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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)

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of DIT Group Limited (the "Company") and its subsidiaries (collectively, the "Group") has not been completed. The unaudited consolidated results of the Company have not yet been agreed with the auditor of the Company and have therefore been reviewed by the Company's audit committee (the "Audit Committee") without disagreement. The Board will use its reasonable endeavours to publish its preliminary announcement of the audited results for the year ended 31 December 2019 (the "Audited Final Results"), which will be agreed with the auditor of the Company as soon as possible.

In the meantime, the board of directors (the "Directors") of the Company is pleased to present the unaudited consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

FINANCIAL INFORMATION

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**Year ended 31 December 2019** ***HK$'000*** **(unaudited)**	Year ended 31 December 2018 *HK$'000* (audited)
Revenue	*3*	**695,901**	530,232
Cost of sales	*6*	**(518,126)**	(372,107)
Gross profit		**177,775**	158,125
Gains on disposal of subsidiaries	*7*	**134,178**	–
Government subsidies		**23,495**	14,029
Other income	*4*	**5,892**	3,510
Other (losses)/gains — net	*5*	**(5,452)**	7,151
Selling and distribution expenses	*6*	**(55,371)**	(34,745)
Administrative expenses	*6*	**(117,308)**	(109,710)
Net impairment losses on financial assets		**(2,837)**	(1,633)
Share of gains/(losses) of associates		**4,491**	(1,329)
Operating profit		**164,863**	35,398
Finance costs	*8*	**(25,928)**	(9,155)
Profit before income tax		**138,935**	26,243
Income tax expenses	*9*	**(25,318)**	(6,903)
Profit for the year		**113,617**	19,340
Profit/(loss) for the year, attributable to			
— Owners of the Company		**110,749**	27,427
— Non-controlling interests		**2,868**	(8,087)
		113,617	19,340

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2019

	Notes	**Year ended 31 December 2019 HK$'000 (unaudited)**	Year ended 31 December 2018 HK$'000 (audited)
Earnings per share attributable to owners of the Company			
(expressed in HK$ cents per share)			
— Basic and diluted	*11*	**0.99**	0.24
Other comprehensive loss, which may be reclassified subsequently to profit or loss			
— Currency translation differences		**(51,115)**	(105,416)
Other comprehensive loss for the year, net of tax		**(51,115)**	(105,416)
Total comprehensive income/(loss) for the year		**62,502**	(86,076)
Total comprehensive income/(loss) for the year, attributable to			
— Owners of the Company		**60,217**	(76,811)
— Non-controlling interests		**2,285**	(9,265)
		62,502	(86,076)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**As at 31 December 2019** ***HK$'000*** **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**1,416,328**	1,483,219
Right-of-use assets	*13*	**726,587**	–
Land use rights		**–**	732,937
Investment properties	*14*	**17,080**	17,348
Intangible assets		**3,619**	4,118
Deferred income tax assets	*18*	**44,973**	37,442
Investment in associates	*15*	**192,883**	192,697
Financial assets at fair value through profit or loss	*16*	**43,480**	23,967
		2,444,950	2,491,728
Current assets			
Inventories		**89,672**	96,095
Trade and other receivables and prepayments	*17*	**725,589**	505,793
Cash and cash equivalents		**82,415**	110,802
Restricted cash		**124,371**	153,588
		1,022,047	866,278
Total assets		**3,466,997**	3,358,006
EQUITY			
Equity attributable to owners of the Company			
Share capital (nominal value)		**1,120,960**	1,120,960
Reserves		**710,485**	649,946
		1,831,445	1,770,906
Non-controlling interests		**587,598**	607,623
Total equity		**2,419,043**	2,378,529

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 31 December 2019

	Notes	**As at 31 December 2019** ***HK$'000*** **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
LIABILITIES			
Non-current liabilities			
Deferred income		**1,708**	1,427
Deferred income tax liabilities	*18*	**12,916**	8,010
Lease liabilities		**3,007**	–
Obligations under finance lease		**–**	2,880
Borrowings	*20*	**123,077**	340,676
		140,708	352,993
Current liabilities			
Trade and other payables	*19*	**458,112**	413,813
Contract liabilities		**55,341**	40,545
Current income tax liabilities		**31,176**	14,702
Lease liabilities		**10,968**	–
Obligations under finance lease		**–**	1,524
Borrowings	*20*	**351,649**	155,900
		907,246	626,484
Total liabilities		**1,047,954**	979,477
Total equity and liabilities		**3,466,997**	3,358,006

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 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 is 22nd Floor, World Wide House, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are production and sales of prefabricated construction units and equipments, and granting licenses in the People's Republic of China (the "PRC").

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

On 10 July 2019, Mr. Wu Po Sum, through his indirectly wholly-owned subsidiary Henan Hongdao Business Information Consultancy Co., Ltd. acquired the entire equity interest in Tianjin Drawin Technology Limited, which indirectly owned approximately 63.5% of the issued shares in the Company (the "Acquisition"). After the Acquisition, Mr. Wu Po Sum became the ultimate controlling shareholder of the Group.

The unaudited annual results set out in this announcement do not constitute the Group's unaudited consolidated financial statements for the year ended 31 December 2019 but are extracted from those financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The unaudited 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 unaudited 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

New and amended standards of HKFRSs adopted by the Group in 2019

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 *Leases*
- *Prepayment Features with Negative Compensation — Amendments to HKFRS 9*
- *Long-term Interests in Associates and Joint Ventures — Amendments to HKAS 28*
- *Annual Improvements to HKFRS Standards 2015–2017 Cycle*
- *Plan Amendment, Curtailment or Settlement — Amendments to HKAS 19*
- Interpretation 23 *Uncertainty over Income Tax Treatments.*

The impact of the adoption of HKFRS 16 *Leases* is described in Note 2.2 below. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Change in accounting policy

This note explains the impact of the adoption of HKFRS 16 *Leases* on the group's financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16 *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.68%.

For leases, previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Change in accounting policy *(Continued)*

(a) Practical expedients applied

In applying HKFRS 16 *Leases* for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(b) Measurement of lease liabilities

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	38,243
Discounted using the lessee's incremental borrowing rate of at the date of initial application	32,414
Add: finance lease liabilities recognised as at 31 December 2018	4,404
(Less): Short-term leases and low-value leases expenses	(265)
Lease liabilities recognised as at 1 January 2019	36,553
Of which are:	
Current lease liabilities	16,385
Non-current lease liabilities	20,168
	36,553

(c) Measurement of right-of-use assets

Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Change in accounting policy *(Continued)*

(d) Adjustments recognised in the balance sheet on 1 January 2019

The following tables show the adjustments recognised for each individual item. Line items that were not affected by the changes have not been included. As a result, the sub-total and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Financial position (extract)	31 December 2018 As originally presented *HK$'000*	HKFRS 16 *HK$'000*	**1 January 2019 Restated** ***HK$'000***
Non-current assets			
Property, plant and equipment	1,483,219	(4,904)	**1,478,315**
Right-of-use assets	–	773,659	**773,659**
Land use rights	732,937	(732,937)	**–**
Total non-current assets	2,491,728	35,818	**2,527,546**
Current assets			
Trade and other receivables and prepayments	505,793	(3,669)	**502,124**
Total current assets	866,278	(3,669)	**862,609**
Total assets	3,358,006	32,149	**3,390,155**
Non-current liabilities			
Obligations under finance lease	2,880	(2,880)	–
Lease liabilities	–	20,168	**20,168**
Total non-current liabilities	352,993	17,288	**370,281**
Current liabilities			
Obligations under finance lease	1,524	(1,524)	**–**
Lease liabilities	–	16,385	**16,385**
Total current liabilities	626,484	14,861	**641,345**
Total liabilities	979,477	32,149	**1,011,626**
Total equity	2,378,529	–	**2,378,529**

(e) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16 *Leases*.

3 REVENUE

	Year ended 31 December 2019 *HK$'000* **(unaudited)**	Year ended 31 December 2018 *HK$'000* (audited)
Revenue from sales of prefabricated construction units	**579,853**	423,640
Revenue from sales of prefabricated construction equipments	**65,032**	18,586
Revenue from granting licenses	**36,428**	84,895
Rental income	**13,271**	1,919
Revenue from consulting service income	**1,317**	1,192
	695,901	530,232

4 OTHER INCOME

	Year ended 31 December 2019 *HK$'000* **(unaudited)**	Year ended 31 December 2018 *HK$'000* (audited)
Interest income on bank deposits	**5,100**	2,359
Others	**792**	1,151
	5,892	3,510

5 OTHER (LOSSES)/GAINS — NET

	Year ended 31 December 2019 *HK$'000* **(unaudited)**	Year ended 31 December 2018 *HK$'000* (audited)
Fair value gains on investment properties	**631**	367
Net exchange gains	**258**	4,537
Net gains on financial assets at fair value through profit or loss	**–**	2,789
Loss on disposal of right-of-use assets	**(5,235)**	–
Losses on disposal of equipments	**(439)**	(930)
Others	**(667)**	388
	(5,452)	7,151

6 EXPENSES BY NATURE

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

	Year ended 31 December 2019 *HK$'000* **(unaudited)**	Year ended 31 December 2018 *HK$'000* (audited)
Raw materials and consumables used	**273,652**	186,309
Changes in inventories of finished goods, goods in transit and work in progress	**5,694**	(9,249)
Employee benefits expenses *(note (a))*	**125,395**	106,263
Labour outsourcing	**61,321**	32,915
Depreciation	**72,454**	50,360
Amortisation of right-of-use assets	**23,969**	–
Amortisation of intangible assets	**1,518**	401
Amortisation of land use rights	**–**	10,107
Short-term leases and low-value leases expenses	**569**	18,202
Transportation	**29,385**	23,626
Legal and professional fees	**18,373**	13,181
Land use tax and value-added tax surcharges	**15,158**	13,333
Utilities	**9,458**	8,136
Entertainment and travelling expenses	**7,213**	10,322
Auditors' remuneration		
— audit services	**1,930**	1,890
— non-audit services	**182**	–
Bank charges	**1,458**	1,009
Office expenses	**807**	832
Provision for inventories impairment	**530**	1,324
Registration expenses	**277**	565
Others	**41,462**	47,036
Total of cost of sales, selling and distribution expenses and administrative expenses	**690,805**	516,562

Note:

(a) Employee benefit expenses (including directors' and chief executive's emoluments)

	Year ended 31 December 2019 *HK$'000* **(unaudited)**	Year ended 31 December 2018 *HK$'000* (audited)
Wages and salaries	**114,920**	96,509
Pensions	**4,348**	4,234
Other welfare benefit expenses	**6,127**	5,520
Charged to statement of profit or loss and other comprehensive income	**125,395**	106,263

7 GAINS ON DISPOSAL OF SUBSIDIARIES

	Year ended 31 December 2019 *HK$'000* (unaudited)	Year ended 31 December 2018 *HK$'000* (audited)
Gain on disposal of Zhoukou Jianheng Real Estate Development Co., Ltd	**120,497**	–
Gain on disposal of Haikou China Minsheng DIT Limited	**13,309**	–
Gains on disposal of other subsidiaries	**372**	–
	134,178	–

8 FINANCE COSTS

	Year ended 31 December 2019 *HK$'000* (unaudited)	Year ended 31 December 2018 *HK$'000* (audited)
Interest expenses on borrowings	**31,048**	13,739
Finance charges on lease liabilities	**1,309**	–
Less: Interest capitalised *(Note 12)*	**(6,429)**	(4,584)
	25,928	9,155

9 INCOME TAX EXPENSES

	Year ended 31 December 2019 *HK$'000* (unaudited)	Year ended 31 December 2018 *HK$'000* (audited)
Current income tax		
— PRC corporate income tax	**29,218**	24,715
— Hong Kong profits tax	**–**	–
	29,218	24,715
Deferred income tax *(Note 18)*	**(3,900)**	(17,812)
Total income tax expense for the year	**25,318**	6,903

9 INCOME TAX EXPENSES *(Continued)*

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December 2019 *HK$'000* **(unaudited)**	Year ended 31 December 2018 *HK$'000* (audited)
Profit before income tax	**138,935**	26,243
Income tax calculated at respective statutory rates	**37,023**	8,476
Preferential income tax rate	**(15,351)**	(5,066)
Previously unrecognised tax losses recognised in current year as deferred tax assets	**(990)**	(5,032)
Non-deductible expenses	**916**	2,458
Non-taxable income	**(1,884)**	(66)
Research and development expenditure additional deduction	**(2,906)**	(392)
Utilisation of previously unrecognised tax losses	**(412)**	(971)
Tax losses and temporary differences not recognised as deferred tax assets	**9,917**	6,834
Prior year's tax filing differences	**(995)**	662
Total income tax expenses for the year	**25,318**	6,903

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% (year ended 31 December 2018: 16.5%) on the estimated assessable profit derived in Hong Kong for the year.

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%.

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 for the year ended 31 December 2019, thus no such withholding tax was accrued (31 December 2018: Nil).

10 DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the year ended 31 December 2019 (year ended 31 December 2018: Nil).

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the year is calculated by dividing the unaudited consolidated earnings 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 2019 (unaudited)	Year ended 31 December 2018 (audited)
Consolidated earnings attributable to owners of the Company *(HK$'000)*	**110,749**	27,427
Weighted average number of ordinary shares in issue *('000)*	**11,209,603**	11,209,603
Basic earnings per share *(HK cents)*	**0.99**	0.24

(b) Diluted

For the year ended 31 December 2019 and 2018, diluted earnings per share were equal to the basic earnings per share as the Group does not have any dilutive shares.

12 PROPERTY, PLANT AND EQUIPMENT

(unaudited)	Buildings *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Furniture & fixtures *HK$'000*	Equipment *HK$'000*	Leasehold improvements *HK$'000*	Plant under development for prefabricated construction business *HK$'000*	Total *HK$'000*
At 1 January 2019								
Cost	**701,906**	**4,482**	**9,047**	**23,553**	**240,721**	**25,880**	**562,764**	**1,568,353**
Accumulated depreciation	**(33,220)**	**(1,439)**	**(2,081)**	**(3,362)**	**(32,839)**	**(12,193)**	**–**	**(85,134)**
Net book amount	**668,686**	**3,043**	**6,966**	**20,191**	**207,882**	**13,687**	**562,764**	**1,483,219**
Year ended 2019								
Opening net book amount	**668,686**	**3,043**	**6,966**	**20,191**	**207,882**	**13,687**	**562,764**	**1,483,219**
Additions	**3,521**	**708**	**1,940**	**2,349**	**240**	**12,423**	**87,060**	**108,241**
Transfers upon completion	**147,970**	**–**	**–**	**–**	**48,369**	**–**	**(196,339)**	**–**
Decrease .relating to disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(49,825)**	**(49,825)**
Other disposals	**(414)**	**(50)**	**(880)**	**(333)**	**(8,853)**	**–**	**(351)**	**(10,881)**
Depreciation charge	**(27,568)**	**(1,314)**	**(2,814)**	**(3,393)**	**(30,977)**	**(6,388)**	**–**	**(72,454)**
Currency translation differences	**(24,992)**	**(59)**	**(127)**	**(720)**	**(5,135)**	**(5,332)**	**(5,607)**	**(41,972)**
Closing net book amount	**767,203**	**2,328**	**5,085**	**18,094**	**211,526**	**14,390**	**397,702**	**1,416,328**
At 31 December 2019								
Cost	**826,018**	**4,683**	**7,498**	**25,927**	**272,977**	**35,563**	**397,702**	**1,570,368**
Accumulated depreciation	**(58,815)**	**(2,355)**	**(2,413)**	**(7,833)**	**(61,451)**	**(21,173)**	**–**	**(154,040)**
Net book amount	**767,203**	**2,328**	**5,085**	**18,094**	**211,526**	**14,390**	**397,702**	**1,416,328**

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(audited)	Buildings	Computer equipment	Motor vehicles	Furniture & fixtures Equipment	Equipment	Leasehold improvements	Plant under development for prefabricated construction business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018								
Cost	615,190	4,629	10,426	13,072	194,962	17,847	113,047	969,173
Accumulated depreciation	(13,320)	(1,116)	(1,661)	(1,843)	(16,091)	(6,434)	–	(40,465)
Net book amount	601,870	3,513	8,765	11,229	178,871	11,413	113,047	928,708
Year ended 31 December 2018								
Opening net book amount	601,870	3,513	8,765	11,229	178,871	11,413	113,047	928,708
Additions	3,722	1,401	1,052	13,905	4,743	8,666	620,199	653,688
Transfers upon completion	111,859	–	–	–	53,424	–	(165,283)	–
Disposals	–	(634)	(784)	(1,371)	(3,014)	–	–	(5,803)
Depreciation charge	(21,287)	(1,000)	(1,844)	(3,172)	(19,194)	(3,863)	–	(50,360)
Currency translation differences	(27,478)	(237)	(223)	(400)	(6,948)	(2,529)	(5,199)	(43,014)
Closing net book amount	668,686	3,043	6,966	20,191	207,882	13,687	562,764	1,483,219
At 31 December 2018								
Cost	701,906	4,482	9,047	23,553	240,721	25,880	562,764	1,568,353
Accumulated depreciation	(33,220)	(1,439)	(2,081)	(3,362)	(32,839)	(12,193)	–	(85,134)
Net book amount	668,686	3,043	6,966	20,191	207,882	13,687	562,764	1,483,219

Depreciation of property, plant and equipment of HK$72.5 million (year ended 31 December 2018: HK$50.4 million) has all been charged to administrative expenses and cost of sales in the unaudited consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2019, property, plant and equipment with a net book value of HK$371.8 million were pledged as collateral for the Group's borrowings HK$193.7 million. Among the collateral, property ownership certificate of the Group's building with a net book value HK$245.6 million (31 December 2018: HK$290.0 million) is under China Minsheng Drawin Co., Ltd.. These buildings were pledged as collateral for two bank borrowings of HK$154.6 million which were secured by China Minsheng Drawin Co., Ltd..

Interest expenses of HK$6.4 million were capitalised in plant under development for prefabricated construction business for the year ended 31 December 2019 (year ended 31 December 2018: HK$4.6 million).

13 RIGHT-OF-USE ASSETS

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

Right-of-use assets (unaudited)	**Property, plant and equipment** *HK$'000*	**Land use right** *HK$'000*	**Total** *HK$'000*
As at 1 January 2019	**40,722**	**732,937**	**773,659**
Additions	**1,044**	**770,587**	**771,631**
Decrease relating to disposal of subsidiaries	**–**	**(759,424)**	**(759,424)**
Other disposals	**(13,500)**	**–**	**(13,500)**
Amortisation charged into profit or loss	**(14,731)**	**(9,238)**	**(23,969)**
Capitalised to plant under development	**–**	**(5,842)**	**(5,842)**
Currency translation differences	**(203)**	**(15,765)**	**(15,968)**
Balance as at 31 December 2019	**13,332**	**713,255**	**726,587**

Lease liabilities	**31 December 2019** *HK$'000* **(unaudited)**	1 January 2019 *HK$'000* (audited)
Current	**10,968**	16,385
Non-current	**3,007**	20,168
Total lease liabilities	**13,975**	36,553

(b) Amounts recognised in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Year ended 31 Dec 2019 *HK$'000* **(unaudited)**
Amortisation charge of right-of-use assets	
— Property, plant and equipment	**14,731**
— Land use right	**9,238**
Finance charges on lease liabilities	**1,309**
Short-term leases and low-value leases expenses	**569**

13 RIGHT-OF-USE ASSETS *(Continued)*

(c) The Group's leasing activities:

The Group leases various property, plant and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At 31 December 2019, right-of-use assets, with a net book value of HK$510.5 million were pledged as collateral for the Group's borrowings of HK$161.0 million.

Among the collateral, state-owned land use certificates of the Group's lands with a net book value HK$356.3 million (year ended 31 December 2018: HK$56.2 million) are under China Minsheng Drawn Co., Ltd.. These lands were pledged as collateral for two bank borrowings of HK$39.1 million which were guaranteed/secured by China Minsheng Drawn Co., Ltd..

14 INVESTMENT PROPERTIES

	Year ended 31 December 2019 *HK$'000* **(unaudited)**	Year ended 31 December 2018 *HK$'000* (audited)
Beginning balance	**17,348**	18,543
Disposals	**(763)**	(722)
Fair value gains on investment properties	**631**	367
Currency translation differences	**(136)**	(840)
Ending balance	**17,080**	17,348

Investment properties held by the Group are all commercial properties located in Shandong Province, the PRC.

All investment properties were revalued as at 31 December 2019 and 2018 by Grant Sherman Appraisal Limited, an independent professional qualified valuer. The revaluation gains or losses are included in 'Other (losses)/gains — net' in the unaudited consolidated statement of profit or loss and other comprehensive income (Note 5).

As at 31 December 2019 and 2018, the fair value of investment properties which was determined using income approach by reference to the value of income, cash flow or cost savings generated by the asset.

The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. The investment properties are within level 3 of fair value hierarchy as of 31 December 2019 and 2018. There were no transfer among Level 1, Level 2 and Level 3 during the years.

15 INVESTMENT IN ASSOCIATES

	As at 31 December 2019 *HK$'000* (unaudited)	As at 31 December 2018 *HK$'000* (audited)
Share of net assets	**192,883**	192,697
Less: Provision for impairment	**–**	–
	192,883	192,697

As at the 31 December 2019 and 2018, the Company had indirect interests in the following associate:

Name	Place of incorporation and operation	Proportion of ownership interest		Issued Share capital	Principal activities
		Held by the Company	Indirectly held		
Zhejiang China Minsheng Drawin Technology Company Limited	China	–	47%	HK$200,000,000	Construction industrialisation
YMCI China Minsheng Kunming Technology Construction Limited	China	–	30%	RMB100,000,000	Construction industrialisation

The financial year end dates of the above associates are coterminous with that of the Group.

There are no contingent liabilities relating to the Group's interests in the associates.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include the following:

	As at 31 December 2019 *HK$'000* (unaudited)	As at 31 December 2018 *HK$'000* (audited)
Unlisted equity instruments *(note (a))*	**43,480**	23,967

Note:

(a) As at 31 December 2019, equity instruments are related to investments in seven (2018: two) unlisted companies in Mainland China which are measured at fair value.

17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2019 *HK$'000* **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
Trade receivables — third parties	**353,618**	217,128
Trade receivables — related parties	**162,480**	77,812
Notes receivable	**2,693**	1,574
Receivables relating to disposal of subsidiaries *(note a)*	**72,760**	–
Value-added tax recoverable	**61,314**	68,013
Prepayments	**24,526**	15,441
Amounts due from related parties	**13,251**	55,059
Land deposits	**11,173**	46,074
Government grant receivable	**8,261**	5,935
Deposits	**7,297**	12,756
Others	**14,130**	9,195
	731,503	508,987
Less: Provision for impairment of trade receivables and other receivables	**(5,914)**	(3,194)
	725,589	505,793

The ageing analysis of trade receivables as at 31 December 2019 and 2018 based on the invoice issue date were as follows:

	As at 31 December 2019 *HK$'000* **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
Less than 1 year	**355,566**	263,451
1 to 2 years	**149,455**	31,489
More than 2 years	**11,077**	–
	516,098	294,940

As at 31 December 2019 and 2018, the fair values of trade and other receivables approximate their carrying amounts.

Note:

(a) Among the receivables relating to disposal of subsidiaries as at 31 December 2019, HK$55.2 million relating to disposal of Zhoukou Jianheng was received in January 2020.

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

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

	As at 31 December 2019 ***HK$'000*** **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
HK dollar	**3,890**	10,698
Renminbi	**721,699**	495,095
	725,589	505,793

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

18 DEFERRED INCOME TAX

	As at 31 December 2019 ***HK$'000*** **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
Deferred tax assets		
— to be recovered after more than 12 months	**12,037**	11,521
— to be recovered within 12 months	**32,936**	25,921
	44,973	37,442
Deferred tax liabilities		
— to be settled after more than 12 months	**(1,021)**	(651)
— to be settled within 12 months	**(11,895)**	(7,359)
	(12,916)	(8,010)
Deferred tax assets — net	**32,057**	29,432

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December 2019 ***HK$'000*** **(unaudited)**	Year ended 31 December 2018 *HK$'000* (audited)
At beginning of the year	**29,432**	12,789
Credited to profit or loss *(Note 9)*	**3,900**	17,812
Decrease due to disposal of subsidiaries	**(455)**	–
Currency translation differences	**(820)**	(1,169)
At the end of the year	**32,057**	29,432

19 TRADE AND OTHER PAYABLES

	As at 31 December 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Trade payables — third parties	**216,833**	124,382
Trade payables — related parties	**6,162**	5,135
Notes payable	**24,911**	114,365
Accrued payable for property, plant and equipment construction — third parties	**40,965**	40,970
Accrued payable for property, plant and equipment construction — related parties	**46,194**	66,238
Amounts due to related parties	**48,482**	4,611
Accrued tax payable	**28,257**	31,940
Deposits	**9,397**	8,639
Accrued payroll	**8,702**	6,264
Interest payable	**58**	375
Others	**28,151**	10,894
	458,112	413,813

The ageing analysis of trade payables as at 31 December 2019 and 2018 based on the invoice issue date were as follows:

	As at 31 December 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Less than 1 year	**170,503**	129,517
1 to 2 years	**52,492**	–
	222,995	129,517

As at 31 December 2019 and 2018, the fair values of trade and other payables approximate their carrying amounts.

As at 31 December 2019 and 2018, the carrying amounts of trade and other payables are primarily denominated in Renminbi.

20 BORROWINGS

	As at 31 December 2019 *HK\$'000* **(unaudited)**	As at 31 December 2018 *HK\$'000* (audited)
Non-current, secured:		
— Bank borrowings	**359,463**	361,790
— Other financial institution borrowings	**12,280**	–
Non-current, unsecured:		
— Bank borrowings	**20,094**	–
— Other financial institution borrowings	**–**	22,826
	391,837	384,616
Less: Current portion of non-current borrowings	**(268,760)**	(43,940)
Non-current, total	**123,077**	340,676
Current, secured:		
— Bank borrowings	**82,889**	77,721
Current, unsecured:		
— Bank borrowings	**–**	34,239
	82,889	111,960
Current portion of non-current borrowings	**268,760**	43,940
Current, total	**351,649**	155,900

notes:

(a) *These bank borrowings of the Group are secured by property, plant and equipment (Note 12), right-of-use assets (Note 13) and restricted cash deposit of the Group and/or guaranteed by a subsidiary of the Company or a related party.*

(b) *The borrowings are all denominated in RMB and their fair values approximate their carrying amounts.*

(c) *As at 31 December 2019, the Group's current borrowings included borrowings with principal amounts of HK\$52.7 million(31 December 2018: HK\$99.2 million) which the Group has breached certain terms and conditions, as set out in the respective borrowing agreements among which HK\$19.5 million were originally matured beyond 31 December 2020.*

20 BORROWINGS *(Continued)*

(d) As at 31 December 2019 and 2018, the Group's borrowings were repayable as follows:

	As at 31 December 2019 ***HK$'000*** **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
Within 1 year	**351,649**	155,900
Later than 1 year but within 2 years	**78,702**	283,897
Later than 2 years but within 5 years	**44,375**	56,779
	474,726	496,576

(e) The weighted average effective interest rates as at 31 December 2019 and 2018 were as follows:

	As at 31 December 2019	As at 31 December 2018
Bank borrowings	**5.08%**	4.98%
Other financial institution borrowings	**4.40%**	4.40%

21 SEGMENT REPORTING

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 (the "Board of Directors" or the "Board") that makes strategic decisions.

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

22 SUBSEQUENT EVENT

Following the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been implemented across the PRC, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, and heightening of hygiene and epidemic prevention requirements in factories etc. Though it has affected the business and economic activities of the Group to certain extent, the Group's prefabricated construction factories have resumed production gradually under such challenging environment.

As at the date of this announcement of unaudited annual reports, the Group was not aware of any material adverse effects on the unaudited consolidated financial statements as a result of the COVID-19 outbreak. The Group will continue to observe the development of the COVID-19 outbreak closely and evaluate its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

(I) MACROECONOMIC LANDSCAPE

1. International Landscape

2019 is a year which witnesses the phenomenal trends of unilateralism and protectionism across nations which prevail against such backdrop during when the eras of globalization and multi-polarization reign ubiquitously, giving rise to the frequent trade tensions which are intensified by strategic games and witty competitions by confrontation between and among superpowers, which result in potential reshuffle of roles of all nations by division of labour implied in the international arena, whereas, coupled with the fact that the growth of the economy across the globe demonstrates a mild deceleration in general due to insufficient total demand in the absence of new driving momentum which keeps economic dynamics to grow, thus culminating to a slow pace which is widely experienced by 90% economies in the world.

A deceleration in the growth of trade volumes and a substantial drop in import and export trade volumes around the globe makes World Trade Organization lower its forecast of the expected growth of international trade of goods down to 1.2% from 2.4% in October 2019 while lowering its forecast of the expected growth regarding international trade from 3.4% to 3% in 2020; according to the forecast made by International Monetary Fund (IMF) in October 2019, the international economic growth stands at 3%, which has so far hit the lowest ever since the financial crisis outbreak in 2008. Due to the weakened and lethargic manufacturing industries in the major economies which result from the decline in acceleration of productions of industries in the world, a continuous linger below the critical threshold line of 50% is charted for the Purchasing Managers' Index (PMI) during the year.

Various appropriate measures have thus far taken by the world major economies at an opportune time with an aim to stabilize economic acceleration which is evidenced by the respective realizations in economic growth that achieved at 2.3%, 1,6% and 6.0% respectively for USA, Europe and China whilst 3% of enhancement in the global economic growth is attained amid the general slowdown in economic performance.

In particular, year 2020 is expected to be a challenging year. The unexpected outbreak of COVID-19 has brought adverse impact on the macroeconomic condition in an international and domestic context which is expected to persist. The Directors will continue to observe closely and manage risks associated. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors.

2. *Development Landscape in China*

2019 not only marks the critical year which witnesses the grandiose celebration of the 70th anniversary for establishment of the People's Republic of China in new era but also marks the crucial year when full realization of an all-round moderately prosperous society is achieved. The overall economy in China remains steady which is contributed by a steady and stable enhancement for development quality. With surpassing results achieved beyond expectation by virtue of the motto, "synchronic progression with stability in 6 aspects" and "3 major tough missions", the gross domestic product of China in 2019 amounts to RMB99,086.5 billion, representing an increase by 6.1% as compared with last year on an invariable price basis, which results in steady enhancement of overall economic volume with continuous optimization of economic structures.

In terms of investments in China, the investment in manufacturing industries rebounds from low level which results in the increase in annual investment in manufacturing industries by 3.1%, of which the investment in equipment manufacturing industries increases by 4.3%, the investment in technological reforms for the manufacturing industries increases by 7.4%; there is a rapid growth in the investment in real estate development which is contributed by the fact that annual investment in real estate development increases by 9.9% as compared with last year whereas the floor areas under construction by real estate developers increase by 8.7% as compared with last year; there is also a rapid growth in the investment in high-technology industries which is contributed by the fact that the annual investment in high-technology industries increases by 17.3% as compared with last year while the investment in high-technology manufacturing industries increases by 17.7% as compared with last year, representing more than 20% of the total investment in the manufacturing industries.

This year sees booming periods when prefabricated construction experiences rapid growth which is evidenced by the advice documents specific to the local areas on implementation and planning of the prefabricated construction issued by all of the 31 provinces including autonomous regions and municipalities directly administered under the Central Government in China. According to the Action Proposal on prefabricated construction under the 13th Five-Year Plan, it provides that the prefabricated construction in 2020 shall represent over 15% of the market share of newly built construction. In the passing year as recent as in 2019, the industry of fabricated construction continues to expand in terms of its overall scale thanks to the combined effect of the guidance of policies together with the faster speed in investment momentum for real estate development. Based on the forecast report entitled "Overview Profile of Prefabricated Construction Industry in China" published by Qianzhan Industry Institute, the new floor areas under construction of prefabricated construction in the market of real estate development amount to 252 million square metres, accounting for 12% with the market scale of RMB630.0 billion.

(II) BUSINESS OVERVIEW

1. New Development under New Leadership with New Shareholder

The Group has become the fifth largest business segment among the companies of Mr. Wu Po Sum ("Mr. Wu") ever since it is officially acquired by Mr. Wu in July 2019. Ever since Mr. Wu joined the Group, we have gained enormous support and immense development scales from the real estate developers, and thus the future prospect of the Group is benefitted with powerful support in relation to capitals, business, innovation synergy which is backed up by the presence of brand effect, which results in an increase by 31.2% for the annual turnover of the Group as compared with that in 2018.

Ever since Mr. Wu joined the Group, we have been in proactive engagement of business exploration with a substantial effort of synergy and innovation with the companies of Mr. Wu in other segments, culminating with the insight of synergetic mode as "Industry + Property" for better market feedback received.

It is worth to note that this year sees a huge enhancement on the social presences of the industry and brand effect of the Company ever since Mr. Wu joined the Group that its news conference of announcement of acquisition of the Company alone has garnered a wide coverage of mainstream media reports under the categories of property, construction and economy across China. In October 2019, the Company's industrial parks are greeted by a group of nationwide envoys from mainstream media representatives who have also conducted a site inspection visit to the working sites of the prefabricated construction projects of demonstration models by having a deeper level of understanding of the technology of prefabricated construction as well as the recent updates of our business under the leadership of Mr. Wu, thereby the brand presence is greatly improved with a better publicity promotion of the Group's business to the public in general.

2. Expansion of our industrial parks

This year sees our efforts made with great emphasis placed on the enhancement of the expansion and creation of the industrial parks of prefabricated construction in Henan Province.

In August 2019, the Group's green construction industrial park in Jiaozuo is regarded as the industrial base of prefabricated construction in Henan Province. The industrial park is built with a site area of 80 mu comprising four lines of production including one automatic line of production, two fixed lines of production and an extra production line made of rebar reinforcement steel, a modernized mixing plant as well as a depositary for bulky building construct compoments which are dedicated to those construction markets principally in the peripheral cities of Zhengzhou, Jiaozuo, Xinxiang, Jiyuan and Kaifeng.

In November 2019, a ceremony of contract signing of Dengfeng's green construction science park is held in Zhengzhou. The contract outlines the prospective base of green construction industry for prefabricated construction in Dengfeng where an industrial park will be built with a planned site area of 500 mu with annual production capacity designed to be 0.30 million cubic metres with the construction details including construction plants of precast concrete for prefabricated construction, manufacturing plants of aerated lightweight concrete panels (also known as its abbreviation of ALC panels), manufacturing plants of moulds with the markets principally aimed as far as covering regions of Zhengzhou, Luoyang and Xuchang.

Our business plan in the year 2020 will be laid out for its continuous effort of realization of the expected completion of industrial parks located in Nantong, Wuxi, Tianjin, Zhoukou and Dengfeng, based on its current 10 prefabricated construction plants in operation, for a proactive approach to facilitate the construction of smart factories for prefabricated construction.

3. *Operation of our industrial parks*

Our plants of prefabricated construction this year experience steady improvement in respect of profitability; 8 plants of the Company have realized making profit as represented by the year-on-year growth around 250% of net profit.

The annual unaudited net profit is amounted to RMB25.70 million for the plants in Nanjing, which become the top-ranking profit-making prefabricated construction plants in Jiangsu Province; the annual contract filings for the plants in Jiaozuo reach over RMB0.3 billion, which become the champion of sales among all prefabricated construction plants in Henan Province; the cost of price for each single unit of metre per square for the plants in Changsha realizes RMB1,850, which has become the benchmark plant of cost control.

There are 5 contracts relating to management consultation which are signed by us this year with our effort of the external management of export of orders relating to consultation by means of advanced technology of plant management by way of giving assistance to the realization of better operation for small and medium sized prefabricated construction plants with annual charge of management consultation.

4. *Technology Innovation*

In the Fifth National Academic Conference on BIM this year, the intelligent construction ecology system of the Company is officially launched by us with such a new system having integrated the technology of BIM as its core components which aid in the creation of intelligent management platform comprising four major platforms and one centre which are respectively intelligent design platform, intelligent production cloud platform, intelligent production cloud platform, intelligent operation and maintenance cloud platform as well as big data centre covering all production chains of prefabricated construction buildings. Based on the enormous amount of data generated by BIM technology with combination of the technology innovation and incorporation of core stages of whole life cycle of construction (which are respectively, stages of design, production, manufacture, operation and maintenance), the basic information at the lowest tier can be continuously refined which is contributed to the construction of operation platform based on big data and Internet of Things. Hence, the artificial intelligence of the platform will be realized in reliance of the population effect of researchers and the automatic function of machinery self-learning which gives shape to the service of open ecology system for the whole industrial production chains of prefabricated construction in its entirety.

It is prospectively planned that the system is dedicated to its core users of construction enterprise operators whilst providing different types of information services to real estate developers, construction enterprise providers, building operators, intelligent community managing staff as well as smart city managing staff alike.

5. *Equipment innovation and its operation*

The innovation of technology for our plants have been continuously reinforced by us who are also engaged in the external promotional sales to the market for our specialized equipment and production lines of the prefabricated construction plants with good performance.

In terms of research and design at national level, we completed planning of the production lines for automatic combination and formation of rebar reinforcement steel scaffolding skeletons supporting wall slab component construct structures of demonstration plants model which obtained approval of experts' validation on 11 November 2019; we also commenced the imaging identification technology study of certain rebar reinforcement steel scaffolding skeletons which are completed with validation proof of scientific experiments which have successfully passed the interim examination by the China's 21st Century Agenda Management Center directly affiliated to the Ministry of Science and Technology of China and completed the summary report of our engagement of work tasks for the year of 2019 after which is uploaded to the system of national technology projects.

In terms of research and design of cost reduction for plants, we completed standard IV regarding the optimization of cost reduction at cross-plants level whereas the application design in Zhoukou projects is realized by means of that particular technology.

In terms of the external operation of equipment, we completed signing of contracts with external clients in respect of 11 production lines and the delivery of installation which is realized by achieving the target of successful project delivery within 48 days without interruption, which is recognized with compliments by the presentation of banners of merit and gratification letters received from the clients in Ningxia, Tianjin and Shandong.

6. ***Culmination in our projects***

With reliance upon the business mode of whole EMPC-based industrial chains of the parent company, we are proactive in facilitating of promotion of the culmination in the prominent projects of all kinds by leverage of prefabricated construction technology which enables us to be repeatedly recognized by the industry and the communities as a whole:

The Greenland Intercity Space Station Project located in Changsha, a project which is the very first high-rise prefabricated residential building with a height of over 130 metres constructed with concrete, is built with the prefabricated construction components provided by Changsha plants of the Group. The building is constructed based on the mode of EMPC for such a project which is a building with assembly by prefabricated construction of comprehensive shear wall structure as high as 43-storey levels from the ground level construction where the prefabrication assembly rate is 50.3%. There are "three maximums" characterized by virtue of technology application of prefabricated construction for the project which is summarized as below: the maximum of building height of construction is represented by the super height of the buildings as high as 43 levels of 126.6 metres; the maximum of prefabrication assembly rate of over 50% for the construction of buildings of super height which is the very first of its kind nationwide under investigation and verification; the maximum of precision in accuracy of construction for the building of super height which is constructed by the technology of vertical components of sleeve coupling grout with a maximum of stringent demand of installation precision with precise accuracy of construction. Now the project is appraised as "the demonstration model of engineering construction of highlighted ad-hoc projects for green buildings and construction industrialization under the crucial national research and design schemes during the period of 13th Five-Year Plan", "the project in the construction scheme of demonstration models of engineering construction with application of new technology for construction industry at provincial level in Hunan Province" as well as a unanimous feedback of positive appraisal from a group of inspection experts who have complimented with praise for the project with all approvals and recognitions under the authorized inspection action on safety supervision of construction market and engineering quality as coordinated and implemented nationwide by the Ministry of Housing and Urban-Rural Development (also known as its abbreviation of "inspection nationwide").

Nine projects under the Standing Committee of Hunan Province, which is the main venue to play host to the First China-Africa Economic and Trade Expo which is opened on 27 June 2019 for those projects, are built with the prefabricated construction components provided by plants of the Company in Changsha. The buildings for those projects are constructed based on the mode of EMPC with the rapid pace of construction ahead of the schedule ever since the commencement of those projects on 26 December 2018 where the designs of those buildings are completed and delivered within one month. Those projects reach hoisting installation stage on 18 January 2019, achieve full capping-off on 10 March 2019, pass the acceptance inspection on 10 May 2019 and culminates in completion and delivery on 23 June 2019. In October 2019, those projects were appraised as demonstration models of prefabrication construction in Hunan Province of the Year 2019 at Changsha Prefabricated Building and Construction Technology Expo.

Xianghe Xingchengchunxiao Project in Changsha, a project with 53% of its prefabrication assembly rate with gross floor area of approximately 0.24 million square metres, is the very first of its kind of the high-rise prefabricated construction project of height over 100 metres in Changsha county and also the largest of its kind of the prefabricated construction of residential buildings in the same county. The project is built with prefabricated construction components provided by plants of the Group in Changsha based on the mode of EMPC. As a pilot project of management information process of production of the Group, the project is processed with the daily record and feedback on work tasks with the proactive use of tools of information process by the management staff of the project ever since the information process system was strategized to commence its operation in April 2019 under which the management staff have collected a wealth of production management data and imaging information the accumulation of which has provided an invaluable practical experience of work tasks of standardization and digitalization. The project is selectively recognized to be demonstration model of engineering construction projects for information process of the construction industry at a provincial level while it is also appraised as the green demonstration model of work site of construction of buildings in Changsha City.

Phase Two of Huaruncheng Projects located in Qingdao, with the gross floor area of approximately 0.64 million square metres, is the first comprehensive and largest complex operated under TOD mode jointly developed by China Resources (Holdings) Co., Ltd. and the subway. The project is constructed based on the mode of EMPC as initiated first by the Group under which the plants in Jiaozhou provide the prefabricated construction components for the project with the building at level 22 of overall height over 100 metres for its shear wall structure in vertically perpendicular to building limb which is also built by prefabricated construction, which is the very first of its kind of the high-rise prefabricated construction with its prefabrication assembly rate of 35% in Shandong Province. The project not only serves as the specified work site for demonstration display purpose of construction of engineering project with prefabricated construction of residential building in Laoshan District of Qingdao City but also serves as the work site of demonstration model of standardization in the same city.

Project of Chenhuiyuan Court as government apartments for young talents directly administered by Henan Province, with the gross floor area of 0.37 million metres square and prefabrication assembly rate of 55%, is the project comprising 11 residential buildings together with engineering construction of complimentary amenities of business buildings and kindergartens. The project is also the highlighted engineering work for the people's welfare under the provincial reinforcement strategy of "Retaining Talents by Construction of Accommodation" for retaining talents of Henan Province, which is also by far one of the twelve commitments of social affairs to be addressed with highlighted priority in terms of development of Henan Province since 2018 whereas the project is built with the prefabricated construction components provided by the plants of the Group in Jiaozuo and the current project with the highest speed of construction among ten government apartments for talents under construction in Henan Province.

Binhuxin Yuan Project located in Anhui is a project which is the current largest project of residential building under construction with process of industrialization of the construction nationwide with the gross floor area of approximately 0.95 million square metres for its total investment of RMB3.0 billion. The project is provided with precast building components of prefabricated construction supported with prefabricated construction technology furnished by the plants of the Group in Hefei. The project is the shortlisted candidate of the Ninth "Guangsha Prize" of the Year 2019 to 2020 while the project is not only the one and the only one shortlisted candidate recognized in Anhui Province but also the one and the only one project to be admitted as one of the shortlisted candidate of resettlement housing community project nationwide.

7. *Platform of academic exchanges*

As a leading enterprise equipped with cutting edge of industry technology, we not only take a proactive position to explore the most advanced technology but also organize and participate on our own initiatives in the exchanges activities involving scientific research of much significance and trade exchanges so that we can make our contribution to the promotion and prosperity of the prefabricated construction industry.

On 16 and 17 November 2019, we are the host to organize "The Fifth National BIM Academic Conference", which is the only one of its kind of such a large-scale academic conference with its theme dedicated to BIM held in China. It is the very first time for the private enterprise to be the organizer of such academic conference during which we launch our intelligent construction ecology system.

Between 15 and 17 October 2019, China (Changsha) Prefabricated Building and Construction Technology Expo 2019 was opened and held at Changsha International Convention and Exhibition Centre. As the demonstration model of base of industrialization of residential properties in Hunan Province and the base of prefabricated construction industry at national level, we present ourselves with the practical results of our prefabricated construction boasted for the most advanced technological innovation of the whole industry production chains with our strategic layout of our business locations in China, which has drawn tremendous attention from the leaders of officials of various governmental authorities, media coverage as well as attendants for the Expo.

(III) BUSINESS PROSPECT

The year 2020 will be a critical year of the prefabricated construction industry passing over the threshold mark with a market share of 15% as stipulated by the requirement of the central government against the backdrop of continuous expansion of the market size of the prefabricated construction industry. On the large platform of the companies of Mr. Wu, we will continue our effort of facilitating the advancement of technological innovation and output of actual results, particularly in the synergetic effect of the industry and enhancement in efficiency by cost reduction which will be implemented with our added devotion and determination so as to target at a higher level of technology development with better products while better business turnover and return of profitability will be achieved.

1. *Industrial Synergy*

The Group has carried out copious amount of synergetic explorations with each and every sector of the companies of Mr. Wu, including the facilitation of collaboration of much substance with the group of Central China Real Estate Limited involving several projects of EMPC-based contract packages as executed in Henan area with the prospective plan of collaboration scale over 2.00 million square metres; our effort will be made for our strategic market layout of business location in China by way of the our output of brand effect and technology export subject to the prospective exploration of the industrialization mode of real property development with Henan Zhongyuan Central China City Development Company Limited ("CCRE Zhongyuan").

2. *Efficiency Enhancement by Cost Reduction*

We will carry out full engagement with dedicated effort of achieving efficiency enhancement by cost reduction by taking all measures for the fields of research and development, design and production in the following manners: continuous optimization of existing system of construction technology by reduction of cost initiated with the endeavour of research and development; continuous creation of standardization system with an aim to reduce cost by standardization for the purpose of establishment of business operation system under standardization for the production management by the plants; establishment of the management systems complemented with cost reduction in purchasing of supply chains in order to reduce the cost of investment of plant establishment and reduce the cost of moulds with the increasing rate of utilization of moulds with the objective of achieving gradual reduction in cost.

The Group will continue its perseverance of proactive facilitation of building more and more prefabricated construction plants in the locations with potential markets of better prospects in the future when the culmination in well-defined policy regarding prefabricated construction industry takes place based on the existing strategic business layout of our presence in China. Our business plan in the year 2020 will be laid out for its continuous effort of realization of prospective completion of construction for the industrial parks located in Nantong, Wuxi, Tianjin, Wuhan, Zhoukou and Dengfeng with its current plan of operation commencement of 10 prefabricated construction plants with an aim of further expansion in the market size and the proportion of market share so as to increase our income and profitability continuously for lifting our status in the industry in an all-round way with our objective to become the most competitive enterprise in the industry.

PRINCIPAL RISKS AND UNCERTAINTIES

1) Business and future growth may be affected by the macro economic conditions in the PRC

The Group's business and future growth prospect relies on the general economic conditions in the PRC. From 2013 to 2019, China's economy achieved a rapid growth. Since 2020, China's macro economy may experience a soft landing during which it is predicted that China's economy growth may slow down, and various ongoing reforms may be carried out in the PRC, aiming to transform China's macro economy from investment-driven to consumer-driven. In addition, the cooling down of China's fixed asset investment reflects a combined effect of the economy deleveraging, reinforcement of environmental protection control and redundant production capacity elimination in the heavy industry. This economic structure adjustment is expected to improve the quality and efficiency of China's economic development. Some of these measures are beneficial to China's general economy, but may also adversely affect the Group. For example, the PRC government has tightened its control over capital investment, which may decrease government's investments in low-income housing projects and/or public facility construction projects in China; and the deleveraging of economy may affect real estate development construction activities.

As a result, our ability to supply prefabricated construction units or prefabricated construction equipment or undertake housing and public facilities construction projects at a reasonable price may be hindered. The Group involves in construction projects of commercial real estate development, government-funded low-income housing and municipal construction, and these projects are developed or funded by real estate developers or government, government authorities or public organizations, therefore any change of economic conditions in the PRC may affect the availability of funds to the project developers or owners which may result in suspension or termination of the project, and our ability to supply PC units to these projects may be in turn materially and adversely affected.

In addition, enhanced control over environmental protection by the PRC government may lead to a massive shutdown or prolonged inspection to the construction site by government departments, which in turn may affect our supply to the construction projects. Any economic structural changes in the PRC may cause changes in the taxation regulation system or foreign exchange control system currently applied to the Group, resulting in adverse effect on the Group's financial condition and results of operation.

Construction activities in the PRC are very sensitive to economic fluctuations and market uncertainties, and are regulated by the PRC government through political decisions. Any slowdown or regression of economy or other changes in China's society, politics or legal environment may decrease the number of new real estate construction projects or infrastructure projects, or lower the purchasing power of residents, and therefore decrease the demand towards our products and affect our results of operation.

2) **Intensive competition in the industry of the PRC**

The Group is facing intense competition from nationwide large scale construction companies, which may have stable supply of projects or abundant technological resources as well as from regional competitors, which may have abundant long-term customer resources, extensive network in the region, or the advantage of low transportation cost.

Provided that the adoption of prefabricated construction method is not required by the relevant policies or regulations, customers may prefer the traditional construction method, on which the Group do not have competitive edge due to its advantages in respect of low cost and low technology barrier as well as the level of acceptance and familiarity of consumers. In addition, the industrial standards of the prefabricated construction industry are in their early stage of development and the national standards and local standards have just been promulgated and are in their early stage of implementation as well. The development, promulgation or implementation of such standards may affect the Group's products or production, or the Group will incur additional cost to comply with the standards or any changes thereof. In that case, the profitability and prospects of the Group may be adversely affected.

FINANCIAL REVIEW

Review of Results

The Group was principally engaged in the production and sales of prefabricated construction units and equipments, and granting licenses in the People's Republic of China (the "PRC").

Revenue

The unaudited revenue of the Group increased by approximately 31.2% from approximately HK$530.2 million for the year ended 31 December 2018 to approximately HK$695.9 million for the year ended 31 December 2019. The significant increase in revenue were mainly attributable to (i) the increase in the operation for the manufacture and sale of prefabricated components and the continuous increase in the production capacity utilized by technology parks during the year; and (ii) a significant growth in the sales income of equipment for smart devices from the third party customers. As a result, the Group recorded unaudited sales revenue for year ended 31 December 2019 of prefabricated units of approximately HK$579.9 million (2018: approximately HK$423.6 million), licensing of approximately HK$36.4 million (2018: approximately HK$84.9 million), sales of equipment of approximately HK$65.0 million (2018: approximately HK$18.6 million), rental income of approximately HK$13.3 million (2018: approximately HK$1.9 million) and consulting service income of approximately HK$1.3 million (2018: approximately HK$1.2 million).

Cost of sales

The Group recorded unaudited cost of sales of approximately HK$518.1 million (2018: approximately HK$372.1 million) for the year ended 31 December 2019. The increase was primarily attributable to the increase in sales of prefabricated construction components, while the corresponding cost of sales also increased at the same time; as the additional plants which have been in its initial operation were inadequate in production capacity, the increase in each fixed expense therefore resulted in the increase of cost.

Gross profit and gross profit margin

The unaudited gross profit of the Group increased by approximately HK$19.7 million from approximately HK$158.1 million for the year ended 31 December 2018 to approximately HK$177.8 million for the year ended 31 December 2019. The unaudited gross profit margin slightly decreased to 25.5% in 2019 from 29.8% in 2018, which was mainly attributable to the expense of the cost of granting licenses was charged to the profit or loss for the period during its process of formation, instead of capitalization of cost carrying forward during the granting period. As the income achieved by granting licenses for the year decreased by 57% when compared with last year, resulting in the overall decrease in gross profit; the actual gross profit of prefabricated construction components decreased by around 5% when compared with the corresponding period of last year.

Other income

The unaudited other income of the Group increased by approximately HK$2.4 million from approximately HK$3.5 million for the year ended 31 December 2018 to approximately HK$5.9 million for the year ended 31 December 2019. Other income mainly comprised of (i) interest income arose from bank deposits of approximately HK$5.1 million and (ii) income arose from equipment disposal of approximately HK$0.8 million.

Other losses — net

For the year ended 31 December 2019, the unaudited other losses — net amounting to approximately HK$5.5 million mainly comprised of (i) loss arising from deposit loss and penalty on early termination of a lease contract in respect of the previous location of business in Pacific Place in Admiralty of approximately HK$5.2 million; and (ii) gains on fair value from investment properties of approximately HK$0.6 million.

Selling and distribution expenses

The unaudited selling and distribution expenses amounted to approximately HK$55.4 million (2018: approximately HK$34.7 million) for the year ended 31 December 2019. The increase in expense was primarily attributable to the organizational structure adjustment to the Group, the increase in regional salesforce, the increase in salary and the number of plants in operation and growth of income with the moderate growth in transportation fees for product sales.

Administrative expenses

During the year ended 31 December 2019, the unaudited administrative expenses increased by 6.9% to approximately HK$117.3 million from approximately HK$109.7 million in 2018, which was mainly attributable to the staff bonus increased to approximately HK$6.9 million in 2019 (2018: Nil), while the remaining increase is attributable to the increment of other general administrative expenses, such as rental expenses, professional fee, entertainment, travelling expenses and office expenses etc.

Finance costs

The unaudited finance costs of approximately HK$25.9 million for the year ended 31 December 2019 represented (i) the interest expenses of approximately HK$31.0 million for the borrowings; (ii) the finance charges of approximately HK$1.3 million on the lease liabilities; and (iii) capitalisation of approximately HK$6.4 million interest in plant under development for prefabricated construction business for the year.

Liquidity and Financial Resources

As at 31 December 2019, the unaudited cash and bank balances of the Group amounted to approximately HK$82.4 million (2018: approximately HK$110.8 million) and the current ratio of the Group is 1.1 (2018: 1.4).

As at 31 December 2019, the unaudited borrowings of the Group amounted to approximately HK$474.7 million (31 December 2018: HK$496.6 million) and the gearing ratio is 12.1% (2018: 11.0%).

Disposal of Subsidiaries

In December 2019, the Group disposed 99% equity interest in Zhoukou Jianheng Real Estate Development Co., Ltd.* (周口建恒房地產開發有限公司) ("Zhoukou Jianheng") to Henan Jigang Real Estate Development Limited Liability Company* (河南濟鋼房地產開發有限責任公司). The Group recorded an unaudited gain on disposal of approximately HK$120.5 million.

In 2019, the Group disposed of its 100% equity interest in Haikou China Minsheng DIT Limited* (海口中民築友智造科技有限公司) to Jianhua Construction Materials (China) Limited* (建華建材(中國)有限公司). The Group recorded an unaudited gain on disposal of approximately HK$13.3 million.

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 of the Company. In deciding whether to propose a dividend and in determining the dividend amount, the Board 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.

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 2019, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange, except for:

(a) code provision A.4.1 of the Code in relation to the non-executive director for a specific term;

(b) code provision A.6.7 of the Code in relation to Directors should attend the general meetings of the Company. Due to their respective engagements, Mr. Yin Jun, Mr. Yang Hongwei, Mr. Peng Xiongwen and Mr. Ma Lishan were unable to attend the special general meeting of the Company held on 4 July 2019.

Code provision A.4.1 of the Code requires that non-executive director should be appointed for a specific term, subject to re-election. Mr. Peng Xiongwen was not appointed for a specific term, but was subject to retirement from office by rotation and re-election in accordance with the provisions of the Company's bye-laws.

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 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 2019.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

As at the date of this announcement, 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 the Group's unaudited annual results for the year ended 31 December 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the unaudited annual results for the year ended 31 December 2019 has not been completed due to travel restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditor. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Pursuant to Rule 13.49(3)(ii)(b) of the Listing Rules, if the audited annual results differ materially from the unaudited results above, full particulars of and reasons for the difference, must be set out in the preliminary announcement of the audited annual results.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results for the year ended 31 December 2019 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process.

The unaudited financial information contained herein in respect of the unaudited annual results of the Group have not been audited and have not been agreed with the Company's auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT

This unaudited annual results announcement is published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://cmdrawin.todayir.com). The Company's 2019 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
DIT Group Limited
Wu Po Sum
Chairman and Executive Director

Hong Kong, 30 March 2020

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