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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)**

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

|   | Six months ended 30 June |          | Changes<br>HK\$'000 |
|---|--------------------------|----------|---------------------|
|   | 2023                     | 2022     |                     |
|   | HK\$'000                 | HK\$'000 |                     |
| Revenue   | <b>519,569</b>           | 825,926  | (306,357)           |
| Gross profit  | <b>63,442</b>            | 198,224  | (134,782)           |
| Gross profit margin   | <b>12.2%</b>             | 24.0%    | (11.8)*             |
| (Loss)/profit attributable to owners of the Company         | <b>(99,712)</b>          | 20,969   | (120,681)           |
| Basic and diluted (loss)/earnings per share<br>(HK\$ cents) | <b>(3.21)</b>            | 0.68     | (3.89)              |

*Note: \* Change in percentage point*

The Board did not recommend any payment of dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of DIT Group Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”) with comparative figures for the corresponding period of 2022 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2023*

|  | <i>Notes</i> | <b>Six months ended 30 June</b>                      |  |
|--|--------------|--|--|
|  |              | <b>2023</b><br><i>HK\$'000</i><br><b>(unaudited)</b> | <b>2022</b><br><i>HK\$'000</i><br><b>(unaudited)</b> |
| <b>Revenue</b>   | 4            | <b>519,569</b>                                       | 825,926  |
| Cost of sales  | 7            | <u><b>(456,127)</b></u>                              | <u>(627,702)</u>                                     |
| <b>Gross profit</b>  |              | <b>63,442</b>  | 198,224  |
| Government grants  |              | <b>2,876</b>   | 10,350   |
| Other income   | 5            | <b>750</b>   | 9,161  |
| Other (losses)/gains — net   | 6            | <b>(1,562)</b>                                       | 643  |
| Selling and distribution expenses  | 7            | <b>(37,665)</b>                                      | (43,805)   |
| Administrative expenses  | 7            | <b>(69,381)</b>                                      | (95,268)   |
| Share of losses of associates  |              | <b>(6,062)</b>                                       | (8,809)  |
| Net impairment losses on financial assets  |              | <u><b>(12,600)</b></u>                               | <u>(7,292)</u>                                       |
| <b>Operating (loss)/profit</b>   |              | <b>(60,202)</b>                                      | 63,204   |
| Finance costs  |              | <u><b>(42,971)</b></u>                               | <u>(32,124)</u>                                      |
| <b>(Loss)/profit before income tax</b>   |              | <b>(103,173)</b>                                     | 31,080   |
| Income tax expenses  | 8            | <u><b>(2,860)</b></u>                                | <u>(10,896)</u>                                      |
| <b>(Loss)/profit for the period</b>  |              | <u><b>(106,033)</b></u>                              | <u>20,184</u>  |
| <b>(Loss)/profit for the period, attributable to</b>   |              |  |  |
| — Owners of the Company  |              | <b>(99,712)</b>                                      | 20,969   |
| — Non-controlling interests  |              | <u><b>(6,321)</b></u>                                | <u>(785)</u>   |
|  |              | <u><b>(106,033)</b></u>                              | <u>20,184</u>  |
| <b>Earnings per share attributable to owners of the Company</b><br>(expressed in HK\$ cents per share) |              |  |  |
| — Basic and diluted  | 10           | <u><b>(3.21)</b></u>                                 | <u>0.68</u>  |

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

*For the six months ended 30 June 2023*

|   | <b>Six months ended 30 June</b> |                         |
|---|---------------------------------|-------------------------|
|   | <b>2023</b>                     | 2022                    |
|   | <i>HK\$'000</i>                 | <i>HK\$'000</i>         |
|   | (unaudited)                     | (unaudited)             |
| <b>(Loss)/profit for the period</b>   | <b><u>(106,033)</u></b>         | <b><u>20,184</u></b>    |
| <b>Other comprehensive loss, which may be<br/>reclassified subsequently to profit or loss</b> |                                 |                         |
| — Currency translation differences  | <u>(89,899)</u>                 | <u>(139,913)</u>        |
| Other comprehensive loss for the period, net of tax   | <u>(89,899)</u>                 | <u>(139,913)</u>        |
| <b>Total comprehensive loss for the period</b>  | <b><u>(195,932)</u></b>         | <b><u>(119,729)</u></b> |
| <b>Total comprehensive (loss) for the period,<br/>attributable to</b>                         |                                 |                         |
| — Owners of the Company   | (189,872)                       | (118,968)               |
| — Non-controlling interests   | <u>(6,060)</u>                  | <u>(761)</u>            |
|   | <b><u>(195,932)</u></b>         | <b><u>(119,729)</u></b> |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

|  |             | <b>30 June</b>          | 31 December             |
|--|-------------|-------------------------|-------------------------|
|  |             | <b>2023</b>             | 2022                    |
|  |             | <i>HK\$'000</i>         | <i>HK\$'000</i>         |
|  | <i>Note</i> | <b>(unaudited)</b>      | (audited)               |
| <b>ASSETS</b>  |             |                         |                         |
| <b>Non-current assets</b>                                |             |                         |                         |
| Property, plant and equipment                            |             | 2,753,872               | 2,894,335               |
| Right-of-use assets                                      |             | 860,299                 | 894,791                 |
| Investment properties                                    |             | 15,788                  | 16,344                  |
| Intangible assets  |             | 4,065                   | 4,351                   |
| Deferred income tax assets                               |             | 76,419                  | 77,317                  |
| Investments in associates                                |             | 197,249                 | 209,593                 |
| Financial assets at fair value through<br>profit or loss |             | 39,725                  | 41,002                  |
|  |             | <u>3,947,417</u>        | <u>4,137,733</u>        |
| <b>Current assets</b>                                    |             |                         |                         |
| Inventories  |             | 147,916                 | 143,180                 |
| Trade and other receivables and prepayments              | <i>11</i>   | 2,404,512               | 2,328,642               |
| Cash and cash equivalents                                |             | 12,950                  | 25,120                  |
| Restricted cash  |             | 24,506                  | 55,251                  |
|  |             | <u>2,589,884</u>        | <u>2,552,193</u>        |
| <b>Total assets</b>                                      |             | <u><u>6,537,301</u></u> | <u><u>6,689,926</u></u> |
| <b>EQUITY</b>  |             |                         |                         |
| <b>Equity attributable to owners of the Company</b>      |             |                         |                         |
| Share capital (nominal value)                            |             | 1,240,960               | 1,240,960               |
| Reserves   |             | 799,860                 | 987,916                 |
|  |             | <u>2,040,820</u>        | <u>2,228,876</u>        |
| <b>Non-controlling interests</b>                         |             | <u>683,508</u>          | <u>689,568</u>          |
| <b>Total equity</b>                                      |             | <u><u>2,724,328</u></u> | <u><u>2,918,444</u></u> |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)**As at 30 June 2023*

|                                     |              | <b>30 June</b>     | 31 December     |
|-------------------------------------|--------------|--------------------|-----------------|
|                                     |              | <b>2023</b>        | 2022            |
|                                     |              | <b>HK\$'000</b>    | <b>HK\$'000</b> |
|                                     | <i>Notes</i> | <b>(unaudited)</b> | (audited)       |
| <b>LIABILITIES</b>                  |              |                    |                 |
| <b>Non-current liabilities</b>      |              |                    |                 |
| Amount due to a related party       |              | <b>79,018</b>      | 77,438          |
| Deferred income                     |              | <b>1,513</b>       | 1,562           |
| Deferred income tax liabilities     |              | <b>13,443</b>      | 14,097          |
| Lease liabilities                   |              | <b>2,760</b>       | –               |
| Borrowings                          | <i>13</i>    | <b>1,079,528</b>   | 854,358         |
|                                     |              | <b>1,176,262</b>   | 947,455         |
| <b>Current liabilities</b>          |              |                    |                 |
| Trade and other payables            | <i>12</i>    | <b>1,840,665</b>   | 1,792,277       |
| Contract liabilities                |              | <b>97,141</b>      | 72,342          |
| Current income tax liabilities      |              | <b>44,022</b>      | 41,275          |
| Lease liabilities                   |              | <b>3,026</b>       | 1,401           |
| Borrowings                          | <i>13</i>    | <b>651,857</b>     | 916,732         |
|                                     |              | <b>2,636,711</b>   | 2,824,027       |
| <b>Total liabilities</b>            |              | <b>3,812,973</b>   | 3,771,482       |
| <b>Total equity and liabilities</b> |              | <b>6,537,301</b>   | 6,689,926       |

## NOTES:

### 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 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, and in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

#### Going concern basis

As at 30 June 2023, the Group’s current liabilities exceeded its current assets by HK\$46,789,000. At the same date, the Group’s current borrowings amounted to HK\$651,857,000 while its cash and cash equivalents amounted to HK\$12,950,000 only.

For the six months ended 30 June 2023, the Group failed to repay multiple commercial bank borrowings amounted to RMB156,074,000 (equivalent to HK\$169,281,000) 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 RMB605,660,000 (equivalents to HK\$654,113,000) as at 30 June 2023 becoming immediately repayable if requested by the lenders, of which RMB182,670,000 (equivalent to HK\$197,284,000) represented bank borrowings with scheduled repayment dates within one year, while the remaining RMB422,990,000 (equivalent to HK\$456,829,000) represented the non-current portion with original maturity dates beyond 30 June 2023 that were reclassified as current liabilities.

As at 30 June 2023, there were various litigations against the Group which were claimed by certain suppliers with respect to overdue payables amounted to approximately RMB17,068,000 (equivalent to HK\$18,512,000) 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 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 30 June 2023, the Group has repaid RMB33,380,000 (equivalent to HK\$36,205,000) and successfully extended RMB122,694,000 (equivalent to HK\$133,076,000) of these defaulted borrowings and the Directors believe that the Group will be able to timely fulfil 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.
- (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 30 June 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 30 June 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 30 June 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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those of the annual consolidated financial statements of the Company for the year ended 31 December 2022, as described in those annual financial statements, except for estimation of income tax for the interim periods using the tax rate that would be applicable to expected total annual earnings, and the adoption of the new and amended standards of HKFRSs effective for the financial year ending 31 December 2023, which did not have any significant impact on the Group's financial statements and did not require retrospective adjustments.

There are no standards, amendments and interpretations to existing standards that are not effective and would be expected to result in any significant impact on the Group's financial positions and results of operations.

## 3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

The Group is managed centrally and the Directors are of the view that the whole Group is one single business segment and hence no segment information is presented.

## 4. REVENUE

|   | Six months ended 30 June |                |
|---|--------------------------|----------------|
|   | 2023                     | 2022           |
|   | HK\$'000                 | HK\$'000       |
|   | (unaudited)              | (unaudited)    |
| Revenue from sales of prefabricated construction units      | 393,734                  | 585,578        |
| Revenue from decoration and landscaping services            | 110,767                  | 154,061        |
| Rental income   | 8,135                    | 9,710          |
| Revenue from consulting services                            | 4,376                    | 24,341         |
| Revenue from sales of prefabricated construction equipments | 2,557                    | 10,325         |
| Revenue from granting licenses                              | —                        | 41,911         |
|   | <u>519,569</u>           | <u>825,926</u> |



## 5. OTHER INCOME

|  | Six months ended 30 June |                 |
|--|--------------------------|-----------------|
|  | 2023                     | 2022            |
|  | <i>HK\$'000</i>          | <i>HK\$'000</i> |
|  | (unaudited)              | (unaudited)     |
| Interest income on bank deposits         | 311                      | 1,706           |
| Financing component from a related party | –                        | 6,461           |
| Dividends                                | –                        | 577             |
| Others                                   | 439                      | 417             |
|  | <u>750</u>               | <u>9,161</u>    |

## 6. OTHER (LOSSES)/GAINS — NET

|                                 | Six months ended 30 June |                 |
|---------------------------------|--------------------------|-----------------|
|                                 | 2023                     | 2022            |
|                                 | <i>HK\$'000</i>          | <i>HK\$'000</i> |
|                                 | (unaudited)              | (unaudited)     |
| Gains on disposal of equipments | 159                      | 45              |
| Net exchange (losses)/gain      | (15)                     | 205             |
| Others                          | (1,706)                  | 393             |
|                                 | <u>(1,562)</u>           | <u>643</u>      |

## 7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

|   | Six months ended 30 June |                |
|---|--------------------------|----------------|
|   | 2023                     | 2022           |
|   | HK\$'000                 | HK\$'000       |
|   | (unaudited)              | (unaudited)    |
| Raw materials and consumables used  | 213,606                  | 334,193        |
| Changes in inventories of finished goods, goods in transit and work in progress       | 11,362                   | 11,928         |
| Employee benefits expenses  | 63,028                   | 122,166        |
| Labour outsourcing  | 26,830                   | 33,895         |
| Subcontracting charges in relation to decoration and landscaping services             | 98,503                   | 103,614        |
| Depreciation  | 61,372                   | 67,971         |
| Amortisation of right-of-use assets   | 13,106                   | 14,892         |
| Transportation  | 25,741                   | 34,475         |
| Land use tax and value-added tax surcharges   | 11,572                   | 11,964         |
| Legal and professional fees   | 5,707                    | 9,411          |
| Entertainment and travelling expenses   | 2,118                    | 3,520          |
| Repairs and maintenance   | 1,419                    | 2,185          |
| Office expenses   | 369                      | 599            |
| Provision for inventories impairment  | 229                      | 65             |
| Others  | 28,211                   | 15,897         |
|   | <u>28,211</u>            | <u>15,897</u>  |
| Total of cost of sales, selling and distribution expenses and administrative expenses | <u>563,173</u>           | <u>766,775</u> |

## 8. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits in Hong Kong for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil). Taxation on PRC profits is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Under the Corporate Income Tax ("CIT") Law of the PRC, 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%.

|   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2023                     | 2022          |
|   | HK\$'000                 | HK\$'000      |
|   | (unaudited)              | (unaudited)   |
| Current income tax — PRC corporate income tax | 4,648                    | 6,914         |
| Deferred income tax                           | (1,788)                  | 3,982         |
|   | <u>2,860</u>             | <u>10,896</u> |
| Total income tax expenses for the period      | <u>2,860</u>             | <u>10,896</u> |

## 9. DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## 10. EARNINGS PER SHARE

### (a) Basic

Basic (losses)/earnings per share for the period is calculated by dividing the consolidated (loss)/profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2023                     | 2022        |
|   | (unaudited)              | (unaudited) |
| Consolidated (loss)/profit attributable to owners of the Company (HK\$'000) | (99,712)                 | 20,969      |
| Weighted average number of ordinary shares in issue ('000)                  | 3,102,401                | 3,102,401   |
| Basic (losses)/earnings per share (HK cents)                                | <u>(3.21)</u>            | <u>0.68</u> |

**(b) Diluted**

Diluted earnings 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 six months ended 30 June 2023 and 2022, the calculation of diluted earnings per share excluded the share options granted to directors, senior management and other employees on 30 November 2020, as their inclusion would have been antidilutive. Therefore, diluted earnings per share for the six months ended 30 June 2023 and 2022 is equal to basic earnings per share.

**11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

|   | <b>As at<br/>30 June<br/>2023<br/>HK\$'000<br/>(unaudited)</b> | <b>As at<br/>31 December<br/>2022<br/>HK\$'000<br/>(audited)</b> |
|---|--|--|
| Trade receivables — third parties                             | <b>1,295,772</b>   | 1,390,552  |
| Trade receivables — related parties                           | <b>850,755</b>   | 854,898  |
| Amounts due from related parties                              | <b>114,600</b>   | 56,867   |
| Prepayments   | <b>55,435</b>  | 28,845   |
| Notes receivable  | <b>21,312</b>  | 33,898   |
| Deposits  | <b>15,593</b>  | 14,882   |
| Value-added tax recoverable                                   | <b>11,501</b>  | 15,379   |
| Land auction deposits   | <b>10,663</b>  | 18,090   |
| Receivables relating to disposal of subsidiaries              | –  | 1,895  |
| Government grants receivable                                  | –  | 280  |
| Others  | <b>175,607</b>   | 52,029   |
|   | <b>2,551,238</b>   | 2,467,615  |
| Less: Provision for impairment of trade and other receivables | <b>(146,726)</b>   | (138,973)  |
|   | <b>2,404,512</b>   | 2,328,642  |

The ageing analysis of trade receivables as at 30 June 2023 and 31 December 2022 based on the invoice issue date or demand note were as follows:

|                  | <b>As at<br/>30 June<br/>2023<br/><i>HK\$'000</i><br/>(unaudited)</b> | As at<br>31 December<br>2022<br><i>HK\$'000</i><br>(audited) |
|------------------|---|--|
| Less than 1 year | <b>1,931,706</b>  | 2,173,283  |
| 1 to 2 years     | <b>209,574</b>  | 74,719   |
| Over 2 years     | <b>26,559</b>   | 31,346   |
|                  | <b><u>2,167,839</u></b>   | <u>2,279,348</u>   |

The maximum exposure to credit risk as at 30 June 2023 and 31 December 2022 is the carrying value of each class of receivables mentioned above.

As at 30 June 2023 and 31 December 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:

|      | <b>As at<br/>30 June<br/>2023<br/><i>HK\$'000</i><br/>(unaudited)</b> | As at<br>31 December<br>2022<br><i>HK\$'000</i><br>(audited) |
|------|---|--|
| HK\$ | <b>1,776</b>  | 4,080  |
| RMB  | <b>2,402,736</b>  | 2,324,562  |
|      | <b><u>2,404,512</u></b>   | <u>2,328,642</u>   |

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

## 12. TRADE AND OTHER PAYABLES

|   | As at<br>30 June<br>2023<br><i>HK\$'000</i><br>(unaudited) | As at<br>31 December<br>2022<br><i>HK\$'000</i><br>(audited) |
|---|--|--|
| Trade payables — third parties  | 1,245,966  | 1,326,121  |
| Trade payables — related parties  | 13,133   | 18,818   |
| Accrued tax payable   | 105,664  | 104,877  |
| Accrued payable for property, plant and equipment construction<br>— related parties | 58,542   | 92,773   |
| Accrued payable for property, plant and equipment construction<br>— third parties   | 27,530   | 43,334   |
| Amounts due to related parties  | 246,566  | 63,466   |
| Accrued payroll   | 26,563   | 28,179   |
| Interest payable  | 1,456  | 221  |
| Deposits  | 9,593  | 10,075   |
| Notes payable   | –  | 34,016   |
| Provision for onerous contract  | –  | 3,241  |
| Others  | 105,652  | 67,156   |
|   | <u>1,840,665</u>   | <u>1,792,277</u>   |

The ageing analysis of trade payables as at 30 June 2023 and 31 December 2022 based on the invoice issue date or demand note were as follows:

|                  | As at<br>30 June<br>2023<br><i>HK\$'000</i><br>(unaudited) | As at<br>31 December<br>2022<br><i>HK\$'000</i><br>(audited) |
|------------------|--|--|
| Less than 1 year | 1,173,951  | 1,279,795  |
| 1 to 2 years     | 85,148   | 65,144   |
|                  | <u>1,259,099</u>   | <u>1,344,939</u>   |

As at 30 June 2023 and 31 December 2022, the fair values of trade and other payables approximate their carrying amounts.

The carrying amounts of the Group's trade and other payables are primarily denominated in RMB.

### 13. BORROWINGS

|   | As at<br>30 June<br>2023<br><i>HK\$'000</i><br>(unaudited) | As at<br>31 December<br>2022<br><i>HK\$'000</i><br>(audited) |
|---|--|--|
| Non-current, secured:                           |  |  |
| — Bank borrowings                               | 1,302,090  | 1,304,645  |
| Non-current, unsecured:                         |  |  |
| — Bank borrowings                               | <u>2,324</u>   | <u>50,377</u>  |
|   | 1,304,414  | 1,355,022  |
| Less: Current portion of non-current borrowings | <u>(224,886)</u>   | <u>(500,664)</u>   |
| Non-current, total                              | <u><u>1,079,528</u></u>                                    | <u><u>854,358</u></u>  |
| Current, secured:                               |  |  |
| — Bank borrowings                               | 402,080  | 376,998  |
| Current, unsecured:                             |  |  |
| — Bank borrowings                               | <u>24,891</u>  | <u>39,070</u>  |
|   | 426,971  | 416,068  |
| Current portion of non-current borrowings       | <u>224,886</u>   | <u>500,664</u>   |
| Current, total                                  | <u><u>651,857</u></u>                                      | <u><u>916,732</u></u>  |

*Notes:*

- (a) These borrowings of the Group are secured by property, plant and equipment, right-of-use assets and restricted cash deposit of the Group and/or guaranteed by subsidiaries of the Company or related parties.
- (b) The borrowings are all denominated in RMB and their fair values approximate their carrying amounts.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2023, China's economy gradually emerged from the shadow of the pandemic. However, under the influence of external factors such as interest rate hikes in developed countries in Europe and the United States, as well as the intensification of geopolitical uncertainties, residents' confidence in consumer spending was not optimistic and the growth rate of gross domestic product slowed down. Even though certain favourable policies have been implemented since the beginning of the year in many regions, the property market has yet to recover significantly.

The investment confidence in the real estate industry, a pillar of the economy, remained at a low level. According to the National Bureau of Statistics, in the first half of 2023, the total investment in the development of real estate nationwide amounted to approximately RMB5,855 billion, representing a year-on-year decline of approximately 7.9%. The negative impact of the downturn in the domestic real estate industry has spread to the upstream industry chain, including the construction industry, leading to further shrinkage of industry scale. In the first half of the year, the gross housing construction area of real estate development enterprises fell by approximately 6.6% year-on-year, and the gross new housing construction area fell sharply by approximately 24.3% year-on-year, indicating that the operating environment of the construction industry was very challenging. The dilemma in domestic real estate industry has brought about a significant reduction in orders, while the collection of funds also put pressure on the operation of the construction industry. The severe survival crisis has forced the industry to accelerate consolidation. Competition in the precast concrete ("PC") industry has heated up. Dragged down by the real estate market, this 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 focused on regional presence.

The thorny and challenging business environment inevitably affected the Group's operating results in the first half of the year. For the six months ended 30 June 2023, the Group's sales revenue amounted to approximately HK\$519.6 million, representing a year-on-year decrease of approximately 37.1%. Its gross profit was approximately HK\$63.4 million, representing a year-on-year decrease of approximately 68.0%. The net loss attributable to the parent company was approximately HK\$99.7 million, representing a year-on-year decrease of approximately HK\$120.7 million.



## **I. Active adjustment of operating strategies in response to market changes to ensure the quality of our business development**

In the first half of 2023, in the face of market changes brought about by the difficulties in the construction industry, the Group rose to the challenge, hoping to resolve the crisis through the adjustment of its business strategies and to bring growth momentum to its revenue. The Group continued to focus on prefabricated construction, and expanded the smart landscaping and smart decoration business to consolidate its business pattern throughout the industry chain. Demand was shrinking due to the sluggish real estate industry while market price declined as a result of fiercer market competition. In the first half of the year, the Group's contracted sales of PC components amounted to approximately RMB659 million, representing a decrease of approximately 48.2% year-on-year; the output of PC components was approximately 184,000 cubic meters, representing a decrease of approximately 14.4% year-on-year; the sales volume of PC components was approximately 185,000 cubic meters, representing a decrease of approximately 15.9% year-on-year.

During the Reporting Period, for the PC business, which has maintained a dominant position in the industry for a long period of time, the Group placed more emphasis on quality development in its business planning. As of 30 June 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 terms of PC components sales by regions in the first half of the year, the percentage of the Central China, the Yangtze River Delta, the Greater Bay Area, and Henan Province was approximately 20%, 54%, 6% and 13% respectively. The efforts put in national production capacity business planning were effective. In terms of PC components sales by customers in the first half of the year, construction companies accounted for about 99%, while real estate developers accounted for only 1%.

Considering the pressure of fund collection due to the difficulties in the domestic real estate industry, the Group has actively adjusted its collection policy 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. In January this year, the Drawin Intelligent Decoration Industry Park under the Group was awarded a research and development (the "R&D") subsidy for the year 2022, which helps to alleviate part of our economic pressure. In the face of the still unstable economic situation, the Group chose to enhance cooperation with state-owned key enterprises and state-owned enterprises in the PC business to better safeguard operational security. As at 30 June 2023, the Group had cumulatively signed 20 projects with state-owned enterprises with a total contract value of RMB270 million.

In the face of the inevitable decline in performance brought about by the overall economic situation, the Group has been seeking for new ideas and changes, and has endeavoured to revitalize its existing assets in the hope of making up for the economic losses caused by the predicament in new areas. During the Reporting Period, in terms of the newly developed wind power tower business of the Group, 31 new projects were successfully signed with a total contract value of approximately RMB120 million, which will bring growth momentum to the Group in the future. In addition to business innovation, the Group also strived to expand its business presence. In July 2023, 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, marking a new breakthrough for the Group in the Hong Kong market.

Despite the market pressure, the Group insisted on putting quality and reputation in the first place. During the Reporting Period, the Group's production quality was recognised by the industry again and again and received relevant awards in the prefabricated construction industry. In January 2023, the Group was awarded "2022 China Real Estate Chain Strategic Integrity Supplier". In May 2023, the 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 Period, the Group has 15 factories in total that have been recognised as new high-tech enterprises and 10 provincial prefabricated bases, maintaining the upper-middle level of the industry.

## **II. Promoting strategic cooperation with Glodon to accelerate the digital transformation of the construction industry**

High-quality development of the construction industry has long been a focus of the government, which can help to realize the national goals of "carbon peaking" and "carbon neutrality". The entire industry chain of the construction industry is being upgraded through digital transformation. Upon Glodon Company Limited ("**Glodon**"), the biggest construction cost estimation software provider in China, becoming the second biggest shareholder of the Company (the "**Shareholder**"), based on the SaaS prefabricated construction industry Internet platform, and centred on the integrated development of "digitalisation + industrialisation", the Group and Glodon actively promoted the strategic cooperation of operations in the first half of the year.

Both parties conducted cooperation to create a vertically integrated platform for the industry by leveraging the Group's industrialisation technology system and Glodon's digital building solutions. The two parties have jointly developed a smart site digital project management system (PMS) for prefabricated construction sites, which has been

successfully applied in Engineering, Manufacture, Procurement and Construction (EMPC) general contracting projects. The cooperation progressed smoothly. In addition, the Group and Glodon jointly developed and improved the Group's Quick Quotation System (QQS) for prefabricated construction and jointly conducted market expansion. Furthermore, under a commercial promotion cooperation agreement, the Group and Glodon strived to promote the development of industry information technology and deepen the application of refined project management. By seizing the opportunities arising from rapid development of the smart building, the Company and Glodon joined hands to make contribution to the digital transformation and development of the construction industry.

### **III. Deepening scientific research cooperation to promote the development of smart construction industry**

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 Building Information Modeling (“BIM”), Internet of Things, big data, and artificial intelligence in the field of smart buildings, and promoting the digitalisation of the prefabricated construction industry. During the Reporting Period, the Group continued to lead the industry with a cumulative number of patents to 1,912 as of 30 June 2023.

In terms of R&D, the Group actively took the lead in organizing 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 2023, the 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 2023, the “Henan Provincial Engineering Research Centre for Metaverse Application of Construction Engineering”, jointly established by a subsidiary of the Company 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. The Group is confident 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 period to strengthen the Company's confidence in its development and gain recognition from the capital market**

During the first half of 2023, the Company made several repurchases of shares of the Company with a par value of HK\$0.4 each (the “**Shares**”) in open market on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), totalling 240,000 Shares with a repurchase amount of approximately HK\$53,100. Since the announcement of the repurchase intention in September 2022 and up to 30 June 2023, the Company has repurchased 1,305,000 Shares on the Stock Exchange, involving a total amount of approximately HK\$490,000. Shares repurchased by the Company demonstrated its confidence in the Group's operating conditions, development prospects and long-term investment value. Share repurchases not only effectively safeguarded the Company's Share price, market value and capital value, but also returned capital to investors and 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 Period, with an excellent corporate governance structure and good investor relations, the Company was recognised by the capital market. In January 2023, at the 7th Zhitong Caijing Capital Markets Theme Forum Cum Awards Ceremony, the Company was honoured to receive the “Most Valuable Industrial Manufacturing Company” award. In June 2023, the Company won the “Best Investor Relations Company” award in the small cap category of the 9th Hong Kong Investor Relations Awards 2023 organized by the Hong Kong Investor Relations Association.

### **BUSINESS OUTLOOK AND STRATEGY**

#### **I. Making progress while maintaining stability in economy in the second half of the year with low-carbon green construction to facilitate the industry development**

With the full relaxation of domestic pandemic control in the first half of the year, the Chinese government has stepped up its efforts to stabilize the economy, and in terms of the economic development, it is expected that China will seek progress while maintaining stability in the second half of the year. The real estate industry is a pillar industry of the national economy. As “16-point Financial Plan” and other supportive policies were announced in the first half of the year, and recently, the timely adjustment and optimisation of real estate policy has been clearly declared to promote the stable and healthy development of the real estate market, policies are expected to be formulated to restore the confidence in the real estate industry. However, it will take some time for the real estate market to completely return to normal growth.

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 14th Five-Year Plan” announced by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China 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. In 2022, the GFA of newly constructed prefabricated construction reached 810 million square meters, an increase of 9.46% over 2021, accounting for 26.2% of the new GFA.

With the frequent implementation of provincial and municipal policies on the prefabricated construction industry, up to now, 31 provinces (autonomous regions and municipalities) have issued construction-related “14th Five-Year Plan”, in which some provinces and municipalities established targets for prefabricated construction in respect of its proportion of new construction, which were higher than the national planning ones. For example, by the end of 2025, in Henan Province, it is required that prefabricated construction will account for the proportion of new construction area of up to 40%; by 2025, in Hunan Province, the proportion of prefabricated construction will account for the proportion of new construction area of more than 30%. In the last seven years, in the industry, about 1,303 policy documents and 668 standards and norms were released to build up an industry policy system, and it is believed that in the next decade, the construction industry will focus on the synergistic development of smart construction and new construction industrialisation.

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 and steady growth 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 construction. 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 Group's business and prioritize 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 recently 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 R&D advantages to accelerate the digitalisation 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. In particular, the Group hosted for the first time a national key R&D program project, based on the efficient connection technology of iterative plate members and semi-rigid connected prefabricated structure technology, to develop 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 to create 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.

The products developed under the project have broad market prospects and significant economic benefits, and the Group aims to formalize their application in 2023, and will continue to promote the extensive application of other scientific research results in actual projects, contributing 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, 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 digitalisation, 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 digitisation, coupled with the large room for applying these systems, the Group will focus more on the application of the whole process information management system in the future, and plan 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 digitization and intelligence in the construction industry.

As of 30 June 2023, the Group has signed contracts with third parties for the sale of prefabricated components with a total contract amount of approximately RMB659.2 million and a total volume of 155,794 cubic metres.

### Sales revenue of prefabricated construction units

— by region

|           | Six months ended 30 June               |  |
|-----------|--|--|
|           | 2023<br><i>HK\$'000</i><br>(unaudited) | 2022<br><i>HK\$'000</i><br>(unaudited) |
| Hefei     | 124,766                                | 55,927                                 |
| Nanjing   | 59,090                                 | 86,915                                 |
| Xiangtan  | 29,471                                 | 18,738                                 |
| Jiaozuo   | 28,420                                 | 16,413                                 |
| Changsha  | 24,940                                 | 57,607                                 |
| Zhengzhou | 22,122                                 | 41,142                                 |
| Luoyang   | 18,138                                 | 39,834                                 |
| Jiaozhou  | 15,957                                 | 20,330                                 |
| Huizhou   | 15,412                                 | 45,751                                 |
| Foshan    | 13,415                                 | 105,483                                |
| Nantong   | 13,337                                 | 9,249                                  |
| Huaiian   | 12,292                                 | 9,771                                  |
| Chongqing | 6,347                                  | 21,679                                 |
| Wuhan     | 4,246                                  | 1,064                                  |
| Hengyang  | 3,650                                  | 43                                     |
| Zhoukou   | 1,464                                  | 13,573                                 |
| Zhumadian | 663                                    | 8,076                                  |
| Yuxi      | 4                                      | 2,937                                  |
| Tongxu    | —                                      | 25,102                                 |
| Kunshan   | —                                      | 3,476                                  |
| Dongli    | —                                      | 2,468                                  |
|           |  |  |
| Total     | <b>393,734</b>                         | <b>585,578</b>                         |



| Sales revenue of prefabricated construction units | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2023<br>HK\$'000<br>(unaudited) | 2022<br>HK\$'000<br>(unaudited) |
| Sales revenue from third parties                  | 374,968                         | 538,438                         |
| Sales revenue from related parties                | 18,766                          | 47,140                          |
| Total   | <u>393,734</u>                  | <u>585,578</u>                  |

### Technology trademarks and patents obtained by the Group during the first half of 2023

Patents: As at 30 June 2023, 1,912 patents were granted in aggregate.

### Plants in operations

| Regions                          | Annual<br>estimated<br>capacity<br>(approximate<br>'000 cubic metre) | Area of land<br>(approximate<br>mu) | Area of<br>plants<br>(approximate<br>square metre) |
|----------------------------------|--|-------------------------------------|--|
| Changsha Technology Park         | 110  | 352                                 | 33,433   |
| Nanjing Technology Park          | 110  | 151                                 | 35,981   |
| Hefei Technology Park            | 80   | 154                                 | 22,398   |
| Hengyang Technology Park         | 70   | 150                                 | 24,905   |
| Foshan Technology Park           | 70   | 123                                 | 36,550   |
| Huizhou Technology Park          | 70   | 61                                  | 22,284   |
| Zhengzhou Technology Park        | 60   | 143                                 | 49,954   |
| Zhoukou Technology Park          | 60   | 135                                 | 20,639   |
| Qingdao Jiaozhou Technology Park | 60   | 92                                  | 19,339   |
| Luoyang Technology Park          | 50   | 308                                 | 55,260   |
| Jiaozuo Technology Park          | 50   | 81                                  | 19,383   |
| Zhumadian Technology Park        | 40   | 130                                 | 26,873   |
| Huaian Technology Park           | 40   | 120                                 | 19,356   |
| Nantong Technology Park          | 40   | 100                                 | 26,154   |
| Xiangtan Technology Park         | 40   | 100                                 | 19,310   |
| Chongqing Technology Park        | 20   | 134                                 | 19,659   |
| Total                            | <u>970</u>   | <u>2,334</u>                        | <u>451,478</u>                                     |

## Plants under construction

| Regions                 | Proportion of<br>attributable<br>equity<br>interest | Amount of<br>investment<br>( <i>approximate<br/>RMB100<br/>million</i> ) | Area of land<br>( <i>approximate<br/>mu</i> ) | Area of<br>plants<br>( <i>approximate<br/>square metre</i> ) | Annual<br>estimated<br>capacity                 |
|-------------------------|---|--|---|--|---|
|                         |   |  |   |  | ( <i>approximate<br/>'000<br/>cubic metre</i> ) |
| Wuhan Technology Park   | 100%  | 1.9  | 116   | 29,767   | 20  |
| Tianjin Technology Park | 100%  | 1.9  | 94  | 26,154   | 20  |
| Total                   |   | <u>3.8</u>   | <u>210</u>                                    | <u>55,921</u>  | <u>40</u>                                       |

## Government grants in the first half of 2023

As prefabricated construction industry has received strong support from central government of People's Republic of China (the "PRC"), local governments are initiating relevant ancillary policies, offering honorary awards and fund subsidies. As a national high-tech enterprise, the technology innovation capability of the Group is widely recognized by the government authorities. The Group has been granted honorary awards such as Changsha Engineering Research Center and National Intellectual Property Advantageous Enterprises. We have also made great contributions to environmental energy-saving engineering, promotion of industry upgrade and transformation, and intelligent manufacturing, while encouraging local employment and industry development. In this regard, local governments offer direct cash incentives.

|                   | Six months ended 30 June               |  |
|-------------------|--|--|
|                   | 2023<br><i>HK\$'000</i><br>(unaudited) | 2022<br><i>HK\$'000</i><br>(unaudited) |
| Government grants | <u>2,876</u>                           | <u>10,350</u>                          |

The Group has satisfied and complied with the relevant requirements and regulations in the PRC necessary for the receipt of the above government grants.

## **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 HK\$306.4 million from approximately HK\$825.9 million for the six months ended 30 June 2022 to approximately HK\$519.6 million for the six months ended 30 June 2023. The decrease in revenue was mainly attributable to (i) the decrease in revenue from sales of prefabricated construction units and consulting services as a result of the decreasing number of customers for the six months ended 30 June 2023; and (ii) the decrease in revenue from the smart landscaping business and smart decoration business as a result of the decreasing number of customers for the six months ended 30 June 2023. As a result, the Group recorded sales revenue for the six months ended 30 June 2023 of prefabricated construction units of approximately HK\$393.7 million (six months ended 30 June 2022: approximately HK\$585.6 million), revenue from decoration and landscaping services of approximately HK\$110.8 million (six months ended 30 June 2022: approximately HK\$154.1 million), revenue from consulting services of approximately HK\$4.4 million (six months ended 30 June 2022: approximately HK\$24.3 million), rental income from investment properties of approximately HK\$8.1 million (six months ended 30 June 2022: approximately HK\$9.7 million), revenue from sales of prefabricated construction equipments of approximately HK\$2.6 million (six months ended 30 June 2022: approximately HK\$10.3 million) and nil revenue from granting licenses (six months ended 30 June 2022: approximately HK\$41.9 million).

### **Cost of sales**

The Group recorded cost of sales of approximately HK\$456.1 million (six months ended 30 June 2022: approximately HK\$627.7 million) for the six months ended 30 June 2023. The decrease was primarily attributable to the decrease in sales of prefabricated construction units.

### **Other income**

The other income of the Group decreased by approximately HK\$8.4 million from approximately HK\$9.2 million for the six months ended 30 June 2022 to approximately HK\$0.8 million for the six months ended 30 June 2023. Other income mainly came from interest income generated from bank deposits.

### **Other losses/gains — net**

For the six months ended 30 June 2023, other losses — net amounting to approximately HK\$1.6 million mainly comprised of (i) gains on disposal of equipments amounting to approximately HK\$0.2 million; and (ii) non-business expenditures of approximately HK\$1.7 million.

### **Selling and distribution expenses**

The selling and distribution expenses decreased by approximately HK\$6.1 million to approximately HK\$37.7 million for the six months ended 30 June 2023 from approximately HK\$43.8 million for the six months ended 30 June 2022, such expenses are directly related to the sale of prefabricated construction units.

### **Administrative expenses**

The administrative expenses decreased by approximately HK\$25.9 million from approximately HK\$95.3 million for the six months ended 30 June 2022 to approximately HK\$69.4 million for the six months ended 30 June 2023. Such decrease was due to the decrease in staff costs and other general administrative expenses such as professional fees, entertainment, travelling expenses, and office expenses.

### **Finance costs**

The finance costs increased by approximately HK\$10.8 million from approximately HK\$32.1 million for the six months ended 30 June 2022 to approximately HK\$43.0 million for the six months ended 30 June 2023. Finance costs mainly came from the interest expenses of approximately HK\$42.9 million for the bank borrowings.

### **Loss/profit for the period**

As a result of the foregoing, the Group recorded loss of approximately HK\$106.0 million for the six months ended 30 June 2023 as compared to a profit of approximately HK\$20.2 million for the corresponding period of 2022.

## **Liquidity and financial resources**

As at 30 June 2023, the Group had current assets of approximately HK\$2,589.9 million (31 December 2022: approximately HK\$2,552.2 million) and current liabilities of approximately HK\$2,636.7 million (31 December 2022: approximately HK\$2,824.0 million). The current ratio (which is calculated by dividing total current assets by total current liabilities) was approximately 1.0 as at 30 June 2023 (31 December 2022: 1.0).

As at 30 June 2023, the Group held borrowings amounted to approximately HK\$1,731.4 million (31 December 2022: approximately HK\$1,771.1 million) and the net gearing ratio (calculated as net debt dividend by total equity) was 63.4% (31 December 2022: 59.9%).

As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$13.0 million, which include approximately HK\$11.9 million denominated in RMB and approximately HK\$1.0 million denominated in HKD (31 December 2022: approximately HK\$25.1 million, in which approximately HK\$24.4 million denominated in RMB and approximately HK\$0.7 million denominated in HKD). As at 30 June 2023, the Group had restricted cash of approximately HK\$24.5 million, all denominated in RMB (31 December 2022: approximately HK\$55.3 million, all denominated in RMB).

As at 30 June 2023, the Group had interest-bearing bank and other borrowings of approximately HK\$1,731.4 million, all denominated in RMB with interest rate in a range of 3.45% to 7.02% per annum (31 December 2022: approximately HK\$1,771.1 million, all denominated in RMB with interest rate in a range of 3.75% to 12.00% per annum).

Other than the matters above, there has been no material change from the information published in the annual report of the Company for the year ended 31 December 2022.

## **Capital structure**

As at 30 June 2023, the total number of issued Shares was 3,102,400,730 Shares. Based on the closing price of HK\$0.206 per Share as at 30 June 2023, the Company's market value as at 30 June 2023 was approximately HK\$639.1 million.

## 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.

For the six months ended 30 June 2023, the Company has fully complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

### 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 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. In response to the specific enquiry made by the Company, all the Directors confirmed that they fully complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2023.

The Company has also adopted a code for dealing in the Company’s securities by relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company, on no less exacting terms than the Model Code.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2023, the Company repurchased 240,000 Shares in total in open market on the Stock Exchange at a total consideration of approximately HK\$53,215. All repurchased Shares were not yet cancelled on 30 June 2023. Details of the Shares repurchased are as follows:

| Month of repurchase | Total number of Shares repurchased | Price paid per Share |                  | Aggregate consideration<br>(HK\$) |
|---------------------|------------------------------------|----------------------|------------------|-----------------------------------|
|                     |                                    | Highest<br>(HK\$)    | Lowest<br>(HK\$) |                                   |
| June 2023           | 240,000                            | 0.244                | 0.205            | 53,215                            |

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 has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2023.

## **REVIEW OF INTERIM RESULTS**

The audit committee of the Company has reviewed the interim results and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

By order of the Board of  
**DIT Group Limited**  
**Liu Weixing**  
*Chairman and Executive Director*

Hong Kong, 28 August 2023

*As at the date of this announcement, the Board comprises Mr. Liu Weixing (Chairman), Mr. Guo Weiqiang 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.*