net profit of approximately RMB80.6 million for the six months ended 30 June 2022.

### **OUTLOOK**

Changing macroeconomic and geopolitical landscapes continue to weigh on the post-pandemic recovery of the PRC in the short run. China's real estate industry has taken massive under the pressure of shrinking demand, supply chain disruption and weakened expectations.

From mid-June 2023, the Group is proactively preparing and formulating a restructuring plan for its liabilities ("Proposed Restructuring"). If the Proposed Restructuring is supported by most creditors, the Group is confident in repaying debts in an orderly manner. Meanwhile, the Group will continue to ensure stable operation of its existing business lines, from construction projects in the asset management business to the development of automobile e-commerce business. The Group will both continue to leverage its strength and core competencies and adopt a prudent approach to the asset management business, by closely monitoring the rapidly changing environment of the Chinese property market, seizing various opportunities to transact for valuable assets at a suitable time and ensuring steady income streams to generate satisfactory returns for shareholders. With the objective of reducing both the Group's borrowings and interest burden, the Group will continue to respond calmly and focus on active communication with creditors of all parties by pushing forward debt restructuring in their best interests.

In addition, given the resilient Chinese economy and wider policy support, the Group are also cautiously optimistic about the gradual recovery of the property industry and market confidence in 2023. It is expected that the revenue will increase steadily in 2023.



## **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 2023.

## **DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES**

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

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

Pursuant to the Reorganisation Agreement, the Group agreed to provide financial assistance to Zhangcheng and its subsidiaries (“Zhangcheng Group”) with a cap of RMB750,000,000 (the “Debts”). As at 30 June 2023, the net outstanding principal amount was approximately RMB732,538,000.

The principal terms of Debts are as follows:

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



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A condensed consolidated statement of financial position of the Zhongcheng Group as at 30 June 2023 is set out below:

|                     | <i>RMB'000</i>        |
|---------------------|-----------------------|
| Current assets      | 1,572,050             |
| Non-current assets  | 56,637                |
| Current liabilities | <u>(924,850)</u>      |
| Net assets          | <u><u>703,837</u></u> |
| Share capital       | 100,000               |
| Reserves            | <u>603,837</u>        |
| Total equity        | <u><u>703,837</u></u> |

As at 30 June 2023, the Group's attributable interest in the Zhongcheng Group amounted to approximately RMB344,880,000.

#### **CHANGE OF DIRECTORS**

On 15 May 2023, Mr. Chen Naike has resigned as an independent non-executive Director of the Company.

On 15 May 2023, (i) Mr. Tong Lu has been appointed as an executive Director of the Company; and (ii) Ms. Chuang Yin Lam has been appointed as an independent non-executive Director of the Company.

#### **DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY**

As at 30 June 2023, 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**

| <b>Name of Director</b>        | <b>Capacity/<br/>Nature of interest</b>                 | <b>Number of<br/>Shares</b> | <b>Approximate<br/>percentage of<br/>the total issued<br/>share capital of<br/>the Company</b> |
|--------------------------------|---|-----------------------------|--|
| Mr. Ng Chi Chung<br>("Mr. Ng") | Interest in controlled<br>corporation ( <i>Note 1</i> ) | 36,306,000                  | 0.42%  |

*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 36,306,000 Shares under the SFO.

Save as disclosed above, as at 30 June 2023, 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 2023, 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/<br>Nature of interest                            | Number of<br>Shares | Approximate<br>percentage of<br>the total issued<br>share capital of<br>the Company |
|--|--|---------------------|---|
| Mr. Hong Mingxian<br>("Mr. Hong")                            | Interest in controlled<br>corporation ( <i>Note 1</i> )    | 1,300,000,000       | 15.08%  |
| Expert Corporate<br>Limited<br>("Expert Corporate")          | Beneficial owner ( <i>Note 1</i> )                         | 1,300,000,000       | 15.08%  |
| Ms. Shi Hongjiao<br>("Ms. Shi")                              | Interest of spouse ( <i>Note 2</i> )                       | 1,300,000,000       | 15.08%  |
| Huatai Securities Co., Ltd                                   | Interest in controlled<br>corporation<br>( <i>Note 3</i> ) | 516,488,000         | 5.99%   |
| Huatai International<br>Financial Holding<br>Company Limited | Interest in controlled<br>corporation<br>( <i>Note 3</i> ) | 516,488,000         | 5.99%   |
| Huatai Financial Holdings<br>(Hong Kong) Limited             | Beneficial owner   | 516,488,000         | 5.99%   |
| Tianjin Binhai Rural<br>Commercial Bank<br>Corporation       | Person having a security<br>interest in shares             | 1,300,000,000       | 15.08%  |



*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 1,300,000,000 Shares under the SFO.
2. Ms. Shi is the spouse of Mr. Hong.
3. These Shares were held by Huatai Financial Holdings (Hong Kong) Limited.

Save as disclosed above and as at 30 June 2023, 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 RMB549.1 million and RMB429.2 million as at 30 June 2023 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 4 July 2023, the Company and Great Manners Enterprises Limited ("the Investor") have entered into a non-legally binding memorandum of understanding, pursuant to which, the Investor has agreed to arrange for provision of restructuring financing to the Company for facilitating the preparation of the debt restructuring plan.

On 20 June 2023, the Company was served with a winding-up petition (the "Petition") from a creditor issued with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "High Court") for the winding-up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) under Companies Winding-up Proceedings No. 266 of 2023, in relation to demand for the repayment of the principal amount and interest accrued of a bond in the aggregate amount of HK\$6,030,000. A hearing of the Petition before a Master of the High Court was held on 23 August 2023, at which, the hearing of the Winding-up Petition before Master of the High Court is further adjourned to 20 September 2023.



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As at the date of this report, the Company is still in discussion and negotiations with the Investor and certain creditors regarding the terms and conditions of the debt restructuring plan.

### **INTERIM DIVIDENDS**

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

### **HUMAN RESOURCES**

As at 30 June 2023, the Group had a total of 230 employees (31 December 2022: 336). The staff costs (included Directors' emoluments) were approximately RMB22.2 million for the six months ended 30 June 2023 (2022: RMB31.7 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 report, there was no specific plan for material investments or capital assets as at 30 June 2023 (2022: Nil).

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2023, the Group had total cash and bank balances and current restricted bank deposits of approximately RMB205.9 million (31 December 2022: RMB168.9 million). The gearing ratio, calculated as percentage of total borrowings to the total assets of the Group was 24.1% as at 30 June 2023 (31 December 2022: 16.4%). The current ratio is 1.08 times as at 30 June 2023 (31 December 2022: 1.02 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.



On 17 April 2023, pursuant to a placing agreement (“Placing Agreement”), the Company agreed to place up to an aggregate of 1,441,677,576 ordinary shares (“Placing Shares”) of the Company to not less than six places who and whose beneficial owners are Independent Third Parties at the Placing Price of HK\$0.140 per Placing Share (“Placing Price”) (“Placing”). The Placing Price represented a discount of approximately 6.67% to the closing price of HK\$0.15 per share as quoted on the Stock Exchange on the date of the Placing Agreement.

A total of 1,407,132,000 Placing Shares have been successfully placed to not less than six places and was completed on 9 May 2023. The gross proceeds and the net proceeds received, after share issue expenses, was HK\$196,998,480 (equivalent to approximately RMB177,299,000) and HK\$190,869,155 (equivalent to approximately RMB171,782,000) respectively. The transaction results in an increase of issue share capital (nominal value of shares) and share premium by HK\$3,517,830 (equivalent to approximately RMB3,166,000) and HK\$187,351,325 (equivalent to approximately RMB168,616,000) respectively.

The Board consider that the Placing represents a good opportunity for the Company to raise additional funds for the operating expenses of the Group and to strengthen the Group’s financial position, while broadening the capital base of the Company so as to maintain a healthy working capital position for alleviating the Group’s liquidity pressure. The Placing will also broaden the Company’s shareholder base with an aim of improving the liquidity of the Shares. The Company intended to use the net proceeds of approximately HK\$100.0 million from the Placing for the repayment of indebtedness of the Group and approximately HK\$90.7 million for general working capital of the Group. The Company has used the net proceeds of approximately HK\$104.0 million and HK\$84.9 million for the repayment of indebtedness of the Group and general working capital for the six months ended 30 June 2023 respectively. The Company considers to utilise the remaining net proceeds of approximately HK\$2 million for general working capital by 31 December 2023.

## **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.



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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 4.64% 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**

As at 30 June 2023, the Group's restricted bank deposits of approximately RMB110.3 million (31 December 2022: RMB142.6 million) were mainly pledged to secure for construction of pre-sale properties and the Group's facilities of providing guarantee services to the customers.

As at 30 June 2023, the Group's inventories of properties with carrying amount of RMB1,365.7 million (31 December 2022: RMB1,427.0 million), property, plant and equipment with carrying amount of RMB560.3 million (31 December 2022: Nil), investment properties with carrying amount of RMB745.9 million (31 December 2022: RMB769.8 million) and 100% share equity of a subsidiary (31 December 2022: 100% share equity of a subsidiary) were pledged to secure for bank and other borrowings with carrying amount approximately RMB1,158.8 million and financial related services business in PRC (31 December 2022: bank and other borrowings with carrying amount approximately RMB373.5 million and financial related services business in PRC).

### **PURCHASE, SALE OR REDEMPTION OF THE SECURITIES**

During the six months ended 30 June 2023, 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 2023, the Company had complied with the CG Code with the exception from the deviation from the code provisions C.1.8 and C.2.1 (respectively relating to directors' insurance and segregation of chairman role) as explained below:

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

Under the code provision C.2.1, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. However, the roles of the Group's chairman and CEO are both performed by Mr. Ng. Although the responsibilities of the chairman and the CEO are vested in one person, all major decisions are made in consultation with the members of the Board. There are three executive Directors, 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 2023.

## **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 2023.



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**AUDIT COMMITTEE**

The audit committee of the Company currently comprises two independent non-executive directors, namely Mr. Chan Sing Nun (chairman of audit committee), Mr. Lam Kit Lam and one non-executive director, Mr. Kang Fuming. The unaudited consolidated results of the Group for the six months ended 30 June 2023 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, 29 August 2023