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 2020

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 2020 with comparative figures for the corresponding period of 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*4*	**402,375**	288,178
Cost of sales	*7*	**(290,112)**	(227,536)
Gross profit		**112,263**	60,642
Gains on disposal of subsidiaries		**–**	3,286
Government subsidies		**4,215**	9,390
Other income	*5*	**1,002**	5,287
Other losses — net	*6*	**(526)**	(4,166)
Selling and distribution expenses	*7*	**(30,878)**	(22,504)
Administrative expenses	*7*	**(54,883)**	(44,365)
Share of gains/(losses) of associates		**4,087**	(4,052)
Net impairment losses on financial assets		**(3,075)**	(1,011)
Operating profit		**32,205**	2,507
Finance costs		**(14,682)**	(11,902)
Profit/(loss) before income tax		**17,523**	(9,395)
Income tax expenses	*8*	**(6,941)**	(3,712)
Profit/(loss) for the period		**10,582**	(13,107)
Profit/(loss) for the period, attributable to			
— Owners of the Company		**8,486**	(11,339)
— Non-controlling interests		**2,096**	(1,768)
		10,582	(13,107)
Earnings/(loss) per share attributable to owners of the Company			
(expressed in HK$ cents per share)			
— Basic and diluted	*10*	**0.08**	(0.10)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Profit/(loss) for the period		**10,582**	(13,107)
Other comprehensive loss,which may be reclassified subsequently to profit or loss			
— Currency translation differences		**(49,805)**	(7,822)
Other comprehensive loss for the period, net of tax		**(49,805)**	(7,822)
Total comprehensive loss for the period		**(39,223)**	(20,929)
Total comprehensive loss for the period, attributable to			
— Owners of the Company		**(39,073)**	(19,404)
— Non-controlling interests		**(150)**	(1,525)
		(39,223)	(20,929)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	**30 June 2020** *HK$'000* **(unaudited)**	31 December 2019 *HK$'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,487,243**	1,416,328
Right-of-use assets		**809,375**	726,587
Investment properties		**16,750**	17,080
Intangible assets		**4,498**	3,619
Deferred income tax assets		**38,767**	44,973
Investments in associates		**193,207**	192,883
Financial assets at fair value through profit or loss		**42,639**	43,480
		2,592,479	2,444,950
Current assets			
Inventories		**97,065**	89,672
Trade and other receivables and prepayments	*11*	**819,829**	725,589
Cash and cash equivalents		**74,520**	82,415
Restricted cash		**177,815**	124,371
		1,169,229	1,022,047
Total assets		**3,761,708**	3,466,997
EQUITY			
Equity attributable to owners of the Company			
Share capital (nominal value)		**1,120,960**	1,120,960
Reserves		**669,119**	710,485
		1,790,079	1,831,445
Non-controlling interests		**627,179**	587,598
Total equity		**2,417,258**	2,419,043

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AS AT 30 JUNE 2020

	Notes	**30 June 2020** *HK$'000* **(unaudited)**	31 December 2019 *HK$'000* (audited)
LIABILITIES			
Non-current liabilities			
Amount due to a related party		**46,463**	–
Deferred income		**1,522**	1,708
Deferred income tax liabilities		**11,939**	12,916
Lease liabilities		**11,765**	3,007
Borrowings	*13*	**110,224**	123,077
		181,913	140,708
Current liabilities			
Trade and other payables	*12*	**618,567**	458,112
Contract liabilities		**27,607**	55,341
Current income tax liabilities		**27,243**	31,176
Lease liabilities		**9,609**	10,968
Borrowings	*13*	**479,511**	351,649
		1,162,537	907,246
Total liabilities		**1,344,450**	1,047,954
Total equity and liabilities		**3,761,708**	3,466,997

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2020 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 ("HKAS") 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 Company for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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 2019, 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 2020, 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	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from sales of prefabricated construction units	**351,785**	226,199
Revenue from sales of prefabricated construction equipments	**28,532**	38,407
Revenue from granting licenses	**16,081**	16,367
Rental income	**5,648**	7,129
Revenue from consulting services	**329**	76
	402,375	288,178

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income on bank deposits	**931**	3,881
Others	**71**	1,406
	1,002	5,287

6. OTHER LOSSES — NET

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gains on disposal of equipments	**36**	–
Net gains on financial assets at fair value through profit or loss	**–**	821
Net exchange (losses)/gains	**(193)**	257
Others	**(369)**	(5,244)
	(526)	(4,166)

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	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Raw materials and consumables used	**177,288**	108,789
Changes in inventories of finished goods, goods in transit and work in progress	**(169)**	487
Employee benefits expenses	**78,687**	52,846
Labour outsourcing	**28,896**	23,185
Depreciation	**35,782**	39,730
Amortisation of right-of-use assets	**10,480**	17,541
Transportation	**18,178**	10,866
Legal and professional fees	**8,147**	6,917
Land use tax and value-added tax surcharges	**7,646**	6,573
Entertainment and travelling expenses	**1,604**	3,571
Repairs and maintenance	**1,052**	881
Office expenses	**338**	345
Provision for inventories impairment	**10**	1,094
Others	**7,934**	21,580
Total of cost of sales, selling and distribution expenses and administrative expenses	**375,873**	294,405

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 2020 (six months ended 30 June 2019: 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.

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current income tax — PRC corporate income tax	**2,294**	4,530
Deferred income tax	**4,647**	(818)
Total income tax expenses for the period	**6,941**	3,712

9. DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings per share for the period is calculated by dividing the consolidated 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	
	2020	2019
	(unaudited)	(unaudited)
Consolidated profit/(loss) attributable to owners of the Company *(HK$'000)*	**8,486**	(11,339)
Weighted average number of ordinary shares in issue *('000)*	**11,209,603**	11,209,603
Basic earnings/(loss) per share *(HK cents)*	**0.08**	(0.10)

(b) Diluted

No diluted earnings/(loss) per share has been presented as the Group has no dilutive potential ordinary shares during the period.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2020 *HK$'000* **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
Trade receivables — third parties	**416,485**	353,618
Trade receivables — related parties	**235,777**	162,480
Value-added tax recoverable	**64,591**	61,314
Prepayments	**23,375**	24,526
Receivables relating to disposal of subsidiaries	**17,180**	72,760
Amounts due from related parties	**15,227**	13,251
Land auction deposits	**14,077**	11,173
Deposits	**10,697**	7,297
Government grant receivable	**7,006**	8,261
Notes receivable	**4,987**	2,693
Others	**19,276**	14,130
	828,678	731,503
Less: Provision for impairment of trade receivables and other receivables	**(8,849)**	(5,914)
	819,829	725,589

The ageing analysis of trade receivables as at 30 June 2020 and 31 December 2019 based on the invoice issue date were as follows:

	As at 30 June 2020 *HK$'000* **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
Less than 1 year	**301,321**	355,566
1 to 2 years	**347,940**	149,455
More than 2 years	**3,001**	11,077
	652,262	516,098

The maximum exposure to credit risk as at 30 June 2020 and 31 December 2019 is the carrying value of each class of receivables mentioned above.

As at 30 June 2020 and 31 December 2019, the fair values of trade and other receivables approximate their carrying amounts.

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

	As at 30 June 2020 *HK$'000* **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
HK dollar	**2,827**	3,890
Renminbi	**817,002**	721,699
	819,829	725,589

12. TRADE AND OTHER PAYABLES

	As at 30 June 2020 *HK$'000* **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
Trade payables — third parties	**240,988**	216,833
Trade payables — related parties	**3,995**	6,162
Amounts due to related parties	**117,511**	48,482
Notes payable	**86,529**	24,911
Accrued payable for property, plant and equipment construction — third parties	**38,474**	40,965
Accrued payable for property, plant and equipment construction — related parties	**37,561**	46,194
Accrued tax payable	**45,475**	28,257
Accrued payroll	**9,889**	8,702
Deposits	**2,983**	9,397
Interest payable	**94**	58
Others	**35,068**	28,151
	618,567	458,112

The ageing analysis of trade payables as at 30 June 2020 and 31 December 2019 based on the invoice issue date were as follows:

	As at 30 June 2020 *HK$'000* **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
Less than 1 year	**238,936**	170,503
1 to 2 years	**6,047**	52,492
	244,983	222,995

As at 30 June 2020 and 31 December 2019, 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 Renminbi.

13. BORROWINGS

	As at 30 June 2020 *HK$'000* (unaudited)	As at 31 December 2019 *HK$'000* (audited)
Non-current, secured		
— Bank borrowings	**415,516**	359,463
— Other financial institution borrowings	**8,758**	12,280
Non-current, unsecured		
— Bank borrowings	**19,706**	20,094
	443,980	391,837
Less: Current portion of non-current borrowings	**(333,756)**	(268,760)
Non-current, total	**110,224**	123,077
Current, secured		
— Bank borrowings	**76,031**	82,889
— Other financial institution borrowing	**69,724**	–
	145,755	82,889
Current portion of non-current borrowings	**333,756**	268,760
Current, total	**479,511**	351,649

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.

(c) As at 30 June 2020, the Group's current borrowings included borrowing with principal amount of HK$35.5 million (31 December 2019: HK$52.7 million) which the Group has breached certain terms and conditions, as set out in the respective borrowing agreement among which HK$8.2 million were originally matured beyond 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Macro situation

1) Industrial pattern

(1) Industrial scale

Maintaining a good growth momentum in recent years, prefabricated construction plays a significant role in pushing forward the transformation and upgrading of the building industry and promoting high-quality environmental-friendly construction in urban and rural areas. According to the statistics in 2019 Prefabricated Construction Development Overview issued by the Ministry of Housing and Urban-Rural Development (MOHURD) on 29 April 2020, the gross floor area of China's newly built prefabricated constructions in 2019 reached 420 million square metres, an increase of 45% from 2018, accounting for about 13.4% of the gross floor area of the country's all newly built constructions. 2019 saw an increase of 45% from 2018 in the gross floor area of China's newly built prefabricated constructions with annual growth rate averaging 55% for the recent four years.

(2) Development by region

Top regions take a lead while other regions tend to develop in scale. The policy categorises three city clusters, namely, Beijing-Tianjin-Hebei Region, Yangtze River Delta and Pearl River Delta as top regions, other cities with more than 3 million permanent residents as key regions, and the remaining cities as encouraged regions. In 2019, newly built prefabricated constructions in top regions accounted for 47.1% of the total in China, and the sum of newly built prefabricated constructions in key regions and encouraged regions accounted for 52.9% of the total in China. The prefabricated constructions in eastern developed regions continued to take a lead across the country, and some cities in other provinces gradually showed a tendency of scale development. In 2019, the floor area of newly built prefabricated constructions in Shanghai, Beijing, Hunan, and Zhejiang, was 34.44 million, 14.13 million, 18.56 million, and 78.95 million square metres, accounting for 86.4%, 26.9%, 26%, and 25.1% of newly built constructions, respectively. The proportions of prefabricated constructions in newly built constructions in Jiangsu, Tianjin and Jiangxi all exceeded 20%. According to the statistics for the most recent three years, the floor area of newly built prefabricated constructions in top regions was 75.11 million, 135.38 million and 196.78 million square metres, accounting for 47.2%, 46.8% and 47.1% of that of the whole country, respectively. With strong policy support and solid industrial foundation for prefabricated construction development, these regions provide a good policy and market development environment.

(3) Development by structure type

In terms of structure type, prefabricated construction is still dominated by prefabricated concrete construction, and prefabricated concrete residential constructions still by shear wall construction. In 2019, the floor area of newly built prefabricated constructions with concrete structure was 270 million square metres, accounting for 65.4% of newly built prefabricated constructions; that with steel structure was 130 million square metres, accounting for 30.4% of newly built prefabricated constructions. The floor area with wooden structure was 2.42 million square metres, and that with other hybrid structures was 15.12 million square metres.

(4) Development by building type

Recent years have seen the increasing use of prefabricated construction for commodity housing. Among the prefabricated constructions newly built in 2019, there were 170 million square metres of commodity houses, 60 million square metres of indemnificatory apartments, and 90 million square metres of public buildings, accounting for 40.7%, 14% and 21% of the total newly built prefabricated constructions, respectively. Prefabricated constructions have been developed greatly in all categorised regions with policy support and guidance, especially the requirement to include prefabricated construction in regulatory detailed plans and land grant conditions.

2) Up-to-date policies in China

Following the issuance of the Guiding Opinions of the General Office of the State Council on Vigorously Developing Prefabricated Constructions, 31 provinces, autonomous regions and municipalities directly under the Central Government introduced policies to promote the development of prefabricated construction. During 2016-2019, 33, 157, 235 and 261 policy documents with respect to prefabricated construction in 31 provinces, autonomous regions and municipalities directly under the Central Government were introduced, respectively, with improved supplementary policies and detailed implementation rules. In particular, economic incentive policies and technical standards provide institutional guarantee and technological support for promotion of the prefabricated construction development. The first half of 2020 sees the accelerated application and fast growth of prefabricated construction thanks to the introduction of more incentive policies and standard systems. The MOHURD and provinces issued 133 related policies on technical standards, work schemes, quality control, and industrial demonstration during the first half of 2020. In terms of region, central and western provinces accounted for nearly 60%, promoting prefabricated construction as the eastern counterparts had done before, while the eastern provinces deepened policy guidance in terms of administrative details, such as technological standards and subsidy methods.

Major policies are as follows:

Beijing:

Interim Administrative Procedures of Municipal Incentive Funds for Prefabricated Constructions, Green Buildings and Green Ecological Demonstration Zones Projects: financial incentives will be given to prefabricated construction projects, the incentive fund will be up to RMB8 million for a single green building project and RMB180 for each square metre of prefabricated construction, and a long-term evaluation mechanism will be introduced as a part of the incentive policy for green ecological demonstration zones.

Hainan:

This revision adds the demonstration project of ultra-low energy buildings as a new project type entitled to subsidy and offers a subsidy of RMB300 for each square metre of a building with a floor area of over 2,000 square metres.

Shanghai:

Special Supportive Measures of Shanghai for Building Energy Savings and Green Building Demonstration Projects (H.Z.J.G.F.L (2020) No.2)

This revision adjusts subsidy methods for prefabricated construction projects against the evaluation grade. The subsidy for a Grade AA project is RMB60/m^2, and for Grade AAA is RMB 100/m^2. The requirement for the building size is lowered to over 10,000 square metres.

MOHURD:

Notice on Organising Application for Science and Technology Plan Projects 2020: prefabricated construction is prioritised among applications for science and technology plan projects 2020 of MOHURD.

Zhejiang Department of Housing and Urban-Rural Development:

2020 Zhejiang Building Industrialization Outline: the floor area of newly built prefabricated constructions in 2020 should account for over 30% of the whole newly built constructions, and are expected to be 25 million m^2.

Hebei Department of Housing and Urban-Rural Development:

2020 Outline of Hebei for Building Energy Savings, Technology and Prefabricated Constructions: the prefabricated constructions shall account for over 20% of the whole urban newly built constructions in floor area.

Jiangsu Department of Housing and Urban-Rural Development:

2020 Outline of Jiangsu for Housing and Urban-Rural Development: efforts should be made to ensure the floor area of prefabricated constructions reaches 30% of the provincial newly built constructions by the end of 2020.

Sichuan Department of Housing and Urban-Rural Development:

2020 Outline of Sichuan for Promotion of Prefabricated Constructions Development: the newly built prefabricated constructions in Sichuan should reach 46 million m^2, including 30 million m^2 in Chengdu.

Chongqing Commission of Housing and Urban-Rural Development:

2020 Outline for Construction Science and Technology and External Cooperation: efforts should be made to ensure the floor area of prefabricated constructions accounts for over 15% of the newly built constructions in Chongqing, and over 30% in the central downtown.

Henan Department of Housing and Urban-Rural Development:

2020 Work Plan of Henan Department of Housing and Urban-Rural Development for Air Pollution Control Efforts: newly built prefabricated constructions shall account for 20% by the end of 2020.

Shandong:

2020 Annual Plan of Shandong for Housing and Urban-Rural Development: prefabricated constructions shall account for 25% and 15% of newly built constructions in cities with districts and counties (county-level cities), respectively.

Anhui:

Opinions on Promoting Development of Prefabricated Construction Industry: by the end of 2020, about 10 provincial-level prefabricated construction industry bases will be established, and the floor area of prefabricated constructions will account for 15% of the newly built constructions.

Hubei:

Opinions on 2020 Works for Building Energy Savings and Green Building Development: 14 million m^2 of green buildings will be developed, and urban green buildings will account for over 40% of the newly built constructions.

3) *Impact of epidemic*

Prefabricated construction, as a mode of modular construction, represents a systematic thinking of standardization, the practice of prefabricating components at factories and transporting those sub-assemblies to the location of construction sites for assembly to form the complete building. A hospital was constructed and put into use within only ten days in response to the COVID-19 epidemic. The fast completion of Huoshenshan Hospital and Leishenshan Hospital fully reveals and makes market players fully aware of the advantages of prefabricated construction: high efficiency, standardization, and greatly shortened construction period. Social and policy supports are also provided to prefabricated construction. The prefabrication-driven reform of construction mode has been an irresistible development trend. The prefabricated construction will probably see an opportunity of rapid growth after the epidemic, and will become a significant signpost on the road to future development of China's building industry.

The Group has taken preventive measures in strict accordance with national prevention and control requirements to prepare for the resumption of production since the outbreak of COVID-19 in late January, and no employee has been infected. After the whole country returned to work, the Group seized the golden period for production resumption by securing more market orders and increasing production capacity exhaustively in various ways, such as the improvement of shift, production, and delivery schedules and intensification of production outsourcing. As a result, some plants reached full monthly production capacity, and the volume of production increased by 70% year on year. The capacity utilization rate increased to 39% from 26% for the whole year of 2019.

2. Business review

1) *Operations and highlights for the first half of 2020*

(1) *70% increment in prefabricated construction owing to fast production resumption amid epidemic prevention*

All prefabricated construction plants of the Group across China prepared early for epidemic prevention and avoided crowds in workplaces by making good use of the industrialization and intellectualization of prefabricated construction amid the challenges posed by the COVID-19. As a result, several plants resumed production on as early as 10 February, including the plant in Jiaozuo which was reported in CCTV News for guaranteeing supplies for construction of a key engineering in Henan.

As of 30 June 2020, the cumulative production of all prefabricated construction plants of the Group across China for the first half of 2020 exceeded 124,500 m^3, a year-on-year growth of 70% from 73,400 m^3 in 2019. This is a remarkable achievement in face of the severe situation of the epidemic.

(2) *Government award for technological progress*

The Group won the Science and Technology Progress Award for its independently developed "production line of prestressed concrete composite slabs" at Hunan Technological Innovation Award Conference held on 10 June in Changsha.

The equipment technology and production technology for the production line of prestressed concrete composite slabs have been monopolized by foreign companies. As a technology-driven enterprise, the Group ultimately succeeds after three years of research and development. The new generation of the production line of prestressed concrete composite slabs, and complete set of automatic equipment have made breakthroughs in the innovation of traditional production technology, and independently developed key devices, saving labours substantially and increasing efficiency in comparison with traditional production modes.

(3) *Continuous efforts to reduce costs and improve efficiency keep improving our product competitiveness*

During the first half of 2020, the Group installed an environmental-friendly automatic cleaning device for prefabricated construction mould, the first of its kind in China, which represents its idea of technology-led development and technological innovation exploration of a prefabricated construction plant. This device realizes the seamless connection between mould setting and mould removal, and enhances the full automation level of prefabricated construction component production lines. By completing the cleaning of a single set of mould within the 10-minute cycle time of an assembly line, it can save substantial labour cost, increase production efficiency for the process of mould installation and removal, reduce mould damage from knocking during manual cleaning, prolong mould service life and reduce cost to use mould, enhance mould cleanliness to over 95%, and improve the production quality of prefabricated construction components.

During the first half of 2020, the Group continuously improved the Cost Management Department, make "science-based cost reduction" a key task in its annual goal plan, and further improved the cost management system. Priority was given to the gradual reduction of costs of construction and installation in EPC projects and production costs of prefabricated construction components and devices. Prefabricated construction costs decreased year-on-year by 7%, and some plants has even brought their costs below RMB1,700/m^3. For prefabricated construction devices, costs were saved mainly on production lines of binary cycle wallboards owing to optimization of the control system, process design and procurement of bench formworks of wallboard lines, channel optimization and price negotiation. The investment cost of prefabricated construction plant devices has been further reduced.

(4) Continuous acceleration for industrial presence across China

On 19 June, the Henan headquarters won the Dengfeng Municipal Government's bid for the use right of the plot (No. (2020) 8), further strengthening its industrial presence there. With an area of 140.2 mu, this plot will be used to construct Zhengzhou Green Construction Industrial Park. This success marks the expansion of the Group's presence across China and new development of the prefabricated construction industry in Henan Province.

As of the issuance of this interim results announcement, the Group has constructed four green construction industrial parks in Henan, specifically, in Jiaozuo, Zhengzhou, Zhoukou and Luoyang. It will continue efforts to construct green construction industrial parks in Henan and other provinces in a variety of ways, such as direct investment, franchising, and management output.

(5) Strengthening training of industrial workers

The Group trained in-service industrial workers to upgrade their skills and asked senior workers help new ones in various ways during the first half of 2020. It will intensify efforts to train industrial workers to guarantee supply of steady professional labours that are needed to enhance the production capacity of plants across China.

3. Future prospects

1) Industrial development

According to the Guiding Opinions on Vigorously Developing Prefabricated Constructions issued by the State Council in 2020, the proportion of prefabricated constructions in the total newly built constructions in three city clusters, namely, Beijing-Tianjin-Hebei Region, Yangtze River Delta and Pearl River Delta as top regions will reach 20%; and that in other cities with more than 3 million permanent residents as key regions will reach 15%, and that in the remaining cities as encouraged regions will reach 10%.As guided by the policy, the penetration rate of the prefabricated construction industry will reach over 30% by 2025. Based on an estimated floor area of approximately 2.1 billion m2 for China's annual urban newly built constructions, the floor area of the newly built prefabricated constructions will then reach over 0.63 billion m2, ensuring a compound annual growth rate of over 17% for the coming five years. Thus, it can be expected that the coming several years will see an accelerated development, an expanded market size, and an unleashed potential in this industry.

The Group should seize and make full use of the window period of this policy to invest in key markets, such as Henan, Yangtze River Delta, and Greater Bay Area, and quickly improve the nationwide industrial layout through direct investment, franchising and asset-light operation.

The cost of prefabricated construction is higher than the traditional cast-in-place construction at present, but there is a significant potential for cost reduction. In recent years, the Central Government and local governments suggest the use of EPC model for prefabricated construction projects to integrate resources in building design, component production and construction, thereby cutting costs incurred in the intermediary links of the chain ultimately. In comparison with the traditional cast-in-place construction, the prefabricated construction puts more emphasis on the integration of preliminary design, production and construction. The resource integration throughout the industrial chain of prefabricated construction will become a trend in this industry with the policy support.

2) ***Development strategy;***

Deepening business layout: Three evaluation indicators, namely, economic development, policy enforcement and market conditions, will be utilized for the overall arrangement in Henan, Yangtze River Delta, Pearl River Delta, and Guangdong-Hong Kong-Macao Greater Bay Area, and in priority regions, such as other capitals, major cities and central cities.

Layout of new business: For the second half of 2020, subsidiaries will be registered under the Group to expand its business scope by adding businesses of construction, decoration and gardening. The Group will establish an integrated industrial chain model ("turn-key" engineering), ranging from R&D, devices, prefabricated construction components, and general contracting to decoration and gardening. Its business delivery capability and scope will be improved rapidly. With positioning as a "leading provider of overall smart building solutions" and eye-catching feature of "technology-based manufacturing", the Group will use the business model of EMPC and EM to deliver "smart building for beautiful life". It will develop its competitiveness across the full industrial chain and strive to create a powerful industrial competitive edge by the concerted efforts from stakeholders across the industrial chain to reduce comprehensively and rapidly the cost of contract performance. Within the coming 3-5 years, the smart building products relying on the two structural systems, namely long-span prestressed two-way composite slab system and RIFF system, will become the most competitive products of the Group, greatly reducing production costs of prefabricated construction components, but their quality will be improved on par with the leading player in this industry; decoration and gardening businesses will depend on EMPC to evolve outside of Henan and in cooperation with others than Central China Real Estate, and transition from Central China Real Estate to external customers in terms of contract performance, with increasing market share.

Efficiency improvement and cost reduction: Online solicitation, field research, and other methods will be used to fast solve R&D problems, fast apply R&D achievements in actual engineering, in order to reduce cost and improve construction quality. Design phase: More efforts will be made on the research of standardized house types and a standard component library to control the design of the content of rebars and concrete, thereby eliminating rebar interference and avoid excessive floor slab thickness. Manufacturing phase: More efforts will be put on research to control the wastage of main prefabricated construction materials (concrete, rebars, prestressed reinforcing bars and truss reinforcing bars), improve product quality of bi-circulating assembly lines, and reduce prefabricated construction moulds and logistics expenses. Assembly phase: More efforts will be made for research on mortar leakage from splicing seams at the ends of composite slabs, efficient dismounting and installation of elevator shaft moulds, and improvement of efficiency and precision of installation of supports for aluminium moulds. Digital technology: This is used to enhance the consistency and accuracy of BOM, improve the efficiency of plant processing and quantities calculation. The concerted efforts from stakeholders across the industrial chain will further reduce the production costs of prefabricated construction components, putting the Group on a par with or even beyond industrial leaders in the market.

Improvement of product quality and services: Product quality is the foundation for the development of the Group. All staff should follow the product and service philosophy of "no excuse for the provision of defective products or second-rate services to customers" and the principle of "seeking for efficient management and profitable efficiency". Industrial workers should be regularly trained. We should stick to customer satisfaction surveys, reporting of problems and continuous improvement. We should also keep improving existing product testing procedures and mechanisms to further upgrade the product quality and service capability of the Group.

3) Outlook for synergy with Central China Group

The Group will make synergistic efforts with all business units of Central China Group to innovate business model, create synergistic effects and get benefits from synergy.

In cooperation with Central China Real Estate Limited ("CCRE"), the Group will manage well the "industry + real estate" model, secure the procurement of the 290 mu commercial-residential land for Zhoukou project Phase II; manage well the integration model of "mine + mixing plant + plant land + construction land + EPC municipal works", such as in Ruyang Green Construction Industrial Park, to reduce the investment cost of science and technology parks and improve the model of industrial chain layout; promote use of real estate for research and development, determine 5 demonstration projects on long-span prestressed two-way composite slab system, RIFF system and prefabricated model house, and support application of CECS standard and specifications; push forward incorporation of prefabricated construction components, decoration, gardening and other new businesses into the real estate purchasing and supply pool, intensify land procurement, and fast drive the development of business segments of the Group; jointly establish quality control measures and constraint mechanism, and ensure effective implementation of contract.

In cooperation with Henan Zhongyuan Central China City Development Company Limited ("CCRE Zhongyuan"), the Group will try cooperation in other provinces than Henan, and strive to successfully win first project contracts in Qijiang; proactively explore cooperation modes with CCRE Zhongyuan, promote businesses of prefabricated construction components, decoration, gardening, etc. in asset-light projects, and fast drive the development of business segments of the Group.

The Group will centre the strategy of "intelligent construction of home" to complementarily develop with Central China New Life Limited ("Central China New Life"), Soontech and other market players, establish synergistic mechanism with clear division of functions and future result outputs; focus on synergistic cooperation on digital platform this year, develop high-quality patent products of the Group, and create a new win-win model among the Group, Central China New Life and CCRE.

As of 30 June 2020, the Group has signed contracts with the third parties for prefabricated components with a total contract amount of approximately RMB1,190.93 million and a total volume of 414,505 cubic metres.

Sales revenue of prefabricated construction units — by region	**Six months ended 30 June**	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Changsha	**72,458**	18,334
Nanjing	**70,890**	72,059
Jiaozuo	**68,361**	1,592
Hefei	**45,052**	36,232
Kunshan	**27,320**	41,543
Foshan	**26,320**	19,142
Huizhou	**19,123**	19,518
Xiangtan	**18,470**	611
Hengyang	**3,519**	15,095
Jiaozhou	**272**	2,073
Total	**351,785**	226,199

Sales revenue of prefabricated construction units	**Six months ended 30 June**	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales revenue from third parties	**282,110**	182,236
Sales revenue from related parties	**69,675**	43,963
Total	**351,785**	226,199

Technology trademarks and patents obtained by the Group during the first half of 2020

Patents: For the six months ended 30 June 2020, 8 applications for patents have been made, and 33 patents were granted. As at 30 June 2020, there were approximately 978 applications for patents in aggregate, and 666 patents were granted.

Plants in operations

Regions	**Annual estimated capacity** *(approximate '000 cubic metre)*	**Area** *(approximate mu)*	**Area of plants** *(approximate square metre)*
Changsha Plant	60	352	33,433
Nanjing Plant	120	151	35,981
Hengyang Plant	70	150	24,905
Huizhou Plant	70	61	22,284
Kunshan Plant	60	50	18,061
Hefei Plant	80	154	22,398
Foshan Plant	60	123	36,550
Jiaozuo Plant	60	81	19,383
Xiangtan Plant	60	100	19,310
Total	640	1,222	232,305

Plants under construction

Regions	**Proportion of attributable equity interest**	**Volume of investment** *(approximate RMB100 million)*	**Area of land** *(approximate mu)*	**Area of plants** *(approximate square metre)*	**Annual estimated capacity** *(approximate '000 cubic metre)*
Huaian Techno Park (淮安科技園)	100%	1.2	120	19,356	80
Qingdao Jiaozhou Technology Park (青島胶州科技園)	51%	0.7	92	19,339	80
Yuxi Technology Park (玉溪科技園)	100%	1.4	128	18,191	80
Zhoukou Technology Park (周口科技園)	100%	1.3	135	20,639	80
Total		4.6	475	77,525	320

Incorporation of new subsidiaries for the six months ended 30 June 2020

Name	Place of incorporation and operation and kind of legal entity	Principal activities	Particulars of authorised share capital	Proportion of ordinary shares held by the Group (%)
Zhoukou Nengda New Material Limited* 周口能達新材有限公司	China, limited liability company	Construction industrialisation	RMB30,000,000	55%
Zhengzhou DIT Limited* 鄭州築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB300,000,000	100%
Zhoukou DIT Limited* 周口築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB70,000,000	100%

* *For identification purpose only*

Government subsidies in the first half of the year

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 on 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 are offering direct cash incentives.

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Government subsidies	**4,215**	9,390

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

FINANCIAL REVIEW

Review of results

The Group was principally engaged in the manufacture and sale of prefabricated building units and equipment, and granting licenses in the PRC.

Revenue

The revenue of the Group increased by approximately HK$114.2 million from approximately HK$288.2 million for the six months ended 30 June 2019 to approximately HK$402.4 million for the six months ended 30 June 2020. The increase in revenue were mainly attributable to the increase in revenue from sales of prefabricated construction units and consulting services as a result of the increasing number of customers for the six months ended 30 June 2020. As a result, the Group recorded sales revenue for the six months ended 30 June 2020 of prefabricated construction units of approximately HK$351.8 million (2019: approximately HK$226.2 million), revenue from granting licenses of approximately HK$16.1 million (2019: approximately HK$16.4 million), revenue from sales of prefabricated construction equipments of approximately HK$28.5 million (2019: approximately HK$38.4 million), rental income from investment properties of approximately HK$5.6 million (2019: approximately HK$7.1 million) and revenue from consulting services of approximately HK$0.3 million (2019: approximately HK$0.08 million).

Cost of sales

The Group recorded cost of sales of approximately HK$290.1 million (2019: approximately HK$227.5 million) for the six months ended 30 June 2020. The increase was primarily attributable to the increase in sales of prefabricated construction units.

Other income

The other income of the Group decreased by approximately HK$4.3 million from approximately HK$5.3 million for the six months ended 30 June 2019 to approximately HK$1.0 million for the six months ended 30 June 2020. Other income mainly came from interest income generated from bank deposits.

Other losses — net

For the six months ended 30 June 2020, other losses-net amounting to approximately HK$0.5 million mainly comprised of (i) net exchange losses amounting to approximately HK$0.2 million; and (ii) non-business expenditures of approximately HK$0.3 million.

Selling and distribution expenses

For the six months ended 30 June 2020, the selling and distribution expenses increased by approximately HK$8.4 million to approximately HK$30.9 million for the six months ended 30 June 2020 from approximately HK$22.5 million for the six months ended 30 June 2019, such expenses are directly related to the sale of prefabricated construction units.

Administrative expenses

For the six months ended 30 June 2020, the administrative expenses increased by approximately 23.7% from approximately HK$44.4 million for the six months ended 30 June 2019 to approximately HK$54.9 million for the six months ended 30 June 2020. Such increase was mainly because staff's basic salaries increased by approximately HK$2.1 million and staff's year-end bonuses increased by approximately HK$7.9 million. The remaining increase was due to the rise of other general administrative expenses such as professional fees, entertainment, travelling expenses, and office expenses.

Finance costs

For the six months ended 30 June 2020, the finance costs increased by approximately HK$2.8 million from approximately HK$11.9 million for the six months ended 30 June 2019 to approximately HK$14.7 million for the six month ended 30 June 2020 which was mainly attributable to (i) the interest expenses of approximately HK$14.9 million for the bank borrowing; (ii) the interest expenses of approximately HK$0.4 million for the lease liabilities; and (iii) capitalisation interest of HK$0.6 million in plant under development for prefabricated construction business for the period.

Profit for the period

As a result of the foregoing, our profit increased by approximately HK$23.7 million to approximately HK$10.6 million for the six months ended 30 June 2020 as compared to a loss of approximately HK$13.1 million for the corresponding period of 2019.

Liquidity and financial resources

For the six months ended 30 June 2020, the Group's net cash generated from operating activities was approximately HK$14.1 million (six months ended 30 June 2019: net cash used in operating activities was approximately HK$14.2 million) and the Group's cash and cash equivalents were approximately HK$74.5 million as at 30 June 2020 (31 December 2019: approximately HK$82.4 million).

As at 30 June 2020, the Group had current assets of approximately HK$1,169.2 million (31 December 2019: approximately HK$1,022.0 million) and current liabilities of approximately HK$1,162.5 million (31 December 2019: approximately HK$907.2 million). The current ratio (which is calculated by dividing total current assets by total current liabilities) was approximately 1.0 as at 30 June 2020 (31 December 2019: 1.1).

As at 30 June 2020, the Group hold borrowings amounted to approximately HK$589.7 million (31 December 2019: approximately HK$474.7 million) and the gearing ratio was 17.7% (31 December 2019: 12.1%).

Other than the matters above, there has been no material change from the information published in the report and accounts for the year ended 31 December 2019.

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 2020, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the code provision A.6.7 of the Code which requires Directors to attend the annual general meetings and special general meeting of the Company and code provision E.1.2 which require the chairman of the Board should attend the annual general meeting. Due to their respective engagements and impact on COVID-19, Mr. Wu Po Sum (the former executive Director who resigned on 21 August 2020), Ms. Wu Wallis, Mr. Wang Jun and Mr. Jiang Hongqing were unable to attend the annual general meeting of the Company held on 5 June 2020. Due to their respective engagements and impact on COVID-19, Mr. Wu Po Sum, Mr. Guo Weiqiang, Ms. Wu Wallis, Mr. Wang Jun and Mr. Jiang Hongqing were unable to attend special general meeting of the Company held on 17 July 2020.

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 2020.

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 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

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 2020.

By order of the Board of
DIT Group Limited
Liu Wei Xing
Chairman and Executive Director

Hong Kong, 21 August 2020

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