

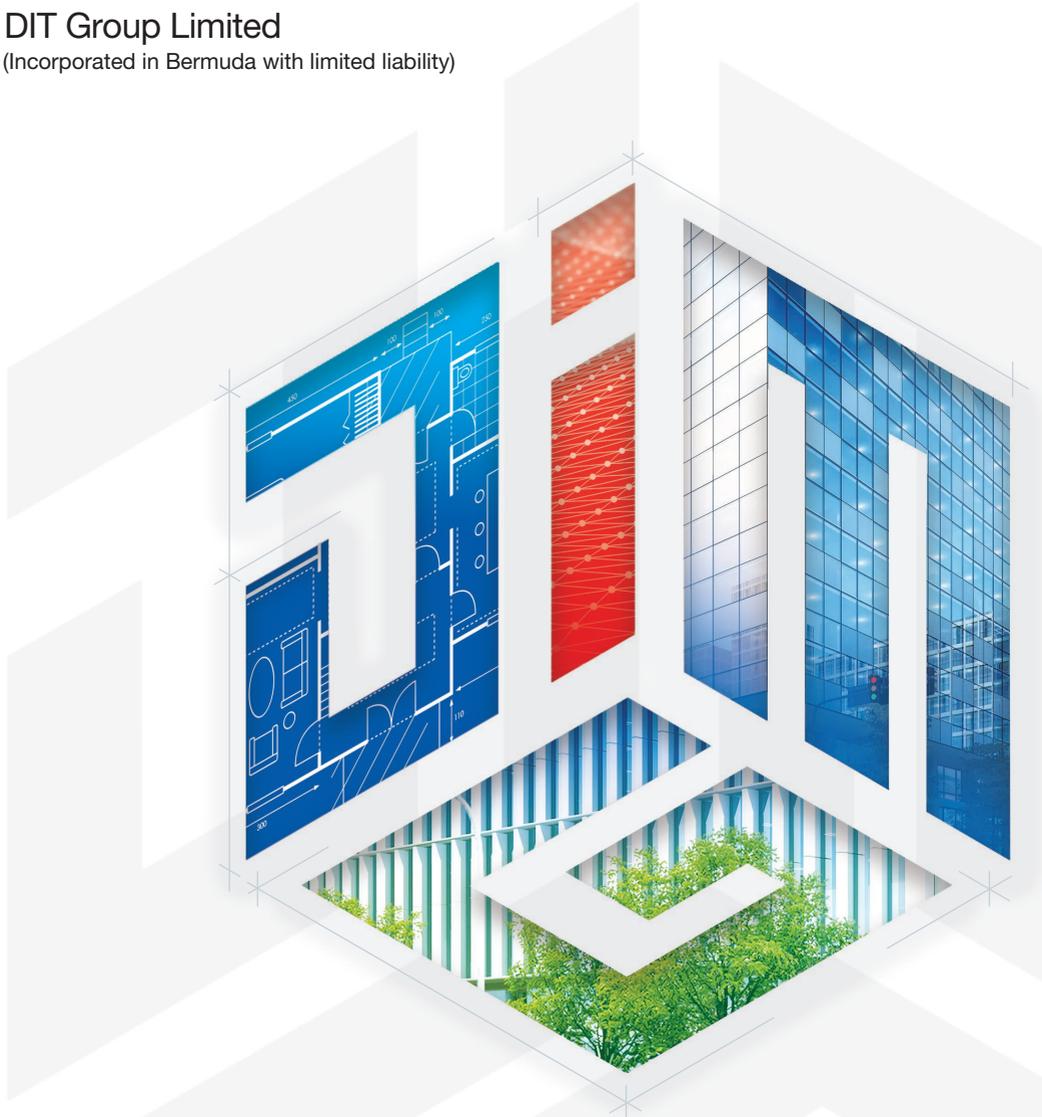
Stock Code : 726



INTERIM
REPORT
2020

DIT Group Limited

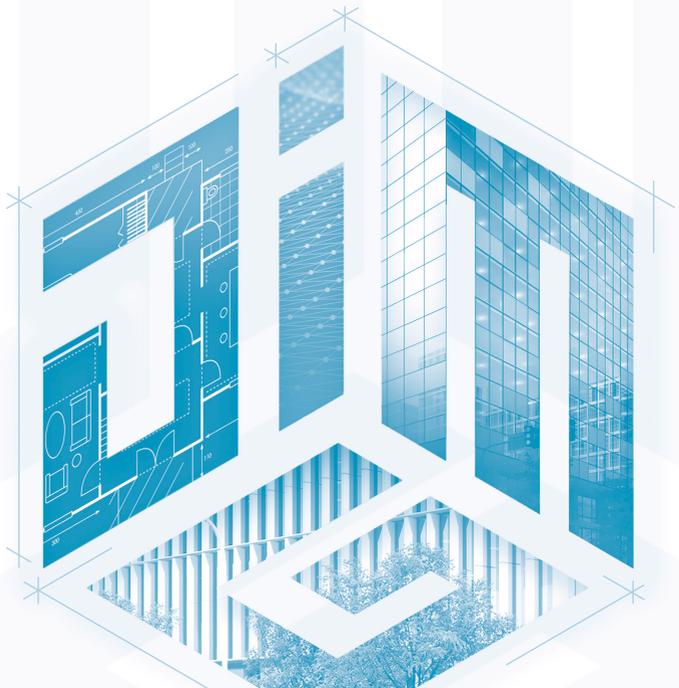
(Incorporated in Bermuda with limited liability)



**INTELLIGENT GREEN BUILDING
CONSTRUCTION TECHNOLOGY**

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. LIU Weixing (*Chairman*)
Mr. GUO Weiqiang (*Chief Executive Officer*)
Ms. WANG Jing

Non-executive Director

Ms. WU Wallis (alias LI Hua)
Mr. WANG Jun

Independent Non-executive Directors

Mr. JIANG Hongqing
Mr. LEE Chi Ming
Mr. MA Lishan

Board Committees

Audit Committee

Mr. LEE Chi Ming (*Chairman*)
Mr. JIANG Hongqing
Mr. MA Lishan

Nomination Committee

Mr. LIU Weixing (*Chairman*)
Mr. JIANG Hongqing
Mr. LEE Chi Ming

Remuneration Committee

Mr. JIANG Hongqing (*Chairman*)
Mr. LIU Weixing
Mr. LEE Chi Ming

Company Secretary

Mr. TSANG Ho Pong

Authorised Representatives

Mr. GUO Weiqiang
Mr. TSANG Ho Pong

Registered Office

Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10, Bermuda

Principal Place of Business in the PRC

10 Zhongshi Road, Changsha City
Hunan Province, the PRC

Head Office and Principal Place of Business in Hong Kong

Room 7707-7708,
77th Floor, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited
The Bank of China Limited
China Construction Bank (Asia) Corporation
Limited

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke, HM08
Bermuda

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services
Limited
Shops 1712-1716
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183 Queen's Road East
Wanchai, Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited:
00726

Website

<http://dit.aconnect.com.hk>

Shareholders' Information

Share listing

The Company's shares are listed on the Main
Board of the Stock Exchange of Hong Kong
Limited

Ordinary Share (as at 30 June 2020)

Shares outstanding: 11,209,602,920 shares
Nominal value: HK\$0.10 per share

DIT Group Limited (hereinafter referred to as “the Company”, together with its subsidiaries, collectively, “the Group”) (stock code: 726HK) is listed on the main board of the Stock Exchange of Hong Kong Limited.

The Group positions itself as a leading service provider of comprehensive and integrated solutions to intelligent buildings as well as an innovative high-tech enterprise engaging in the ecological chain construction of intelligent buildings and we are the first listed company in the prefabricated construction industry. The Group is mainly engaged in the business of modernization of construction industry and prefabricated construction business encompassing a wide coverage ranging from the research and development as well as operation of prefabricated construction technology, the expansion and operation of intelligent prefabricated construction plants to the manufacture of precast components for prefabricated construction.

The key mission of the Group lies in the provision of both green buildings and the comprehensive solutions to urban households whereas the Group is dedicated to the strategic business layout in the geographical locations nationwide with seizure of the advantages of industrialization of the construction industry in China during the golden era of ten years to achieve such industrialization, informationalization and technologicalization of the construction industry with the leverage of technology collaborations among various parties so as to elicit the unprecedented huge transformation of the traditional construction industry in China with such a shift from the mode of “building conventions” to that of “precast components + on-the site prefabrication”.

The core values of the Group of “the establishment of our business with sophistication and delicacy in our products based on the justified conscientiousness and consciousness of the farreaching expansion of our business with our mutual respect for any contribution and input for a shared experience in growth of our business prosperity” together with our unwavering motto “to create a promising life with intelligence” facilitates the upgrade and transformation with modernization of the construction industry. With our commitment to the creation of the largest modernized operating platform of the construction industry in China, we strive to give shape to the new construction industry which is environmentally friendly, highly efficient and at top quality by the process of informationalization with the seamless combination between technology and building. The Group, with its business location layout which is strategized to the smart digitalized plants across various provinces and municipalities directly administered by the central government in China, is the enterprise equipped with the greatest number of smart production lines. With the integration of the world’s first business mode of EMPC as exclusively innovated by its parent company DIT Group, the Company’s technology and its products receive a great variety of approvals from the communities and the clients while the Company currently provides its service for projects under construction with site area of 11.00 million square metres in China.

CORPORATE PROFILE *(Continued)*

With the consistent adherence persevered by the Group to its development strategy of “Top Priority for Leading Edge of Technology”, the Group is equipped with the five most advanced core technology systems specific to the industry of prefabrication construction in the world with the Group’s possession of a plenitude of core technologies ranging from BIM in the context of intelligent building construction, the Internet of Things, Big Data to artificial intelligence. The number of the Company’s patents has been continuously securing top-ranked in the prefabricated construction industry. The Company’s scientific research institutes include the one and the only one research centre at provincial level for the engineering projects specific to the industry as well as the scientific research platforms such as the demonstration enterprise models of intelligent manufacturing and the production bases for the national-level prefabricated construction industry.

The Group is determined to assist in the realization of the living experiences of safer, more comfortable and smarter for the people in general by virtue of continuing technological innovation with an aim to culminate in an ever more open ecological system for intelligent buildings.



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of the Company, I am pleased to report the unaudited consolidated interim results and business review of the Group for the six months ended 30 June 2020.

With the global economy development in turmoil due to the COVID-19 pandemic and in the face of increased risks and challenges at home and abroad in the first half of 2020, China took the lead in containing the COVID-19, resuming work and production in all sectors, and seeing steady recovery. China's GDP grew by 3.2 percent year on year for the second quarter and reached RMB45,661.4 billion in the first half of 2020. The market expectation was generally good, and the overall social development was stable.

For the real estate industry, China continues to stick to the principle that "houses are for living in, not speculation", and real estate developers embrace upgrade of competitiveness more strongly than ever amid intensified market competition. On the other hand, the central government of China introduces more incentive policies for prefabricated construction industry. More specifically, the MOHURD and provinces issued 133 related policies on technical standards, work programmes, quality control, and industrial demonstration during the first half of 2020. The first half of 2020 sees fast growth of prefabricated construction industry. Owing to the accurate judgments of the Company on the industry environment and competition situation, as well as the full effect of the synergy with Central China Group in terms of brands and markets, the Group achieved revenue of HK\$402.40 million, a year-on-year increase of 39.6% and recorded a further improvement in profitability in the first half of 2020.

The Company actively responded to the country's call for resumption of work and production, and almost all plants resumed production before 10 February 2020 by making the advantages of the smart prefabricated construction plants. The Company took concrete action to respond to the country's policy of "stabilising employment and ensuring living standards" while protecting the health of its employees. The plant in Jiaozuo was reported in the CCTV News for fast epidemic control and production resumption to guarantee the progress of two provincial-level key projects in Henan, namely "Guanghuiyuan" and "Chenhuiyuan" — talent apartments under the management of Henan Provincial Government.

As to industrial presence, in the first half of 2020, the Company won the bid for the right to use the plot ((2020) No. 8) with an area of 140.2 mu in Dengfeng City, Henan Province. This land will be used to construct Dengfeng Green Construction Industrial Park to expand the Company's production volume of prefabricated construction components across Henan. As of 30 June 2020, the Group has established three green construction industrial parks in Jiaozuo, Zhoukou and Dengfeng of Henan Province, and will continue its efforts to build prefabricated construction industrial parks in the province. In the first half of 2020, the Company keeps pushing forward its industrial park business across China through franchising and asset-light approaches. In this respect, it has put in place one franchised factory and four asset-light plants.

CHAIRMAN'S STATEMENT *(Continued)*

As for smart manufacturing, the Company continuously promoted the production of innovative devices from the third-generation smart prefabricated construction plants. The device company under the Company installed an environmental-friendly automatic cleaning device for prefabricated construction moulds, the first of its kind in China. By cleaning a single set of moulds within the 10-minute cycle time of an assembly line, this device can save labour, increase mould installation and removal efficiency, make moulds cleaner, prolong the service life of moulds and reduce the cost of using moulds, and improve the production quality of prefabricated construction components. In addition, the device company won Hunan Science and Technology Progress Award for its technological achievement of the "production line of prestressed concrete composite slabs". As a new-generation production line of prestressed concrete composite slabs and complete set of automatic equipment with independent intellectual property rights, this line can greatly save labour and increase efficiency in comparison with traditional production modes.

In terms of cost control and efficiency improvement, the Company further improved its cost control system in the first half of 2020 to reduce the costs of producing prefabricated construction components and equipment in strict accordance with the annual key task requirement of "reducing costs in a scientific manner". As a result, the costs of prefabricated construction components decreased by 7% year on year. For prefabricated construction devices, costs were saved mainly on production lines of binary cycle wallboards. The investment cost in prefabricated construction plants has also been further reduced. Furthermore, China Association for Engineering Construction Standardization (CECS) have approved Technical Specifications for Laminated Prestressed Composite Slab and Technical Specifications for Edge Composite Slab, two standards mainly proposed by parent company DIT Group and included them in its 2020 standard formulation programme. The approval for the two proposed CECS standards marks a significant transition towards the application in actual engineering of two key research projects of structure systems of DIT Group — "long-span prestressed two-way composite slab system" and "RIFF system". The two newly developed systems have obvious cost advantages. This is a good solution to the industry problem of the stubbornly high comprehensive construction cost of prefabricated buildings.

As to market expansion, in the first half of 2020, the parent company DIT Group stood out among 43 high-quality suppliers for the joint purchasing platform of China Urban Realty Association (CURA) for green realty and new processes. This joint purchasing is the first attempt of CURA to seek for new processes, new techniques and new products, with a preference for innovation and environmental protection. This success will offer the Company extensive market opportunities for the sales of its prefabricated construction components and promotion of its asset-light business.

The first half of 2020 was a special period full of uncertainties and challenges, bringing both crises and opportunities. On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the staff of the Company for their hard work and dedication during the first half of 2020. I would also like to express our gratitude to all shareholders, investors and other business partners for their continuing support and trust to the Group.

CHAIRMAN'S STATEMENT *(Continued)*

Though we are halfway in 2020, the prefabricated construction market has shown great potential. As for the industry trend, the 13th Five-Year Plan of Prefabricated Building Action Program issued by the MOHURD explicitly stipulates that the area of prefabricated buildings shall account for 25% and 30% of that of new buildings by 2023 and 2025, respectively. Recently, policies have been introduced across China to support the development of prefabricated buildings. More economically developed regions have even stricter requirements in this respect. For example, Jiangsu Province has put forward the goal of increasing the penetration rate of prefabricated buildings to 50% by 2025. The proportion of prefabricated buildings is expected to keep increasing rapidly in the coming years, and China's prefabricated construction component market is expected to maintain fast growth.

In the future, the Company will continue to explore technologies by implementing its strategy of "intelligent construction of home" and expand its business to create synergy with its parent company DIT Group across the industrial chain of prefabricated construction and with business units of Central China Group. The Company will also expand its business presence by expediting the building of prefabricated construction plants through direct operations, franchising, and asset-light approaches in markets, especially Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei, and Henan markets, so as to quickly increase its market share across China. The Company will also equip itself with innovative technologies to develop digital business platforms and improve its equipment and technologies of its third-generation prefabricated construction plants. It will keep lowering costs for prefabricated construction while improving the quality of its buildings. The Company works to find a faster and better way of developing prefabricated buildings to create richer lifestyles for consumers and make consumers' yearning for a better life come true via intelligent technologies.

Heading forward, we believe that the urbanization process in China will be continuously advancing, and prefabricated construction industry in China will seize this historical opportunity of environmental-friendly development and transformation and upgrading of the building industry to develop smoothly. The Company will devote unremitting efforts in fulfilling our vision of "creating a promising life with intelligence"!

Liu Weixing

Chairman

11 September 2020

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

1. Macro situation *(continued)*

1) **Industrial pattern** *(continued)*

(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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

1. Macro situation *(continued)*

2) *Up-to-date policies in China (continued)*

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/m², and for Grade AAA is RMB 100/m². 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 m².

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

1. Macro situation *(continued)*

2) *Up-to-date policies in China (continued)*

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 m², including 30 million m² 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

1. Macro situation *(continued)*

2) *Up-to-date policies in China (continued)*

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 m² 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

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 m³, a year-on-year growth of 70% from 73,400 m³ 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

2. Business review *(continued)*

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

- (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/m³. 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

2. Business review *(continued)*

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

(4) Continuous acceleration for industrial presence across China *(continued)*

As of the issuance of this interim report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

3. Future prospects *(continued)*

1) **Industrial development** *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

3. Future prospects *(continued)*

2) **Development strategy** *(continued)*

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 dismantling 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

3. Future prospects *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**Business Review** (continued)

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 HK\$'000 (unaudited)	2019 HK\$'000 (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 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Sales revenue from third parties	282,110	182,236
Sales revenue from related parties	69,675	43,963
Total	351,785	226,199

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

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)
Huai'an Techno Park (淮安科技園)	100%	1.2	120	19,356	80
Qingdao Jiaozhou Technology Park (青島膠州科技園)	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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

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* 周口能達新材料有限公司	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 HK\$'000 (unaudited)	2019 HK\$'000 (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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(continued)*

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.

Capital structure

As at 30 June 2020, the total number of issued shares of the Company (the "Share(s)") was 11,209,602,920 Shares with a par value of HK\$0.1 each. Based on the closing price of HK\$0.215 per Share as at 30 June 2020, the Company's market value as at 30 June 2020 was approximately HK\$2,410,064,628.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(continued)*

Structure of Borrowings and Deposits

The Group continued to adopt a prudent principle on financial management and centralise our funding and financial management. Therefore, we maintained a high proportion of cash with a reasonable level of borrowing. As at 30 June 2020, the repayment schedule of the Group's loans and lease liabilities was as follows:

Repayment Schedule	As at 30 June 2020 HK'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Borrowings		
Within one year	145,755	351,649
More than one year, but not exceeding two years	333,756	78,702
More than two year, but not exceeding five years	110,224	44,375
	589,735	474,726
Lease Liabilities		
Within one year	9,609	10,968
More than one year, but not exceeding two years	2,348	2,770
More than two year, but not exceeding five years	9,417	237
	21,374	13,975
Total debt	611,109	488,701
Interest payable	94	58
Less: restricted cash for borrowings	(109,000)	(114,000)
Less: cash and cash equivalents	(74,520)	(82,415)
Net debt	427,683	292,344
Total equity	2,417,258	2,419,043
Gearing ratio	17.7%	12.1%

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(continued)*

Exposures to exchange rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The board of directors of the Company (the "Board") is of the view that the Group's exposure to currency risk is minimal and hence the Group does not have any currency hedging policy and has not entered into any hedging or other instruments to reduce currency risk. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Employees And Remuneration Policy

1. Analysis of employees as at 30 June 2020

As at 30 June 2020, the Group had 690 employees (31 December 2019: 630) employees excluding directors of the Company (the "Directors") 686 (31 December 2019: 627) of them worked in the PRC and 4 (31 December 2019: 3) of them worked in Hong Kong, with a turnover rate of approximately 20.7%. The numbers of employees by age, education level and function are set out as below:

Age:

20-30	204
31-40	318
41-50	138
51-60	30
61 or above	0
<hr/>	
Total	690

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Employees And Remuneration Policy *(continued)*

1. Analysis of employees as at 30 June 2020 *(continued)*

Education level:

Master degree or above	30
Bachelor degree	221
Associate degree	111
Middle school or below	328

Total	690
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Function:

Finance and accounting (finance and costing)	33
Engineering	104
Management	50
Design	45
Investment (investment, preliminary work)	4
Sales, marketing and customer service	6
Administration	9
Others	439

Total	690
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2. Remuneration policy

Employees are basically remunerated based on the nature of their job and their performance as well as the prevailing market trend. Other employee benefits include mandatory provident fund, medical benefits and year end discretionary bonus. Following a people-oriented approach, we implement a systematic recruitment, training and incentive platform, providing internal fuel for the growth of the Group. In doing so, we create a desirable workplace for our employees to develop and flourish.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Charges on Group Assets

As at 30 June 2020, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group, except for the one as disclosed in the Note 25 to the consolidated financial statements.

Capital Commitments and Contingent Liabilities

As at 30 June 2020, the Group had outstanding capital commitments in the aggregate amount of approximately HK\$154.0 million (31 December 2019: HK\$107.2 million) and no material contingent liabilities (31 December 2019: Nil).

Issue of Equity Securities for Cash by the Group

During the six months ended 30 June 2020, the Group has not issued for cash any equity securities (including securities convertible into equity securities).

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 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.

Significant Investment, Acquisition and Disposal of Subsidiaries

The Group has no significant investment, acquisition or disposal of subsidiaries, associates and joint ventures during the six-months ended 30 June 2020.

Future Plans for Material Investments and Capital Assets

The Group did not have other plans for material investments or capital assets as at 30 June 2020.

Material Events After The Reporting Period

As at the date of this interim report, there were no significant events after the Reporting Period.

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.

GENERAL INFORMATION

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2020, none of the Directors and chief executives of the Company had or was deemed to have interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code to the Listing Rules.

GENERAL INFORMATION (Continued)**Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares**

As at 30 June 2020, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares and underlying Shares of the Company as at 30 June 2020

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Jiayao Global Investments Limited ("Jiayao")	Beneficial owner	5,880,440,000	52.46%
Jiamin (Holding) Investment Limited	Beneficial owner	320,000,000	2.85%
Jianuo (Holding) Investment Limited	Beneficial owner	310,000,000	2.77%
Jiaxin (Holding) Investment Limited	Beneficial owner	274,000,000	2.44%
Jiaheng (Holding) Investment Limited	Beneficial owner	269,000,000	2.40%
Jiacheng (Holding) Investment Limited	Beneficial owner	65,000,000	0.58%
Jialing (International) Investment Limited	Interest of controlled corporation	1,238,000,000	11.04%
Jiayao	Interest of controlled corporation	1,238,000,000	11.04%
Jiaye Summit Global Investment Limited	Interest of controlled corporation	7,118,440,000	63.50%
Drawin Intelligent Manufacture Technology Industry Group Limited	Interest of controlled corporation	7,118,440,000	63.50%
Tianjin Drawin Technology Limited ("TCMDT")	Interest of controlled corporation	7,118,440,000	63.50%
Henan Hongdao Business Information Consultancy Company Limited	Interest of controlled corporation	7,118,440,000	63.50%
Construction Development (HK) Company Limited	Interest of controlled corporation	7,118,440,000	63.50%

GENERAL INFORMATION *(Continued)***Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares** *(continued)***Long positions in the Shares and underlying Shares of the Company as at 30 June 2020***(continued)*

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Construction Housing Group Company Limited	Interest of controlled corporation	7,118,440,000	63.50%
Jianye Holdings Limited	Interest of controlled corporation	7,118,440,000 (Note 2)	63.50%
Joy Bright Investments Limited	Beneficial owner	3,329,700 (Note 2)	0.03%
Mr. Wu Po Sum	Interest of controlled corporation	7,121,769,700 (Note 2)	63.53%
Zhu Yuehai	Beneficial owner	978,940,000	8.73%

Notes:

1. It was based on 11,209,602,920 Shares as at 30 June 2020.
2. Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright Investments Limited and Jianye Holdings Limited.

Save as disclosed above, and as at 30 June 2020, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Further, reference is made to the voluntary announcement made by the Company dated 13 July 2020 (the "Voluntary Announcement"), in respect of, inter alia, the Company was informed by Joy Bright Investments Limited ("Joy Bright", a company directly wholly and beneficially owned by Mr. Wu Po Sum ("Mr. Wu", a controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company)) that Joy Bright and Mr. Zhu Yuehai ("Mr. Zhu", a shareholder of the Company immediately before the Share Transfer (as defined hereinbelow)) entered into a share purchase agreement on 13 July 2020 (after trading hours), pursuant to which Joy Bright agreed to purchase and Mr. Zhu agreed to dispose of 978,940,000 shares of the Company (the "Sale Share(s)") at a total cash consideration of HK\$303,471,400, equivalent to HK\$0.31 per Sale Share (the "Share Transfer").

GENERAL INFORMATION (Continued)**Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares** (continued)**Long positions in the Shares and underlying Shares of the Company as at the date of the Voluntary Announcement**

As a result of the Share Transfer, as at the date of the Voluntary Announcement, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and the underlying Shares of the Company which would fall to be disclosed in the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Jiayao Global Investments Limited ("Jiayao")	Beneficial owner	5,880,440,000	52.46%
Jiamin (Holding) Investment Limited	Beneficial owner	320,000,000	2.85%
Jianuo (Holding) Investment Limited	Beneficial owner	310,000,000	2.77%
Jiaxin (Holding) Investment Limited	Beneficial owner	274,000,000	2.44%
Jiaheng (Holding) Investment Limited	Beneficial owner	269,000,000	2.40%
Jiacheng (Holding) Investment Limited	Beneficial owner	65,000,000	0.58%
Jialing (International) Investment Limited	Interest of controlled corporation	1,238,000,000	11.04%
Jiayao	Interest of controlled corporation	1,238,000,000	11.04%
Jiaye Summit Global Investment Limited	Interest of controlled corporation	7,118,440,000	63.50%
Drawin Intelligent Manufacture Technology Industry Group Limited	Interest of controlled corporation	7,118,440,000	63.50%
Tianjin Drawin Technology Limited ("TCMDT")	Interest of controlled corporation	7,118,440,000	63.50%

GENERAL INFORMATION *(Continued)*

Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares *(continued)*

Long positions in the Shares and underlying Shares of the Company as at the date of the Voluntary Announcement *(continued)*

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Henan Hongdao Business Information Consultancy Company Limited	Interest of controlled corporation	7,118,440,000	63.50%
Construction Development (HK) Company Limited	Interest of controlled corporation	7,118,440,000	63.50%
Construction Housing Group Company Limited	Interest of controlled corporation	7,118,440,000	63.50%
Jianye Holdings Limited	Interest of controlled corporation	7,118,440,000 (Note 2)	63.50%
Joy Bright Investments Limited	Beneficial owner	982,269,700 (Note 2)	8.77%
Mr. Wu Po Sum	Interest of controlled corporation	8,100,709,700 (Note 2)	72.27%

Notes:

1. It was based on 11,209,602,920 Shares as of the date of the Voluntary Announcement.
2. Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright Investments Limited and Jianye Holdings Limited.

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.

GENERAL INFORMATION *(Continued)*

Share Options

The share option scheme adopted by the Company on 7 November 2003 (the “Old Scheme”) was terminated pursuant to an ordinary resolution passed by the shareholders of the Company on 7 August 2013. A new share option scheme (the “New Scheme”) in place of the Old Scheme was adopted pursuant to such resolution with effect from 7 August 2013 which has a term of 10 years.

No share options have been granted, exercised, cancelled or lapsed under the New Scheme since its adoption on 7 August 2013. As at 30 June 2020 and up to the date of this report, there were no outstanding share options that have been granted and remained outstanding and exercisable under both the Old Scheme and the New Scheme.

The share option scheme adopted by the Company on 7 August 2013 (the “New Scheme”) was terminated pursuant to an ordinary resolution passed by the shareholders of the Company on 17 July 2020. A new share option scheme (the “Scheme 2020”) in place of the New Scheme was adopted pursuant to such resolution with effect from 17 July 2020 which has a term of 10 years.

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.

Choice of Languages or Means of Receiving Corporate Communications

This interim report is now available in printed form in English and in Chinese, and on the website of the Company and on the website of the Stock Exchange.

If (i) shareholders, who have received or chosen to receive or are deemed to have consented to receive the Company’s corporate communications by electronic means, wish to receive printed copies or vice versa; or (ii) shareholders for any reason have difficulty in receiving or gaining access to the Company’s corporate communications, they may obtain printed copies free of charge by sending a request to the Company c/o the Share Registrar, Computershare Hong Kong Investor Services Limited, by post to Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong or by email at ditgroup.ecom@computershare.com.hk.

For shareholders who wish to change their choice of languages or means of receiving the Company’s future corporate communications free of charge, they may at any time notify the Company by giving reasonable notice (of not less than 7 days) to the Company c/o the Share Registrar by post or by email.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (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	8	(14,682)	(11,902)
Profit/(loss) before income tax		17,523	(9,395)
Income tax expenses	9	(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	11	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
Notes	HK\$'000 (unaudited)	HK\$'000 (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	12	1,487,243	1,416,328
Right-of-use assets	13	809,375	726,587
Investment properties	14	16,750	17,080
Intangible assets		4,498	3,619
Deferred income tax assets	23	38,767	44,973
Investments in associates	15	193,207	192,883
Financial assets at fair value through profit or loss	18	42,639	43,480
		2,592,479	2,444,950
Current assets			
Inventories	17	97,065	89,672
Trade and other receivables and prepayments	16	819,829	725,589
Cash and cash equivalents	19	74,520	82,415
Restricted cash	20	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)	21	1,120,960	1,120,960
Reserves		669,119	710,485
		1,790,079	1,831,445
Non-controlling interests	22	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	27	46,463	–
Deferred income		1,522	1,708
Deferred income tax liabilities	23	11,939	12,916
Lease liabilities		11,765	3,007
Borrowings	25	110,224	123,077
		181,913	140,708
Current liabilities			
Trade and other payables	24	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	25	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Notes	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Contributed surplus reserve	Other reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019	1,120,960	863,347	(26,262)	131,166	29,439	(347,744)	1,770,906	607,623	2,378,529
Loss for the period	-	-	-	-	-	(11,339)	(11,339)	(1,768)	(13,107)
Other comprehensive income:									
Currency translation differences	-	-	(8,065)	-	-	-	(8,065)	243	(7,822)
Total comprehensive income for the period	-	-	(8,065)	-	-	(11,339)	(19,404)	(1,525)	(20,929)
Transactions with owners									
Disposal of a subsidiary	-	-	-	-	-	-	-	(34,658)	(34,658)
Disposal of ownership interests in subsidiaries without loss of control	-	-	-	-	-	-	-	13,616	13,616
Transactions with NCI									
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	21,138	21,138
Total transactions with owners	-	-	-	-	-	-	-	96	96
Balance at 30 June 2019 (unaudited)	1,120,960	863,347	(34,327)	131,166	29,439	(359,083)	1,751,502	606,194	2,357,696
Balance at 1 January 2020	1,120,960	863,669	(76,794)	131,166	29,439	(236,995)	1,831,445	587,598	2,419,043
Profit for the period	-	-	-	-	-	8,486	8,486	2,096	10,582
Other comprehensive income:									
Currency translation difference	-	-	(47,559)	-	-	-	(47,559)	(2,246)	(49,805)
Total comprehensive (losses)/income for the period	-	-	(47,559)	-	-	8,486	(39,073)	(150)	(39,223)
Transactions with owners in their capacity as owners:									
Transactions with non-controlling interests	-	-	-	-	(2,293)	-	(2,293)	39,731	37,438
Total transactions with owners	-	-	-	-	(2,293)	-	(2,293)	39,731	37,438
Balance at 30 June 2020 (unaudited)	1,120,960	863,669	(124,353)	131,166	27,146	(228,509)	1,790,079	627,179	2,417,258

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Notes		
Operating activities		
Cash generated from/(used in) operations	20,567	(6,430)
Income tax paid	(6,470)	(7,732)
Net cash generated from/(used in) operating activities	14,097	(14,162)
Investing activities		
Purchase of properties, plants and equipments	(144,992)	(102,813)
Purchase of right-of-use assets	(90,200)	(8,519)
Purchase of intangible assets	(1,115)	(19,647)
Purchase of financial assets at fair value through profit or loss	–	(3,297)
Proceeds from disposal of equipments	2,478	16,097
Proceeds from disposal of a subsidiary	–	47,711
Interest received	931	2,263
Net cash used in investing activities	(232,898)	(68,205)
Financing activities		
Proceeds from borrowings	200,636	77,494
Amounts due to a related party	77,438	–
Repayments of borrowings	(75,434)	(78,593)
Interest paid	(15,104)	(13,501)
Decrease in restricted cash	5,000	–
Payment of lease liability	(6,515)	(7,606)
Proceeds from partial disposal of equity interests in subsidiaries without loss of control	–	13,616
Capital contributions by non-controlling interests	39,731	21,138
Net cash generated from financing activities	225,752	12,548
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	6,951	(69,819)
Net exchange losses on cash and cash equivalents	82,415	110,802
	(14,846)	(3,308)
Cash and cash equivalents at end of the period	74,520	37,675

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

5. OTHER INCOME

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (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 HK\$'000 (unaudited)	2019 HK\$'000 (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 HK\$'000 (unaudited)	2019 HK\$'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

8. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on borrowings	14,935	13,997
Finance charges on lease liabilities	380	1,126
Less: Interest capitalised (Note 12)	(633)	(3,221)
	14,682	11,902

9. 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 (Note 23)	4,647	(818)
Total income tax expenses for the period	6,941	3,712

10. 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).

11. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

12. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Balance as at 31 December	1,416,328	1,483,219
Change in accounting policies – adoption of HKFRS16 in 2019	–	(4,904)
Balance as at 1 January	1,416,328	1,478,315
Additions	136,303	73,884
Disposals	(2,514)	(48,755)
Depreciation charge	(35,782)	(39,730)
Currency translation differences	(27,092)	(4,842)
Balance as at 30 June (unaudited)	1,487,243	1,458,872

As at 30 June 2020, property, plant and equipments with net book value of HK\$357.9 million (31 December 2019: net book value of HK\$371.8 million) were pledged as collateral for the Group's borrowings HK\$185.6 million (Note 25). Among the collateral, property ownership certificate of the Group's building with a net book value HK\$264.2 million (31 December 2019: HK\$245.6 million) is under China Minsheng Drawin Co., Ltd.. These buildings were pledged as collateral for two bank borrowings of HK\$150.5 million which was secured by China Minsheng Drawin Co., Ltd..

For the six months ended 30 June 2020, depreciation of property, plant and equipment of approximately HK\$35.8 million (six months ended 30 June 2019: HK\$39.7 million) has been charged to cost of sales and administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income (Note 7).

Interest expenses of HK\$0.6 million were capitalised in plants under development for prefabricated construction business for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$3.2 million) (Note 8).

13. RIGHT-OF-USE ASSETS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Balance as at 1 January	726,587	773,659
Additions	109,932	33,481
Disposals	–	(33,065)
Amortisation	(12,282)	(17,541)
Currency translation differences	(14,862)	(2,630)
Balance as at 30 June (unaudited)	809,375	753,904

As at 30 June 2020, right-of-use assets with net book value of HK\$456.4 million (31 December 2019: HK\$510.6 million) were pledged as collateral for the Group's borrowings HK\$222.2 million (Note 25).

Among the collateral, state-owned land use certificates of the Group's lands with net book value HK\$293.9 million (31 December 2019: HK\$356.3 million) are under China Minsheng Drawin Co., Ltd.. These lands were pledged as collateral for two bank borrowings of HK\$21.9 million which was guaranteed/secured by China Minsheng Drawin Co., Ltd..

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

14. INVESTMENT PROPERTIES

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Balance as at 1 January	17,080	17,348
Currency translation differences	(330)	(69)
Balance as at 30 June (unaudited)	16,750	17,279

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

15. INVESTMENT IN ASSOCIATES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Share of net assets	193,207	192,883
Less: Provision for impairment	–	–
	193,207	192,883

As at 30 June 2020, the Group had indirect interests in the following associates:

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 (a)	China	–	47%	HK\$200,000,000	Construction industrialisation
YMCI China Minsheng Kunming Technology Construction (b)	China	–	30%	RMB100,000,000	Construction industrialisation

- (a) The Group disposed 2% and 51% of its equity interest in Zhejiang China Minsheng Drawin Technology Company Limited (“Zhejiang China Minsheng”) in June 2017 and December 2017 respectively. Zhejiang China Minsheng become an associate of the Group after the transaction completed. This associate has then been accounted for using the equity method and was remeasured to its fair value at the initial recognition, with the change in the carrying amount recognised in gains on disposal of subsidiaries.
- (b) On 31 October 2017, the Group and two third-parties entered into an agreement to set up YMCI China Minsheng Kunming Technology Construction Limited (“YMCI China Minsheng”). The Group holds 30% equity interest in YMCI China Minsheng. As at 30 June 2020, the Group and the third-parties have injected paid-in capital of RMB30.0 million and RMB70.0 million respectively.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)**For the six months ended 30 June 2020***16. 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 (Note 27(c))	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 (Note 27(c))	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

16. 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 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

17. INVENTORIES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Raw materials	47,433	40,204
Finished goods	44,920	47,245
Goods in transit	3,537	1,412
Work in progress	1,185	816
Low value articles	68	79
Inventory provision	(78)	(84)
	97,065	89,672

Inventories recognised as cost of sales during the six months ended 30 June 2020 amounted to HK\$177.1 million (six months ended 30 June 2019: HK\$109.3 million).

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Unlisted equity instruments (note (a))	42,639	43,480

note:

- (a) Equity instruments are related to investments in seven unlisted companies in Mainland China which are measured at fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)**For the six months ended 30 June 2020***19. CASH AND CASH EQUIVALENTS**

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Cash at bank and on hand		
— Denominated in RMB	46,989	77,116
— Denominated in HKD	27,531	5,299
	74,520	82,415

20. RESTRICTED CASH

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Restricted cash		
— Deposit for bank borrowing (note (a))	109,000	114,000
— Deposit for bank notes	68,815	10,371
	177,815	124,371

note:

- (a) As at 30 June 2020, certificate of deposit of HK\$109.0 million (31 December 2019: HK\$114.0 million) was pledged as collateral of the Group's borrowing HK\$92.5 million (31 December 2019: HK\$99.9 million).

21. SHARE CAPITAL**Authorised shares**

	Number of authorised shares
As at 1 January 2019, 31 December 2019 and 30 June 2020	25,000,000,000

Issued shares

	Number of issued shares (at HK\$0.1 each)	Ordinary shares (nominal value) HK\$'000
As at 1 January 2019, 31 December 2019 and 30 June 2020	11,209,602,920	1,120,960

All the shares issued rank pari passu in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

22. NON-CONTROLLING INTERESTS

The non-controlling interests of the Group are as follows:

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Changsha DIT Limited	546,019	544,186
Jiaozhou China Minsheng DIT Limited	59,653	37,519
Nantong China Minsheng DIT Limited	15,297	–
Nanjing China Minsheng DIT Limited	6,210	5,893
	627,179	587,598

23. DEFERRED INCOME TAX

The gross movement in deferred income tax assets and liabilities for the six months ended 30 June 2020 and six months ended 30 June 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Opening balance at 1 January	44,973	37,442
(Debit)/credit to profit or loss (Note 9)	(5,381)	499
Currency translation differences	(825)	(478)
Closing balance at 30 June (unaudited)	38,767	37,463

Deferred income tax liabilities

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Opening balance at 1 January	12,916	8,010
Debit to profit or loss (Note 9)	(734)	(319)
Currency translation differences	(243)	(75)
Closing balance at 30 June (unaudited)	11,939	7,616

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)**For the six months ended 30 June 2020***24. 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 (Note 27(c))	3,995	6,162
Amounts due to related parties (Note 27(c))	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

25. 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 (Note 12), right-of-use assets (Note 13) and restricted cash deposit (Note 20) of the Group and/or guaranteed by subsidiaries of the Company or related parties (Note 27(c)).
- (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)**For the six months ended 30 June 2020***26. CAPITAL COMMITMENTS**

As at 30 June 2020 and 31 December 2019, capital expenditure contracted for but not yet incurred is as follows:

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Property, plant and equipment	153,959	107,221

27. RELATED-PARTY TRANSACTIONS**(a) Name and relationship with related parties**

Name	Relationship
Drawin Intelligent Manufacture Technology Industry Group Limited	Controlled by the same ultimate controlling shareholder
China Minsheng Drawin Construction Technology Group Company Limited	Controlled by the same ultimate controlling shareholder
China Minsheng Drawin Culture Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Minsheng Drawin New Material Company Limited	Controlled by the same ultimate controlling shareholder
Jiayao Global Investments Limited ("Jiayao")	Controlled by the same ultimate controlling shareholder
China Minsheng Drawin Architectural Design Limited	Controlled by the same ultimate controlling shareholder
China Minsheng Drawin Co., Ltd.	Controlled by the same ultimate controlling shareholder
Hunan China Minsheng Drawin Green Construction Investment Limited	Controlled by the same ultimate controlling shareholder
SRE Group Limited	Controlled by the same ultimate controlling shareholder
YMCI China Minsheng Kunming Technology Group Co., Ltd.	An associate company of the Group
Zhejiang China Minsheng Drawin Technology Company Limited	An associate company of the Group

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

27. RELATED-PARTY TRANSACTIONS (continued)**(b) Transactions with related parties**

During the six months ended 30 June 2020 and 2019, the Group has the following related party transactions:

	Six months ended 30 June	
	2020	2019
	HK\$000	HK\$000
	(unaudited)	(unaudited)
Payment on behalf of related parties by the Group		
China Minsheng Drawin Construction Technology Group Company Limited	1,289	44
China Minsheng Drawin Co., Ltd.	1,090	1,995
China Minsheng Drawin Architectural Design Limited	94	–
China Minsheng Drawin New Material Company Limited	49	16
Drawin Intelligent Manufacture Technology Industry Group Limited	41	–
	2,563	2,055
Payment on behalf of the Group by a related party		
China Minsheng Drawin Construction Technology Group Company Limited	214	478
Supply of prefabricated construction components and products by the Group		
China Minsheng Drawin Construction Technology Group Company Limited	67,757	38,236
Zhejiang China Minsheng Drawin Technology Company Limited	21,141	5,700
China Minsheng Drawin Architectural Design Limited	4,657	–
YMCI China Minsheng Kunming Technology Group Co., Ltd.	1,626	–
China Minsheng Drawin Co., Ltd.	31	27
	95,212	43,963
Provision of engineering, procurement and construction general contracting services by a related party		
China Minsheng Drawin Construction Technology Group Company Limited	47,460	41,515
Leasing of properties to related parties		
China Minsheng Drawin Construction Technology Group Company Limited	1,863	1,098
China Minsheng Drawin Architectural Design Limited	1,270	1,341
China Minsheng Drawin New Material Company Limited	1,079	1,135
Drawin Intelligent Manufacture Technology Industry Group Limited	694	395
China Minsheng Drawin Culture Co., Ltd.	87	201
SRE Group Limited	–	2,610
	4,993	6,780
Provision of design services by a related party		
China Minsheng Drawin Architectural Design Limited	136	315

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)**For the six months ended 30 June 2020***27. RELATED-PARTY TRANSACTIONS** *(continued)***(c) Related-party balances**

	As at 30 June 2020 HK\$000 (unaudited)	As at 31 December 2019 HK\$000 (audited)
Amount due from related parties		
China Minsheng Drawin Construction Technology Group Company Limited	198,356	140,654
Zhejiang China Minsheng Drawin Technology Company Limited	14,509	4,648
China Minsheng Drawin Architectural Design Limited	13,804	7,874
China Minsheng Drawin New Material Company Limited	7,763	6,704
YMCI China Minsheng Kunming Technology Group Co., Ltd.	6,260	7,360
China Minsheng Drawin Co., Ltd.	5,044	4,020
Drawin Intelligent Manufacture Technology Industry Group Limited	3,278	2,548
Hunan China Minsheng Drawin Green Construction Investment Limited	1,016	1,036
China Minsheng Drawin Culture Co., Ltd.	974	886
SRE Group Limited	–	1
	251,004	175,731
Amount due to related parties		
Drawin Intelligent Manufacture Technology Industry Group Limited	82,598	44,877
Jiayao Global Investments Limited — Current (note(a))	30,975	–
— Non-current (note(a))	46,463	–
China Minsheng Drawin Construction Technology Group Company Limited	41,326	50,001
China Minsheng Drawin Architectural Design Limited	2,428	2,725
Zhejiang China Minsheng Drawin Technology Company Limited	1,027	2,507
China Minsheng Drawin Co., Ltd.	699	715
China Minsheng Drawin New Material Company Limited	13	13
	205,529	100,838

note:

- (a) As at 30 June 2020, the amount due to Jiayao Global Investments Limited of US\$10.0 million (equivalent to HK\$77.4 million) is unsecured and bears no interest, of which HK\$31.0 million will be matured within one year and HK\$46.5 million will be matured till May 2022.

Save as disclosed in note(a), all other amounts due from or due to related parties are unsecured, bear no interest and are repayable on demand or within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

27. RELATED-PARTY TRANSACTIONS (continued)**(c) Related-party balances** (continued)

	As at 30 June 2020 HK\$000 (unaudited)	As at 31 December 2019 HK\$000 (audited)
Guarantee/security for bank borrowings provided by related parties		
China Minsheng Drawin Co., Ltd.	172,425	193,686
Drawin Intelligent Manufacture Technology Industry Group Limited	89,429	20,094
	261,854	213,780

(d) Key management compensation

Key management includes directors (executive and non-executive, chief financial officer, vice presidents and assistant presidents. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2020	2019
	HK\$000 (unaudited)	HK\$000 (unaudited)
Salaries and other short-term employee benefits	1,627	1,494