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DIT GROUP LIMITED
築友智造科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of DIT Group Limited (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

FINANCIAL SUMMARY

	For the year ended 31 December		
	2023	2022	Changes
	HK$'000	*HK$'000*	
Revenue	**867,161**	1,573,662	(44.9%)
Gross profit	**49,872**	261,934	(81.0%)
Loss for the year, attributable to	**(330,234)**	(153,575)	115.0%
— Owners of the Company	**(315,733)**	(148,150)	113.1%
— Non-controlling interests	**(14,501)**	(5,425)	167.3%

The Board does not recommend payment of any dividend for the year ended 31 December 2023 (31 December 2022: Nil).

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000
Revenue	*3*	**867,161**	1,573,662
Cost of sales		**(817,289)**	(1,311,728)
Gross profit		**49,872**	261,934
Government grants		**7,249**	16,930
Other income		**2,217**	12,199
Other losses — net		**(18,046)**	(9,439)
Selling and distribution expenses		**(67,414)**	(84,106)
Administrative expenses		**(166,953)**	(187,584)
Net impairment losses on financial assets		**(102,210)**	(85,383)
Share of losses of associates		**(4,935)**	(18,259)
Operating loss		**(300,220)**	(93,708)
Finance costs	*4*	**(65,530)**	(76,001)
Loss before income tax		**(365,750)**	(169,709)
Income tax credit	*5*	**35,516**	16,134
Loss for the year		**(330,234)**	(153,575)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2023

	Note	**Year ended 31 December 2023 *HK$'000***	Year ended 31 December 2022 *HK$'000*
Other comprehensive loss, which may be reclassified subsequently to profit or loss			
— Exchange differences arising on translation of			
— Foreign operations		**(31,542)**	(266,341)
— Associates		**(4,787)**	–
Other comprehensive loss for the year, net of tax		**(36,329)**	(266,341)
Total comprehensive loss for the year		**(366,563)**	(419,916)
Loss for the year, attributable to			
— Owners of the Company		**(315,733)**	(148,150)
— Non-controlling interests		**(14,501)**	(5,425)
		(330,234)	(153,575)
Total comprehensive loss for the year, attributable to			
— Owners of the Company		**(352,159)**	(414,696)
— Non-controlling interests		**(14,404)**	(5,220)
		(366,563)	(419,916)
Losses per share attributable to owners of the Company			
(expressed in HK$ cents per share)			
— Basic and diluted	*7*	**(10.18)**	(4.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Note	**As at 31 December 2023** *HK$'000*	As at 31 December 2022 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,733,620**	2,894,335
Right-of-use assets		**865,938**	894,791
Investment properties		**16,063**	16,344
Intangible assets		**33,209**	4,351
Deferred income tax assets		**113,673**	77,317
Investments in associates		**192,974**	209,593
Financial assets at fair value through profit or loss		**40,289**	41,002
		3,995,766	4,137,733
Current assets			
Inventories		**138,502**	143,180
Trade and other receivables and prepayments	*8*	**2,165,866**	2,328,642
Cash and cash equivalents		**9,286**	25,120
Restricted cash		**24,721**	55,251
		2,338,375	2,552,193
Total assets		**6,334,141**	6,689,926
EQUITY			
Equity attributable to owners of the Company			
Share capital (nominal value)		**1,240,438**	1,240,960
Reserves		**640,040**	987,916
		1,880,478	2,228,876
Non-controlling interests		**675,164**	689,568
Total equity		**2,555,642**	2,918,444

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December 2023

	Note	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
LIABILITIES			
Non-current liabilities			
Amount due to a related party		**79,281**	77,438
Deferred income		**1,539**	1,562
Deferred income tax liabilities		**14,955**	14,097
Lease liabilities		**2,899**	–
Borrowings		**841,256**	854,358
		939,930	947,455
Current liabilities			
Trade and other payables	9	**1,847,914**	1,792,277
Contract liabilities		**61,303**	72,342
Current income tax liabilities		**41,106**	41,275
Lease liabilities		**2,022**	1,401
Borrowings		**886,224**	916,732
		2,838,569	2,824,027
Total liabilities		**3,778,499**	3,771,482
Total equity and liabilities		**6,334,141**	6,689,926

NOTES:

1 GENERAL INFORMATION

DIT Group Limited (the "**Company**") was incorporated as an exempted company with limited liability in Bermuda on 28 February 1991 under the Companies Act 1981 of Bermuda and its issued shares (each a "**Share**") are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") starting from 25 July 1991.

The address of the registered office of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company in Hong Kong is Room A122D, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the "**Group**") are prefabricated construction work, decoration and landscaping services, granting licenses, consulting services and sales of equipment in the People's Republic of China (the "**PRC**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and rounded to the nearest thousand ("**HK$'000**"), unless otherwise stated.

As at 31 December 2023, the ultimate controlling shareholder of the Company is Mr. Wu Po Sum.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRs and HKCO

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(b) Going concern basis

The Group incurred a loss of HK$330,234,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group's current liabilities exceeded its current assets by HK$500,194,000. At the same date, the Group's current borrowings amounted to HK$886,224,000 while its cash and cash equivalents amounted to HK$9,286,000 only.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation (Continued)

(b) Going concern basis (Continued)

For the year ended 31 December 2023, the Group failed to repay multiple commercial bank borrowings amounted to RMB26,576,000 (equivalent to HK$29,326,000) in total according to the scheduled repayment dates, each of which constituted an event of default (collectively, "**Bank Borrowing Defaults**"). Such events of default resulted in the mentioned borrowings amounted to RMB272,915,000 (equivalents to HK$301,157,000) as at 31 December 2023 becoming immediately repayable if requested by the lenders, of which RMB26,576,000 (equivalent to HK$29,326,000) represented bank borrowings with scheduled repayment dates within one year, while the remaining RMB246,339,000 (equivalent to HK$271,831,000) represented the non-current portion with original maturity dates beyond 31 December 2023 that were reclassified as current liabilities.

As at 31 December 2023, there were various litigations against the Group which were claimed by certain suppliers with respect to overdue payables amounted to approximately RMB265,393,000 (equivalent to HK$292,863,000) in total.

Such conditions indicate that a material uncertainty exists that 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 ("**Directors**") have given careful considerations to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

(i) In respect of borrowings that are either overdue or in default (including the Bank Borrowing Defaults), the Group has been actively negotiating with the relevant lenders for the repayment, renewal and extension of the overdue borrowings. The Directors are confident to convince the relevant lenders not to exercise their rights to demand the Group's immediate repayment of the borrowings prior to their scheduled contractual repayment dates. Subsequent to 31 December 2023, the Group has repaid RMB260,000 (equivalent to HK$286,000) and successfully extended RMB355,000,000 (equivalent to HK$391,737,000) of these defaulted borrowings and the Directors believe that the Group will be able to timely fulfill the repayment schedules under the extended borrowing agreements.

(ii) The Group has also been negotiating with various banks and financial institutions to seek renewal, extension of the other existing borrowings and obtain new borrowings. The Directors believe that, given the Group's long-term relationship with the banks and financial institutions and the availability of the Group's long term assets as collateral for the borrowings, the Group will be able to renew or extend existing borrowings and obtain new borrowings when needed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation (Continued)

(b) Going concern basis (Continued)

(iii) In respect of the outstanding litigations for overdue payables to the Group's suppliers, the Group is negotiating with suppliers for revised repayment schedules and actively arranging settlement. Subsequent to 31 December 2023, certain overdue payables have been settled and the Directors are confident that the Group is able to reach revised repayment schedules with suppliers and settle the overdue payable accordingly.

(iv) The Group will continue to implement measures to increase the sales of its prefabricated construction units and decoration and landscaping services, and to speed up the collection of trade receivables.

(v) The Group will seek opportunities to dispose of certain assets and investments at reasonable prices to generate cash inflows and mitigate its liquidity pressure.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

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

(i) the successful negotiations with the Group's lenders in respect of the borrowings that were either overdue or in default, so that the relevant lenders will not exercise their contractual rights to demand immediate repayment of the borrowings; the timely repayments according to the scheduled repayment dates as stipulated in the extended borrowing agreements;

(ii) the successful negotiations with the banks and financial institutions for renewal of or extension for repayment of the other existing borrowings and the successful obtaining of additional new sources of financing as and when needed;

(iii) the successful settlement of litigation against the Group which were claimed by suppliers for overdue payables; and

(iv) the successful and timely implementation of the measures to increase the sales and speed up the collection of trade receivables, and the successful disposal of relevant assets and investments at reasonable prices and timely collection of the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation (Continued)

(b) Going concern basis (Continued)

Should the Group be unable to achieve the above-mentioned plans and measures and operate 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.

3 REVENUE

	Year ended 31 December 2023 *HK$'000*	Year ended 31 December 2022 *HK$'000*
Revenue from sales of prefabricated construction units	**673,389**	1,080,961
Revenue from decoration and landscaping services	**163,508**	376,750
Revenue from granting licenses	**–**	40,420
Revenue from consulting services	**5,722**	35,770
Revenue from sales of prefabricated construction equipments	**11,186**	26,013
Rental income	**13,356**	13,748
	867,161	1,573,662

4 FINANCE COSTS

	Year ended 31 December 2023 *HK$'000*	Year ended 31 December 2022 *HK$'000*
Interest expenses on borrowings	**78,945**	94,392
Finance charges on lease liabilities	**192**	4,046
Less: Interest capitalised	**(13,607)**	(22,437)
	65,530	76,001

5 INCOME TAX CREDIT

	Year ended 31 December 2023 *HK$'000*	Year ended 31 December 2022 *HK$'000*
Current income tax		
— PRC corporate income tax		
Current tax on profits for the year	**–**	11,575
Adjustments for current tax of prior periods	**959**	(541)
— Hong Kong profits tax	**–**	–
	959	11,034
Deferred income tax	**(36,475)**	(27,168)
Total income tax credit for the year	**(35,516)**	(16,134)

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% (year ended 31 December 2022: 16.5%) on the estimated assessable profit derived in Hong Kong for the year ended 31 December 2023.

PRC corporate income tax

Under the Corporate Income Tax Law of the PRC ("**CIT Law**"), the CIT rate applicable to the Group's subsidiaries established in mainland China is 25%, while certain subsidiaries are applicable to the preferential tax rate of 15%, those subsidiaries were required to apply for renewal every three years from first year of approval.

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Company's mainland China subsidiaries did not have plan for distributing dividend to the Company in the foreseeable future, thus no such withholding tax was accrued for the year ended 31 December 2023 (year ended 31 December 2022: Nil).

6 DIVIDEND

The directors of the Company do not recommend of the payment of a dividend for the year ended 31 December 2023 and 2022.

7 LOSSES PER SHARE

(a) Basic

Basic losses per share for the year is calculated by dividing the consolidated losses of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December 2023	Year ended 31 December 2022
Consolidated losses attributable to owners of the Company *(HK$'000)*	**(315,733)**	(148,150)
Weighted average number of ordinary shares in issue *('000)*	**3,101,207**	3,102,400
Basic losses per share *(HK cents)*	**(10.18)**	(4.78)

(b) Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2023 and 2022, the calculation of diluted losses per share excluded the share options granted to directors, senior management and other employees on 30 November 2021, as their inclusion would have been anti-dilutive. Therefore, diluted losses per share for the year ended 31 December 2023 and 2022 are equal to respective basic losses per share.

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2023 *HK$'000*	As at 31 December 2022 *HK$'000*
Trade receivables — third parties	**1,302,603**	1,390,552
Trade receivables — related parties	**661,190**	854,898
Amounts due from related parties	**202,680**	56,867
Notes receivable	**45,545**	33,898
Prepayments — third parties	**34,378**	28,564
Prepayments — related parties	**65,052**	281
Land auction deposits	**3,608**	18,090
Value-added tax recoverable	**6,840**	15,379
Deposits	**16,412**	14,882
Receivables relating to disposal of subsidiaries	**1,868**	1,895
Government grants receivable	**–**	280
Others	**63,893**	52,029
	2,404,069	2,467,615
Less: Provision for impairment of trade and other receivables *(note (a))*	**(238,203)**	(138,973)
	2,165,866	2,328,642

note:

(a) As at 31 December 2023, such balance included provision for impairment of trade and notes receivables of HK$215,968,000 and provision for impairment of other receivables of HK$22,235,000 (31 December 2022: HK$125,562,000 and HK$13,413,000, respectively).

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

An ageing analysis of trade and notes receivables as at the end of the reporting period, from the date when they were recognised, is as follows:

	As at 31 December 2023 *HK$'000*	As at 31 December 2022 *HK$'000*
Less than 1 year	**872,697**	1,556,872
1 to 2 years	**1,031,270**	691,130
Over 2 years	**105,371**	31,346
	2,009,338	2,279,348

The maximum exposure to credit risk as at 31 December 2023 and 2022 is the carrying value of each class of receivables mentioned above.

As at 31 December 2023 and 2022, the fair values of trade and other receivables approximate their carrying amounts.

The carrying amounts of the Group's trade and other receivables and prepayments are denominated in the following currencies:

	As at 31 December 2023 *HK$'000*	As at 31 December 2022 *HK$'000*
HK$	**205,807**	4,080
RMB	**1,960,059**	2,324,562
	2,165,866	2,328,642

The creation of provision for impairment of receivables has been included in "Net impairment losses on financial assets" in the consolidated statement of profit or loss and other comprehensive income.

9 TRADE AND OTHER PAYABLES

	As at 31 December 2023 *HK$'000*	As at 31 December 2022 *HK$'000*
Trade payables — third parties	**1,256,727**	1,326,121
Trade payables — related parties	**27,208**	18,818
Accrued tax payable	**112,708**	104,877
Accrued payable for property, plant and equipment construction — related parties	**50,582**	92,773
Accrued payable for property, plant and equipment construction — third parties	**63,715**	43,334
Amounts due to related parties	**232,733**	63,466
Notes payable	**–**	34,016
Accrued payroll	**26,982**	28,179
Deposits	**8,845**	10,075
Provision for onerous contract	**–**	3,241
Interest payable	**12,316**	221
Others	**56,098**	67,156
	1,847,914	1,792,277

An ageing analysis of the trade payables as at the end of the reporting period, from the date when they were incurred, is as follows:

	As at 31 December 2023 *HK$'000*	As at 31 December 2022 *HK$'000*
Less than 1 year	**1,220,999**	1,279,795
1 to 2 years	**62,936**	65,144
	1,283,935	1,344,939

As at 31 December 2023 and 2022, the fair values of trade and other payables approximate their carrying amounts.

As at 31 December 2023 and 2022, the carrying amounts of trade and other payables are primarily denominated in Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, China's economy and society have resumed normal operation, with GDP growth of 5.2% year-on-year for the whole year, the slowest growth rate in 3 decades except for the three years of the pandemic. Affected by the deepening of international political and economic games, the intensifying of geopolitical conflicts, the continuous interest rate rise of the U.S. dollar, as well as the impact of multiple risk factors faced by the country, China's macroeconomic situation is facing complex and severe pressure: market confidence has not been fully restored, the real estate market has not yet stepped out of the shadow, and local governments are under high pressure to liquidate their debts.

During the year, the construction industry was severely impacted by the deep adjustment of the real estate industry and the continuing downturn in its fortunes. According to the National Bureau of Statistics, the total investment in the development of real estate nationwide amounted to approximately RMB11,091.3 billion in 2023, representing a year-on-year decline of approximately 9.6%; the gross new housing construction area even fell by 20.4%. According to incomplete statistics, about 1,600 construction or labour enterprises went bankrupt throughout the year. These figures are a stark reminder of the difficult operating environment of the construction industry. Factors such as increasing pressure on local government debt and environmental changes in the real estate industry have brought huge operating pressure to the construction industry. The severe survival crisis has forced the industry to accelerate consolidation. Dragged down by the real estate market, the competition in the precast concrete (the "**PC**") industry has further heated up. The industry has been experiencing a rapid downturn, and the operation of companies was not optimistic, which forced them to restructure and upgrade for survival. The investment scale of PC industry was shrinking, and enterprises were more focused on regional presence.

In the face of a complex and challenging external environment, the Group's operating results in 2023 were inevitably affected. For the year ended 31 December 2023, the Group's sales revenue amounted to approximately HK$867 million, representing a year-on-year decrease of approximately 44.9%; Its gross profit was approximately HK$50 million, representing a year-on-year decrease of approximately 81.0%. The net loss attributable to the parent company was approximately HK$316 million, representing a year-on-year increase of approximately 113.1%.

I. Active adjustment of operating strategies to ensure the quality of our business development

In 2023, with the shrinking of the traditional housing market, the construction industry faced a huge dilemma, and the PC industry was plagued by serious overcapacity. They had to seek a way out successively. In order to adapt to the new changes in the situation, the Group rose to the challenge, to alleviate the crisis by actively adjusting its operating strategies and promoting the innovation and transformation of the prefabricated construction industry and bring new impetus to its revenue. Currently, it has made certain progress.

In the face of the unstable economic situation, the Group continued to enhance cooperation with state-owned enterprises in the PC business to better safeguard operational security. For the year ended 31 December 2023 (the "**Reporting Year**"), the Group's orders from state-owned enterprises increased to RMB547 million, accounting for 31% of the total orders. In addition, the Group has been actively seeking for new ideas and changes, and has endeavoured to revitalise its existing assets and make up for the economic losses caused by the predicament in new areas. During the Reporting Year, the newly developed wind power tower business of DIT Group obtained RMB117 million of wind power tower orders for the year, accounting for 7% of the total orders.

In addition to business innovation, the Group also focused on overseas market development and made a breakthrough in the Hong Kong market. During the Reporting Year, the Group's Huizhou factory once again signed a contract with Duowei Creative Construction Company Limited (多惟創作建築有限公司) for the production of prefabricated construction components in Hong Kong. Recently, DIT Group has signed a new strategic cooperation agreement of RMB700 million with Huizhou Prefabricated Construction Supply Coalition for Hong Kong to further expand the business market of PC components.

II. Responding calmly to the market changes, and focusing on the quality development of traditional PC business

During the Reporting Year, the Group maintained quality development in its traditional PC business based on its competitive advantages and industry leading position of the PC business. As of 31 December 2023, the Group had 19 PC factories and a prefabricated decoration industrial park nationwide, with a designed production capacity of 1.34 million cubic meters. In the whole year of 2023, the contract sales of PC components were approximately RMB1,632 million, representing a year-on-year decrease of approximately 34%; The output of PC components was approximately 297,000 cubic meters, representing a year-on-year decrease of approximately 21.4%; The sales volume of PC components was approximately 294,000 cubic meters, representing a year-on-year decrease of approximately 23.0%. In terms of PC components sales by regions, the percentage of the Central China, the Yangtze River Delta, the Greater Bay Area, and Henan Province was approximately 10%, 54%, 11% and 24% respectively, reflecting the national production capacity business planning. With respect to sales volumes of PC components by customers, construction companies accounted for approximately 98% and the government accounted for approximately 2%.

Considering the pressure of fund collection due to the difficulties in the domestic real estate industry, DIT Group has actively strengthened its cash flow management and stepped up its efforts in collecting accounts receivable, so as to ensure the repayment of funds and the safety of funds as far as possible. At the same time, relying on the support of the national policy, the Group was eligible to apply for government subsidies for high-tech enterprises, which helps to alleviate part of the economic pressure. In January 2023, the Drawin Intelligent Decoration Industry Park under the Group was awarded a research and development (the "**R&D**") subsidy for the year 2022. In September, DIT Group's Dengfeng factory was awarded a special subsidy for high quality development of manufacturing industry in Zhengzhou in 2022. In addition, the Group stepped up cooperation with state-owned enterprises to ensure operational security, and the orders for PC business from state-owned enterprises increased to RMB547 million, accounting for 31% of the total orders.

Despite the market pressure, DIT Group still held the principle of customers first and adhered to the integrity of performance, focusing on product quality, excellent service and environmental protection, and achieving perfect delivery of products. During the Reporting Year, the Group was recognised by the industry again and again and received relevant awards in the prefabricated construction industry. In December, DIT Group was awarded "2023 China Real Estate Chain Strategic Integrity Supplier" for the sixth consecutive year. In May, DIT Group's Qijiang factory was accredited as a "SME of Specialty, Refinement, Uniqueness and Novelty in Chongqing", the 11th factory of the Group obtaining this credit. As at the end of the Reporting Year, the Group has accumulated 15 factories in total that have been recognised as new high-tech enterprises and 11 provincial and municipal prefabricated bases, maintaining the upper-middle level of the industry. In terms of improving production quality, DIT Group has made 16 technical modifications to its factories in 2023 to effectively save resources and improve efficiency.

III. Focusing on scientific research to continuously promote innovation

The Group is committed to becoming a leading smart building comprehensive solution provider by always adhering to the development strategy of "being a technological leader", leveraging its own advantages with a leading core technology system, mastering the core technologies of digital intelligence such as BIM, Internet of Things, big data, and artificial intelligence in the field of smart buildings, and promoting the digitalisation of the prefabricated construction industry. As of 31 December 2023, the Group had a total of 1,973 patents and continued to rank first in the industry.

In terms of R&D, the Group actively took the lead in organising and participating in a number of thematic meetings to adhere to the notification documents and the reporting requirements of the Department of Industry and Information Technology, exchanging the latest industry development trends, and exploring the possibility of joint construction with a number of industry units and research institutes, and promoting the construction of carbon reduction as the goal of technological innovation. In January, DIT Group was invited to participate in the Seminar on Standardized Development of Prefabricated Construction in Henan Province, and made a presentation on "PC Intelligent Manufacturing Key Technology". In February, the "Henan Provincial Engineering Research Centre for Metaverse Application of Construction Engineering", jointly established by DIT Intelligence, a subsidiary of DIT Group, and Henan University of Finance, Economics and Law, was successfully selected as one of the 2022 Provincial Engineering Research Centres to be recognised for construction. At the end of April, DIT Group completed the application for the Henan Provincial Construction Industry Research Institute and was recommended by the Municipal Bureau of Industry and Information Technology. In June, the expert conference on "Construction Industrialisation Industrial Research Institute of Henan Province" led by DIT Group was successfully held. In November, DIT Group's Nanjing factory and School of Civil Engineering of Nanjing Forestry University held the signing ceremony of prefabricated construction practice base.

In terms of technological R&D innovation, the "Research Project on Carbon Emission Reduction Technology of Tightly Combined Prestressed Bidirectional Superposed Floor", an independent R&D project of DIT Group, has been successfully included in the 2023 science and technology planning project of the Department of Housing and Urban-Rural Development of Henan Province. DIT Group also signed a strategic cooperation agreement with Ningbo Uzao ("寧波優造") to start in-depth cooperation in the areas of prestressing technology integration and industrial logistics plants and use new technology systems to reduce costs, and participated in the compilation of the CECS standard "Technical Specifications on the Calculation of Carbon Emissions in the Whole Lifecycle of Prefabricated Construction". The Group firmly believes that it will be able to promote the industrialisation of intelligent construction through strong cooperation, independent R&D and integrated innovation.

IV. Multiple repurchases during the year to strengthen the Company's confidence in its development

In 2023, the Group made several repurchases of shares in the open market, totalling 240,000 shares with a repurchase amount of approximately HK$53,000. Since the announcement of the repurchase intention in September 2022 and as of 31 December 2023, the Group has repurchased 1,305,000 shares on the Hong Kong Stock Exchange, involving a total amount of approximately HK$490,000, and subsequently cancelled the repurchased shares. Share repurchases by the Group demonstrated its confidence in the Group's operating conditions, development prospects and long-term investment value. By returning capital to investors through share repurchases, the Group has effectively protected the interests of the general public, especially small and medium-sized investors, and provided investors with stable expectations and long-term investment returns for shareholders.

During the Reporting Year, with an excellent corporate governance structure and good investor relations, DIT Group was recognised by the capital market. In June, DIT Group won the "Best Investor Relations Company" award in the small cap category of the 9th Hong Kong Investor Relations Awards 2023 organised by the Hong Kong Investor Relations Association. In December, at the 8th Zhitong Caijing Capital Markets Theme Forum Cum Awards Ceremony, DIT Group was honoured to receive the "Most Valuable Industrial Manufacturing Company" award.

BUSINESS OUTLOOK AND STRATEGY

I. Orderly recovery of domestic economy with low-carbon green construction to facilitate the industry development

China's economy is undergoing structural repair, however, the uncertainties in the global economic and political environment are creating headwinds for China's economic recovery. As the real estate industry is a pillar industry of the national economy, the central government was clearly determined to stabilise the domestic real estate market and has continued to introduce a number of policies to stimulate the real estate market, including the launch of the "White List" scheme, to restore confidence in the real estate industry. However, it is believed that it will still take some time for the real estate market to fully return to the growth cycle.

At the same time, China insists on achieving the goal of "carbon peaking" by 2030 and "carbon neutrality" by 2060. As carbon emissions from the construction industry account for 51.3% of national carbon emissions, the prefabricated construction industry is seen as an important solution for energy saving and carbon reduction in the construction industry, which will help to achieve the dual-carbon target. As the "Prefabricated Construction Action Plan under the Fourteenth Five-Year Plan" announced by the Ministry of Housing and Urban-Rural Development of the People's Republic of China ("**MOHURD**") expressly indicated, prefabricated construction will account for 30% of the new GFA by 2025 and will account for 40% of the new GFA of urban-rural areas by 2030.

The State has continued to introduce a number of policies to support the steady development of prefabricated construction and vigorously promote green and smart construction. In December 2023, the National Conference on Housing and Urban-Rural Development was convened, pointing out that it would vigorously develop new construction methods, steadily promote the carbon peak work in the field of urban-rural construction, focus on the city pilots of smart construction, and steadily develop prefabricated construction; Many places in China have issued implementation opinions or plans on the development of smart construction. Against the backdrop of the "dual carbon" goals, the traditional construction industry will speed up upgrading and transformation and promote green construction methods. The prefabricated construction is becoming dominant in China's construction industry. The Group is expected to achieve gradual recovery as China intensifies its efforts to achieve high-quality development of the construction industry and promote the goal of "carbon peaking" and "carbon neutrality", together with the intensive implementation of policies related to prefabricated construction, and continuously growing market demand for prefabricated construction.

II. Taking advantages of the entire industry chain to expand the scale and quality of business development

The Group is committed to consolidating prefabricated construction business, and covering the full industry chain of PC components, landscaping and decoration to serve the whole lifecycle of prefabricated buildings. Leveraging on the Group's strengths in the entire industry chain and in response to the plan to increase the industrialisation rate of prefabricated construction from 2023 to 2025, the Group will tap into the construction industrialisation scenario in the future, seek breakthroughs in business expansion, expand the scale and quality of the Company's business and prioritise the development of key regions so as to continue to be a market leader in the core regions.

Moreover, the Group will continue to innovate its business development model by expanding the business types of PC components, such as prefabricated culverts, water conservancy projects, wind power towers, public utility networks and protective PC components along railways, to enrich the types of business orders and increase third-party customers. In addition to the business presence established in the Henan market, the Group has formally started its nationwide layout for its wind power tower business, striving for new business opportunities in new energy material manufacturing. At the same time, the Group will actively explore new infrastructure markets such as rural water conservancy facilities and municipal prefabricated facilities. In this way, the Group not only gives impetus to business development, but also enhances the capacity utilisation of the Group's factories and helps to promote energy-saving and carbon-reducing green buildings, thereby accelerating the upgrading and transformation of the construction industry.

As the Central Government of China proposed to advance the construction of affordable housing at the end of 2022, and the State Council has proposed to steadily promote the transformation of urban villages in megacities, it is expected that the policy will drive the growth of demand for prefabricated construction for their advantages of standardisation, industrialisation, energy saving and emission reduction. The Group will actively explore opportunities in the construction of affordable housing, public buildings, urban renewal, and infrastructure facilities, strengthen horizontal strategic cooperation with national platform companies and relevant institutions, seize business opportunities, and strive for cooperation at different levels to increase its market penetration of prefabricated construction.

III. Maximising leading technology advantages to accelerate the digital and intelligent transformation of the industry

By adhering to the development strategy of "Top Priority for Leading Edge of Technology", the Group will continue to invest in R&D to strengthen the research of cutting-edge technologies in the field of prefabricated construction, and implement the idea of technology marketing by applying R&D results, so as to provide good services close to the national policies and the local economic growth engines. As the first national key R&D program project hosted by the Group, based on the efficient connection technology of iterative plate members and semi-rigid connected prefabricated structure technology, the Group developed a new type of large-span prestressed iterative floor product and a hybrid dry-wet connection product with efficient prefabricated construction technology (RIFF system), and created a software system that integrates the data interoperability of the three phases of design, manufacturing and construction, which has already been granted a national patent. In addition, as the products developed under the project have broad market prospects and significant economic benefits, the Group aims to formalize their application and will continue to promote the extensive application of other scientific research results in actual projects to facilitate the sustainable development of the construction industry.

Focusing on the industrialisation approach, the Group is committed to using technological innovation and the introduction of achievements, choosing opportunities to enter the field of industrial and public construction, and using the RIFF system to promote the technology application of “Four New”, including new technologies, new processes, new materials and new equipment, so as to contribute to the development of the industry. In addition, the Group will focus on breaking through the R&D of new material manufacturing equipment technology in major equipment manufacturing, and will maintain its leading position in the industry through the release of technical specifications, digitisation of the entire industry chain, and intelligent PC equipment, which will give full play to its strengths in R&D.

At the same time, the Group has the most comprehensive and advanced digital management system in the industry, and is committed to building an innovative whole industry chain synergy model and realising the “Home Smart” strategy. Relying on the scientific and technological innovation and integration at the core production steps (i.e., design, manufacturing, and construction) of the whole prefabricated construction industry chain, it will achieve standardised design, factory manufacturing, professional construction, platform-based procurement, fine management, and intelligent operation in the entire industry chain by combining BIM technology, cloud computing, big data, Internet of things and other digital technologies through prefabrication. This leads to an overall upgrade of construction quality, schedule, and cost.

With respect to digital and intelligent transformation, the Group will continue to improve its manufacturing management platform, and online procurement and investment promotion platform, promote the construction of smart community R&D platform, and build product analysis models to support data decision making. By leveraging on both parties’ strengths in “digitalisation” and “industrialisation”, the Group will continue to work with Glodon to develop SaaS-based digital products, create overall digital solution for the prefabricated construction industry, integrate digitalisation and industrialisation of construction, and carry out industrialisation platform planning to promote the market launch of digital products. With the Group’s leading position in digital and intelligent transformation and the large room for system application, the Group will focus more on the application of the whole process information management system in the future, and plans to promote the digital system in the industry to serve more than 1,300 PC factories across the country, leading the transformation and upgrading of digitisation and intelligence in the construction industry.

The Group adheres to the principle of "new technology is recommended", and uses technological upgrades and steady technological reforms to trigger an industrial revolution in which the cost of prefabricated construction is equal to that of cast-in-place construction, so as to maintain the competitive edge of its traditional business with cost leadership. At the same time, the Group deeply believes that prefabricated construction is an important direction for the transformation and upgrading of the construction industry in the future. Therefore, it will be committed to closely integrating industrialised production and construction process with digitisation, and applying a large number of new technologies, new materials and new equipment to achieve the iteration and upgrade of quality, schedule and cost, so as to continuously form its own core competitiveness.

FINANCIAL REVIEW

Review of Results

The principal activities of the Group are prefabricated construction work, decoration and landscaping services, granting licenses, consulting services and sales of equipment in the People's Republic of China.

Revenue

The revenue of the Group decreased by approximately 44.9% from approximately HK$1,573.7 million for the year ended 31 December 2022 to approximately HK$867.2 million for the year ended 31 December 2023. The decrease in revenue was mainly due to (i) the decrease in revenue from technical and consulting licensing of approximately HK$70.5 million; (ii) the decrease in transactions of landscaping and decoration services of approximately HK$213.3 million; and (iii) the decrease in revenue from PC components of approximately HK$422.4 million. As a result, for year ended 31 December 2023, the Group recorded revenue from sales of prefabricated construction units of approximately HK$673.4 million (2022: approximately HK$1,081.0 million), revenue from decoration and landscaping services of approximately HK$163.5 million (2022: approximately HK$376.8 million), rental income of approximately HK$13.4 million (2022: approximately HK$13.7 million), revenue from sales of prefabricated construction equipments of approximately HK$11.2 million (2022: approximately HK$26.0 million), consulting services of approximately HK$5.7 million (2022: approximately HK$35.8 million), and no revenue from granting licenses (2022: approximately HK$40.4 million).

Cost of sales

The Group recorded cost of sales of approximately HK$817.3 million (2022: approximately HK$1,311.7 million) for the year ended 31 December 2023. The decrease was primarily attributable to the decline in revenue from the sales of prefabricated components and landscaping and decoration services, along with the corresponding decrease in cost of sales.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately HK$212.0 million from approximately HK$261.9 million for the year ended 31 December 2022 to approximately HK$49.9 million for the year ended 31 December 2023. The gross profit margin decreased to 5.8% in 2023 from 16.6% in 2022. The decrease in gross profit was mainly due to the fact that the unit price of PC components declined due to intensified market competition while amortisation costs per sq.m. increased due to the decreasing number of orders.

Other income

The other income of the Group decreased by approximately HK$10.0 million from approximately HK$12.2 million for the year ended 31 December 2022 to approximately HK$2.2 million for the year ended 31 December 2023. Other income mainly comprised of interest income arose from bank deposits of approximately HK$0.3 million, non-operating income (which included exchange gains of non-monetary assets, penalty income), other and investment gains (which included distributed dividend and profits) and other gains (which included refunded handled fees of income tax) totalling approximately HK$1.9 million.

Other losses — net

For the year ended 31 December 2023, other losses — net amounting to approximately HK$18.0 million is mainly comprised of (i) losses on disposal of property, plant and equipments of approximately HK$15.1 million; (ii) overdue interests to suppliers of approximately HK$2.1 million; and (iii) fair value gains on financial assets at fair value through profit or loss of approximately HK$1.4 million.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately HK$67.4 million (2022: approximately HK$84.1 million) for the year ended 31 December 2023. The decrease in expenses was primarily attributable to the decline in orders and deliveries of PC, leading to the decrease in transportation fees for product sales.

Administrative expenses

During the year ended 31 December 2023, the administrative expenses decreased by 11.0% to approximately HK$167.0 million from approximately HK$187.6 million for the year ended 31 December 2022, which was mainly attributable to the decrease in staff costs, service fees, etc.

Finance costs

Finance costs of approximately HK$65.5 million for the year ended 31 December 2023 represented (i) the interest expenses of approximately HK$78.9 million for the borrowings; (ii) the finance charges of approximately HK$0.2 million on the lease liabilities; and (iii) capitalisation of interest of approximately HK$13.6 million in plants under development for prefabricated construction business for the year ended 31 December 2023.

Liquidity and Financial Resources

As at 31 December 2023, the cash and cash equivalents of the Group amounted to approximately HK$9.3 million (2022: approximately HK$25.1 million) and the current ratio of the Group is 0.8 (2022: 0.9).

As at 31 December 2023, the borrowings of the Group amounted to approximately HK$1,733.3 million (31 December 2022: approximately HK$1,772.5 million) and the net gearing ratio, calculated as net debt divided by total equity, is 67.9% (2022: 59.9%).

FINAL DIVIDEND

Under the Dividend Policy, provided the Group is profitable and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the Shareholders. In deciding whether to propose a dividend and in determining the dividend amount, the board of directors of the Company shall take into account, among others, the operating results, cash flow, financial condition and capital requirements of the Group and the interests of the shareholders of the Company. Declaration of dividend by the Company is also subject to the laws of Bermuda, the bye-laws of the Company and any applicable laws, rules and regulations.

The Dividend Policy will continue to be reviewed from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

The Board does not recommend payment of any dividend for the year ended 31 December 2023 and 2022.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company ("**AGM**") is expected to be held on Tuesday, 21 May 2024. A notice convening the AGM will be published in due course in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 16 May 2024 to Tuesday, 21 May 2024, both dates inclusive, for the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 14 May 2024.

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices as the Board considers that good and effective corporate governance is essential for enhancing accountability and transparency of a company to the investing public and other stakeholders. During the year ended 31 December 2023, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix C1 (previously known as Appendix 14) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following:

(a) Code provision C.1.6 provides that non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to their respective business engagements, Mr. Wang Jun was unable to attend the annual general meeting of the Company held on 24 May 2023.

(b) Code provision C.1.6 provides that non-executive Directors and Independent non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to their respective business engagements, Mr. Wang Jun, Mr. Jiang Hongqing and Mr. Lee Chi Ming were unable to attend the special general meeting of the Company held on 20 September 2023. The Company will arrange video conference and ensure proper equipment are in place for such meetings in the future in order to provide more flexibility.

Save as disclosed above, the principles as set out in the Code have been applied in our corporate governance structure throughout the year ended 31 December 2023. The Board has taken actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the Code. The current practices are reviewed and updated regularly to be in line with the local and international corporate governance practices.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix C3 (previously known as Appendix 10) to the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to the specific enquiry made to all Directors by the Company, all the Directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2023, the Company repurchased 240,000 shares in total in open market on the Stock Exchange at a total consideration of approximately HK$53,000. All repurchased Shares were cancelled on 4 December 2023. Details of the Shares repurchased are as follows:

Month	Total number of Shares repurchased	Price paid per Share		Aggregate consideration
		Highest	Lowest	
		(HK$)	*(HK$)*	*(HK$)*
June 2023	240,000	0.244	0.205	53,000

The reason for implementing the Share repurchase is that the Board believes that the trading price of the Shares does not reflect their intrinsic value and that this is a good opportunity for the Company to repurchase the Shares, thereby increasing the value of the Shares and improving the return to Shareholders.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2023.

MATERIAL EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2023

As at the date of this announcement, there were no material events after the year ended 31 December 2023.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from the independent auditor of the Group on the consolidated financial statements of the Group for the year ended 31 December 2023.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 attention to note 2 to the consolidated financial statements, which mentions that the Group incurred a loss of HK$330,234,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group's current liabilities exceeded its current assets by HK$500,194,000. At the same date, the Group's current borrowings amounted to HK$886,224,000 while its cash and cash equivalents amounted to HK$9,286,000 only. For the year ended 31 December 2023, the Group failed to repay multiple commercial bank borrowings amounted to RMB26,576,000 (equivalent to HK$29,326,000) in total according to the scheduled repayment dates, each of which constituted an event of default (collectively, "**Bank Borrowing Defaults**"). Such events of default resulted in the mentioned borrowings amounted to RMB272,915,000 (equivalents to HK$301,157,000) as at 31 December 2023 becoming immediately repayable if requested by the lenders, of which RMB26,576,000 (equivalent to HK$29,326,000) represented bank borrowings with scheduled repayment dates within one year, while the remaining RMB246,339,000 (equivalent to HK$271,831,000) represented the non-current portion with original maturity dates beyond 31 December 2023 that were reclassified as current liabilities.

As at 31 December 2023, there were various litigations against the Group which were claimed by certain suppliers with respect to overdue payables amounted to approximately RMB265,393,000(equivalent to HK$292,863,000) in total. Such conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Lee Chi Ming, Mr. Jiang Hongqing and Mr. Ma Lishan. The Audit Committee has reviewed with the management of the Company, the audited annual results of the Group for the year ended 31 December 2023 and considered that they were prepared in compliance with the relevant accounting standards.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT

This audited annual results announcement is published on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://dit.aconnect.com.hk). The Company's 2023 annual report containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board of
DIT Group Limited
Guo Weiqiang
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 26 March 2024

As at the date of this announcement, the Board comprises Mr. Guo Weiqiang (Chairman) and Ms. Wang Jing as executive directors; Ms. Wu Wallis (alias Li Hua), Mr. Wang Jun and Mr. Guo Jianfeng as non-executive directors; Mr. Jiang Hongqing, Mr. Lee Chi Ming and Mr. Ma Lishan as independent non-executive directors.