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DIT GROUP LIMITED
築友智造科技集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 726)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "Directors") of DIT Group Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

FINANCIAL SUMMARY

	For the year ended 31 December		
	2020	2019	Changes
	HK$'000	*HK$'000*	
Revenue	**1,089,284**	695,901	56.5%
Gross profit	**345,204**	177,775	94.2%
Gross profit margin	**31.7%**	25.5%	6.2*
Profit for the year, attributable to	**169,966**	113,617	49.6%
— Owners of the Company	**158,833**	110,749	43.4%
— Non-controlling interests	**11,133**	2,868	288.2%

*Note: * Change in percentage point*

During the year, the revenue of the Group increased by 56.5% to HK$1,089.28 million year-on-year, mainly due to the increase in the operation for the manufacture and sale of prefabricated components and the continuous increase in the production capacity utilized by technology parks during the year, as well as a growth in revenue from granting licenses from the third parties.

The gross profit soared 94.2% to HK$345.20 million, and the gross profit margin was 31.7%, an increase of 6.2 percentage points as compared with 2019.

The profit attributable to owners of the Company increased significantly 43.4% to HK$158.83 million as compared with 2019.

The Group's business expanded rapidly during the year, benefiting from the accelerated implementation of policies supporting the prefabricated construction industry promoted market demand growth nationwide and the completion and commissioning of six green building technology parks. The annual production reached 307,000 cubic metres, an increase of 66% from 185,000 cubic metres in 2019; and shipment volume amounted to 314,000 cubic metres, an increase of 72% from 183,000 cubic metres in 2019. The utilization rate of production capacity improved from 29% in 2019 to 46% in 2020.

The Group has created an innovative whole industry chain collaboration model during the year. With strong R&D and innovation capabilities, and extensive experience in external technical cooperation, covering the fields of smart buildings including BIM, Internet of Things, big data and artificial intelligence, the Group has gradually expanded its business to include intelligent gardening and intelligent decoration businesses.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**Year ended 31 December 2020** ***HK$'000***	Year ended 31 December 2019 *HK$'000*
Revenue	*3*	**1,089,284**	695,901
Cost of sales		**(744,080)**	(518,126)
Gross profit		**345,204**	177,775
Gains on disposal of subsidiaries		**–**	134,178
Government grants		**94,452**	23,495
Other income		**11,751**	5,892
Other gains/(losses) — net		**2,741**	(5,452)
Selling and distribution expenses		**(69,915)**	(55,371)
Administrative expenses		**(132,472)**	(117,308)
Net impairment losses on financial assets		**(9,673)**	(2,837)
Share of gains of associates		**5,551**	4,491
Operating profit		**247,639**	164,863
Finance costs	*4*	**(32,948)**	(25,928)
Profit before income tax		**214,691**	138,935
Income tax expenses	*5*	**(44,725)**	(25,318)
Profit for the year		**169,966**	113,617
Profit for the year, attributable to			
— Owners of the Company		**158,833**	110,749
— Non-controlling interests		**11,133**	2,868
		169,966	113,617
Earnings per share attributable to owners of the Company			
(expressed in HK$ cents per share)			
— Basic and diluted	*7*	**5.67**	3.95

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the year ended 31 December 2020

	Notes	**Year ended 31 December 2020 HK$'000**	Year ended 31 December 2019 HK$'000
Profit for the year		**169,966**	113,617
Other comprehensive income/(loss), which may be reclassified subsequently to profit or loss			
— Currency translation differences		**168,785**	(51,115)
Other comprehensive income/(loss) for the year, net of tax		**168,785**	(51,115)
Total comprehensive income for the year		**338,751**	62,502
Total comprehensive income for the year, attributable to			
— Owners of the Company		**322,967**	60,217
— Non-controlling interests		**15,784**	2,285
		338,751	62,502

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**As at 31 December 2020** *HK$'000*	As at 31 December 2019 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,978,312**	1,416,328
Right-of-use assets		**991,017**	726,587
Investment properties		**18,298**	17,080
Intangible assets		**4,567**	3,619
Deferred income tax assets		**39,067**	44,973
Investments in associates		**222,996**	192,883
Financial assets at fair value through profit or loss		**46,276**	43,480
		3,300,533	2,444,950
Current assets			
Inventories		**89,456**	89,672
Trade and other receivables and prepayments	*8*	**1,159,868**	725,589
Cash and cash equivalents		**443,882**	82,415
Restricted cash		**219,613**	124,371
		1,912,819	1,022,047
Total assets		**5,213,352**	3,466,997
EQUITY			
Equity attributable to owners of the Company			
Share capital (nominal value)		**1,120,960**	1,120,960
Reserves		**1,029,059**	710,485
		2,150,019	1,831,445
Non-controlling interests		**671,565**	587,598
Total equity		**2,821,584**	2,419,043

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2020

	Notes	**As at 31 December 2020** *HK$'000*	As at 31 December 2019 *HK$'000*
LIABILITIES			
Non-current liabilities			
Amount due to related parties		**50,463**	–
Deferred income		**2,709**	1,708
Deferred income tax liabilities		**13,613**	12,916
Lease liabilities		**31,544**	3,007
Borrowings		**993,023**	123,077
		1,091,352	140,708
Current liabilities			
Trade and other payables		**835,377**	458,112
Contract liabilities		**17,558**	55,341
Current income tax liabilities		**46,747**	31,176
Lease liabilities		**13,735**	10,968
Borrowings		**386,999**	351,649
		1,300,416	907,246
Total liabilities		**2,391,768**	1,047,954
Total equity and liabilities		**5,213,352**	3,466,997

NOTES:

1 GENERAL INFORMATION

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

The address of the registered office of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company is Room 7707 and 7708, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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

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

As at 31 December 2020, the ultimate controlling shareholder of the Company is Mr. Wu Po Sum.

The annual results set out in this announcement do not constitute the Group's consolidated financial statement for the year ended 31 December 2020 but are extracted from those financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

New and amended standards of HKFRSs adopted by the Group in 2020

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- *Definition of Material — amendments to HKAS 1 and HKAS 8*
- *Definition of a Business — amendments to HKFRS 3*
- *Interest Rate Benchmark Reform-amendments to HKFRS 9, HKAS 39 and HKFRS 7*
- *Revised Conceptual Framework for Financial Reporting*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE

	Year ended 31 December 2020 *HK$'000*	Year ended 31 December 2019 *HK$'000*
Revenue from sales of prefabricated construction units	**915,261**	579,853
Revenue from granting licenses	**67,709**	36,428
Revenue from decoration and landscaping services	**37,432**	–
Revenue from sales of prefabricated construction equipments	**27,985**	65,032
Revenue from consulting services	**27,210**	1,317
Rental income	**13,687**	13,271
	1,089,284	695,901

4 FINANCE COSTS

	Year ended 31 December 2020	Year ended 31 December 2019
	HK$'000	*HK$'000*
Interest expenses on borrowings	**38,623**	31,048
Finance charges on lease liabilities	**1,450**	1,309
Less: Interest capitalised	**(7,125)**	(6,429)
	32,948	25,928

5 INCOME TAX EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax	**36,602**	29,218
— Hong Kong profits tax	**–**	–
	36,602	29,218
Deferred income tax	**8,123**	(3,900)
Total income tax expenses for the year	**44,725**	25,318

5 INCOME TAX EXPENSES *(Continued)*

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

	Year ended 31 December 2020 *HK$'000*	Year ended 31 December 2019 *HK$'000*
Profit before income tax	**214,691**	138,935
Income tax calculated at respective statutory rates	**55,226**	37,023
Preferential income tax rate	**(6,219)**	(15,351)
Previously unrecognised tax losses recognised in current year as deferred tax assets	**(8)**	(990)
Non-deductible expenses	**543**	916
Non-taxable income	**(726)**	(1,884)
Research and development expenditure additional deduction	**(8,952)**	(2,906)
Utilisation of previously unrecognised tax losses	**(558)**	(412)
Tax losses and temporary differences not recognised as deferred tax assets	**7,148**	9,917
Prior year's tax filing differences	**(1,729)**	(995)
Total income tax expenses for the year	**44,725**	25,318

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% (year ended 31 December 2019: 16.5%) on the estimated assessable profit derived in Hong Kong for the year.

PRC corporate income tax

Under the Corporate Income Tax Law of the PRC ("CIT Law"), the CIT rate applicable to the Group's subsidiaries established in mainland China is 25%, while certain subsidiaries are applicable to the preferential tax rate of 15%.

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Company's mainland China subsidiaries did not have plan for distributing dividend to the Company for the year ended 31 December 2020, thus no such withholding tax was accrued (year ended 31 December 2019: Nil).

6 DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the year ended 31 December 2020 (year ended 31 December 2019: Nil).

7 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December 2020	Year ended 31 December 2019
Consolidated earnings attributable to owners of the Company *(HK$'000)*	**158,833**	110,749
Weighted average number of ordinary shares in issue *('000)*	**2,802,401**	2,802,401
Basic earnings per share *(HK cents)*	**5.67**	3.95

Note: Weighted average number of ordinary shares in issue and basic earnings per share were stated after taking into account the effect of the share consolidation in October 2020, every 4 ordinary shares of par value HK$0.10 each being consolidated into 1 share of par value HK$0.40. Comparative figures have been retrospectively adjusted on the assumption that the above share consolidation had been effective in prior year.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2020, the calculation of diluted earnings per share excluded the share options granted to directors, senior management and other employees on 30 November 2020, as their inclusion would have been antidilutive. Therefore, diluted earnings per share for the year ended 31 December 2020 is equal to basic earnings per share.

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

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2020	As at 31 December 2019
	HK$'000	*HK$'000*
Trade receivables — third parties	**756,326**	353,618
Trade receivables — related parties	**219,969**	162,480
Value-added tax recoverable	**71,053**	61,314
Amounts due from related parties	**30,494**	13,251
Land auction deposits	**28,348**	11,173
Prepayments	**17,096**	24,526
Deposits	**12,988**	7,297
Notes receivable	**9,320**	2,693
Receivables relating to disposal of subsidiaries	**6,764**	72,760
Government grants receivable	**5,228**	8,261
Others	**18,923**	14,130
	1,176,509	731,503
Less: Provision for impairment of trade receivables and other receivables	**(16,641)**	(5,914)
	1,159,868	725,589

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

	As at 31 December 2020	As at 31 December 2019
	HK$'000	*HK$'000*
Less than 1 year	**772,764**	355,566
1 to 2 years	**199,954**	149,455
Over 2 years	**3,577**	11,077
	976,295	516,098

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

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

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

	As at 31 December 2020	As at 31 December 2019
	HK$'000	*HK$'000*
HK dollar	**6,540**	3,890
Renminbi	**1,153,328**	721,699
	1,159,868	725,589

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

(I) Business Review

2020 is the first fiscal year since DIT Group joined the big family of Central China, during which the Group achieved substantial business expansion and entered a period of explosive profit growth. As a leading provider of overall smart building solutions, the Group has been adhering to the "technology-led" development strategy, thereby pushing forward its business and greatly improving its operating efficiency: For the year ended 31 December 2020, the Group recorded sales revenue of HK$1.089 billion, a year-on-year increase of 56.5%; and net profit attributable to the parent company was HK$159 million, a year-on-year increase of 43.4%. With a view of the above, the outbreak of COVID-19 had minimal impact on the Group's business and operations during the year ended 31 December 2020.

1. Skyrocketing of annual sales by 72% and signing of several strategic agreements

The Group's business expanded rapidly during the period, benefiting from the strengthening market demand driven by accelerated implementation of policies supporting the prefabricated construction industry across China and the completion and commissioning of six green building technology parks.

In 2020, the prefabricated construction business grew rapidly. The annual production reached 307,000 cubic metres, an increase of 66% from 185,000 cubic metres in 2019; and shipment volume amounted to 314,000 cubic metres, an increase of 72% from 183,000 cubic metres in 2019.

In 2020, the Group signed strategic cooperation agreements with many reputable companies including JD Group, Jinke Property Group, Sunriver Holding Group and Jujiang Construction Group to create synergy, further expand business segments, and deepen its presence in China so as to consolidate business advantages of the entire industry chain and lay a steady foundation of purchase orders pipeline for business in 2021.

2. ***Accelerated deployment in industrial parks and great improvement in the production capacity and operating efficiency of plants***

In 2020, six green building technology parks were built and put into production in Zhoukou City and Tongxu County in Henan Province, Jiaozhou City in Shandong Province, Huai'an City and Nantong City in Jiangsu Province, and Yuxi City in Yunnan Province; and the Group expanded its presence to five green building technology parks in Dengfeng City, Zhumadian City, Luoyang City and Tongxu County in Henan Province and Ding'an County in Hainan Province.

Currently, the Group has put into operation 15 industrial parks nationwide, making it a leading player in the industry in terms of industrial layout. As of the end of 2020, the Group's overall production capacity was approximately 1.1 million cubic metres (including wholly owned, franchised, and asset-light plants). The utilisation rate of production capacity increased from 29% in 2019 to 46% in 2020. Newly added production capacity in Zhoukou City, Henan Province and Jiaozhou City, Shandong Province had been accelerated for operation during the year, contributing to the overall business; and production capacity in Yuxi City, Yunnan Province, Huai'an City and Nantong City in Jiangsu Province and Tongxu County in Henan Province will be gradually released in 2021. In addition, the Group continues to focus on product standardisation and equipment automation to help plants quickly increase production capacity.

The Group has a strong brand awareness and its product quality is widely recognised by downstream customers, which helps the Group to further expand its franchised and asset-light business. During the year, the Group's exploration for asset-light business achieved initial results. Revenue from technology licensing and consulting services increased by 151.5% year-on-year to HK$94.92 million throughout the year.

The Group has achieved initial results in cost reduction through standardised production products, digitalisation, and intelligent upgrading. In 2020, the actual cost for prefabricated construction was RMB2,115 cubic metres, a year-on-year decrease of 8.7%. The Group has built an EMPC system for cost control throughout the process from scratch and established three-level management and control standards with "Target Costs" as the core, building up a cost control system. The Group launched an intelligent mould placement robot in some smart prefabricated construction plants. This robot is the first intelligent robot in China that can support complex components with reinforcing bars and reduce mould placement labour by 75% and increase mould placement efficiency by 2.5 times. Meanwhile, an environmental-friendly automatic cleaning device for prefabricated construction mould, the first of its kind in China, was successfully launched at the production line. This device worked with the intelligent mould placement robot to further advance the automation of the mould placement and disassembly process in smart prefabricated construction plants. In terms of digitisation, the Group is currently building a digital middle platform system. The new middle platform system will not only connect various systems together through cloud computing, big data, Internet of Things, AI and 5G, but also achieve intelligent design, manufacturing and operation and maintenance based on building information modelling (BIM) data generated during design.

3. ***Expansion of business across the entire industry chain and initial results of synergistic efforts with Central China Group***

In the fiercely competitive prefabricated construction market, the Group adopts a new business model covering the entire industry chain to create differentiated competitive advantages. The Group has been long committed to improving the quality of buildings, reducing the cost of prefabricated buildings, and exploring a faster and better industrial development path for prefabricated buildings. It firmly believes that the vertically integrated business model can help reduce costs in all aspects and further exploit cost advantages. During the year, the Group has created a business layout covering prefabricated construction components, decoration, landscape, and equipment, and the newly added smart landscaping services and smart decoration businesses will soon become the Group's profit growth drivers.

Relying on the positive branding of Central China Group deeply rooted in Henan Province, DIT Group has made a lot of explorations with various sectors of its subsidiaries. Guided by the vision of "Developing Brilliant Living", DIT Group is positioned as a leading provider of overall smart building solutions. It has support from Central China Real Estate and Central China Management Company who rank among the top ten in China in terms of construction area and house delivery and sees a large number of potential home improvement opportunities brought by Central China New Life whose property management area exceeds 100 million square metres. With the support of Central China Group, DIT Group has spared no effort to expand its production capacity in Henan Province. In 2020, it has successfully deployed five green building technology parks in Henan Province.

4. Strong alignment of interests between the Group and its shareholders

In July 2020, the Group received an investment of approximately HK$303 million from controlling shareholder Mr. Wu Po Sum for increased shareholding. In December, the Group received more than HK$1.6 million from Mr. Liu Weixing, the chairman of the board of directors and executive director of the Company, and Mr. Guo Weiqiang, executive director and chief executive officer for increased shareholding and share purchases. In addition, the Group adopted a share option scheme in July, granting a total of approximately 202 million share options to its executives and others. This move will promote the alignment of the interests of employees with the overall interests of the Company and shareholders, arouse the enthusiasm of grantees, and effectively retain and motivate core talent, thereby advancing the long-term, steady development of DIT Group.

(II) Business Outlook

As a leading provider of overall smart building solutions, the Group's operating performance will enter a phase of unprecedented growth in the next few years. As the construction industry is still facing increasingly severe labour shortages and environmental protection challenges and local governments encourage the spread of prefabricated construction to improve efficiency and protect the environment, the market size of the prefabricated construction industry will continue to grow rapidly. The Group will continue to strengthen its presence across the entire industry chain in key markets and intensify its efforts in creating industrial synergy with Central China Group, cutting costs and improving efficiency to drive overall profits.

1. Deepening business layout and expanding the market size

Since 2020, China's Ministry of Housing and Urban-Rural Development (MOHURD), National Development and Reform Commission (NDRC), Ministry of Industry and Information Technology (MIIT) and other ministries have rolled out a number of relevant supportive policies. Meanwhile, Shanghai, Henan, Anhui, Jiangsu, Zhejiang and other provinces and municipalities have also released relevant supportive policies in terms of prefabricated construction development goals, land use, plot ratio incentives, financial subsidies and guidance on consumption. Policies at various levels all support the vigorous development of prefabricated buildings.

As the country vigorously promotes the modernisation process of the construction industry, the rapid growth of the prefabricated construction market has become an industry consensus. Therefore, the market demand for prefabricated construction components will continue to increase. According to the latest notification from MOHURD on the development of prefabricated buildings nationwide in 2020, the newly constructed prefabricated buildings nationwide reached 630 million square meters in 2020, an increase of 50% as compared with 2019, accounting for approximately 20.5% of the area of newly built buildings. More than 15% of the target set in the 13th Five-Year Plan had been accomplished, which was much lower than the government's penetration rate target of 30% for 2025. It is expected that, with the support of policies, the prefabricated construction industry will maintain rapid growth within three to five years, and the future market potential is enormous. Prefabricated construction will soon usher in a period of rapid development. In the future, the Group will increase its presence in key areas such as the Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei and Henan Province, seize industry development opportunities, and strive to provide consumers with a safer, more comfortable and smarter living experience, so as to contribute to the modernisation of China's new urbanisation and construction industry.

2. *Creating a new business model covering the entire industry chain*

DIT Group is committed to becoming a leading provider of overall smart building solutions. In 2020, it announced a new "Smart Home" strategy to create an innovative industry chain-wide collaboration model. It is committed to making technological innovation in the entire industry chain such as smart houses to help promote the development of the prefabricated construction industry.

Professional abilities across the entire industry chain are the core advantages of the Group. The Group has the world's leading six core technology systems, strong R&D and innovation capabilities, and extensive experience in external technical cooperation, covering the fields of smart buildings including BIM, Internet of Things, big data and artificial intelligence. With technological advantages of the whole industry chain, the Group has gradually expanded its business to include landscaping services and decoration businesses. In the future, the Group plans to develop a business model covering the entire industry chain into a "turnkey" business model. The business will cover the entire life cycle of prefabricated construction including design, smart prefabricated manufacturing, landscaping services and decoration.

3. *Collaborating with Central China Group to focus on Great Central China and create synergy*

The Group will actively coordinate with various business sectors of Central China Group. Under the overall coordination of Central China Group's Great Central China's strategy**, we will focus on the Great Central China*, and leverage the advantages of Central China Group in the wider industrial chain, create synergy, and build a new win-win model. In terms of Central China Real Estate, we will implement the "industry + real estate" model, promote the development of commercial and residential land, and reduce plant investment costs by acquiring related commercial and residential land. As for Central China Management Company, we will explore the "industry + real estate" cooperation model outside Henan Province and reach a cooperation agreement with Central China Management Company to promote business in asset-light projects. The Group also cooperates with Central China New Life based on the "Smart Home" strategy to develop businesses such as home improvement and construction of data middle platform to provide in-depth services for products such as smart communities, smart buildings, and smart homes. The Group will work with the education sector of Central China Group to deliver training to industrial workers through cooperation. In the next three years, DIT Group will train 100,000 industrial workers.

In the future, the Group will develop collaborative projects with Central China Group. In addition, we will also focus on expanding cooperation with third-party customers, including our major customers such as real estate developers and builders. We will continue to work with Central China Group for business, regional, industrial chain, and design collaboration to accelerate the national business buildout, explore new projects, and achieve new business growth.

* Great Central China: Centring on Zhengzhou, the Great Central Plains region with a radius of 500 kilometres covers 8 provinces (Henan, Hubei, Shandong, Anhui, Shanxi, Shaanxi, Hebei and Jiangsu), including 83 provincially administered cities and 7 provincial capitals.

** Central China Group's 'Great Central China' strategy: It aims to become the promoter of the urbanisation and overall social progress in Central Plains. Central China Group will implement the 'Great Central Plains' strategy under the belief of "Expanding base areas and serving the Central Plains". Measures will be taken to further stimulate social investment, improve the quality and level of supply, strengthen the management on the demand side, and promote the security and stability of innovation, industrial and supply chains in the region, in a bid to give back to the Great Central Plains region and make it a pilot region and a model region to create a new development pattern of dual circulation.

4. ***Developing a technological foundation and empowering the Group with innovation and technology***

   The Group will consolidate its technological foundation, bring down its costs with leading R&D and design, and promote BIM data through a digital middle platform for smart design, manufacturing and operation and maintenance. It will also implement the strategy of "Smart Home" to create an innovative industry chain-wide collaboration model, improve the quality of buildings, reduce the cost of prefabricated buildings, and explore a faster and better industrial development path for prefabricated buildings.

   The building of the digital middle platform will allow DIT Group to quickly develop different solutions to meet customer needs and figure out corresponding costs during bidding and make adjustment based on customer needs. This will make market development much easier, visualise costs and bring them under control. As the number of projects undertaken increases, data in our data middle platform continues to accumulate and diversify. More and more new businesses will keep emerging in the future.

FINANCIAL REVIEW

Review of Results

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

Revenue

The revenue of the Group increased by approximately 56.5% from approximately HK$695.9 million for the year ended 31 December 2019 to approximately HK$1,089.3 million for the year ended 31 December 2020. The significant increase in revenue were mainly attributable to (i) the increase in the operation for the manufacture and sale of prefabricated components and the continuous increase in the production capacity utilized by technology parks during the year; and (ii) a significant increase in the income of licenses from the third parties. As a result, the Group recorded sales revenue for year ended 31 December 2020 of prefabricated construction units of approximately HK$915.3 million (2019: approximately HK$579.9 million), granting licenses of approximately HK$67.7 million (2019: approximately HK$36.4 million), decoration and landscaping services of approximately HK$37.4 million (2019: nil), prefabricated construction equipments of approximately HK$28.0 million (2019: approximately HK$65.0 million), consulting services of approximately HK$27.2 million (2019: approximately HK$1.3 million) and rental income of approximately HK$13.7 million (2019: approximately HK$13.3 million).

Cost of sales

The Group recorded cost of sales of approximately HK$744.1 million (2019: approximately HK$518.1 million) for the year ended 31 December 2020. The increase was primarily attributable to the increase in sales of prefabricated construction components, while the corresponding cost of sales also increased at the same time; as the additional plants which have been in its initial operation were in low production volume, the increase in each fixed expense therefore resulted in the increase of cost.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately HK$167.4 million from approximately HK$177.8 million for the year ended 31 December 2019 to approximately HK$345.2 million for the year ended 31 December 2020. The gross profit margin increase to 31.7% in 2020 from 25.5% in 2019. The income achieved by granting licenses for the year increased by 85.9% when compared with last year, and the actual gross profit of prefabricated construction components increased by around 86.2% when compared with the corresponding period of last year.

Other income

The other income of the Group increased by approximately HK$5.9 million from approximately HK$5.9 million for the year ended 31 December 2019 to approximately HK$11.8 million for the year ended 31 December 2020. Other income mainly comprised of interest income from a related party of approximately HK$7.9 million and interest income arose from bank deposits of approximately HK$3.1 million.

Other gains — net

For the year ended 31 December 2020, other gains — net amounting to approximately HK$2.7 million mainly comprised of (i) gains on transferring licenses of approximately HK$5.0 million; (ii) gains on disposal of equipments of approximately HK$0.5 million; (iii) gains on fair value from investment properties of approximately HK$0.3 million; and (iv) net exchange losses of approximately HK$0.2 million.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately HK$69.9 million (2019: approximately HK$55.4 million) for the year ended 31 December 2020. The increase in expense was primarily attributable to the organizational structure adjustment to the Group, the increase in regional salesforce, the increase in salary and the number of plants in operation and growth of income with the moderate growth in transportation fees for product sales.

Administrative expenses

During the year ended 31 December 2020, the administrative expenses increased by 12.9% to approximately HK$132.5 million from approximately HK$117.3 million in 2019, which was mainly attributable to the staff expenses increased by approximately HK$7.5 million in 2020, while the remaining increase was attributable to the increment of other general administrative expenses, such as rental expenses, professional fee, entertainment, travelling expenses and office expenses etc.

Finance costs

Finance costs of approximately HK$32.9 million for the year ended 31 December 2020 represented (i) the interest expenses of approximately HK$38.6 million for the borrowings; (ii) the finance charges of approximately HK$1.5 million on the lease liabilities; and (iii) capitalisation interest of approximately HK$7.1 million in plant under development for prefabricated construction business for the year.

Liquidity and Financial Resources

As at 31 December 2020, the cash and bank balances of the Group amounted to approximately HK$443.9 million (2019: approximately HK$82.4 million) and the current ratio of the Group is 1.5 (2019: 1.1).

As at 31 December 2020, the borrowings of the Group amounted to approximately HK$1,380.0 million (31 December 2019: HK$474.7 million) and the net gearing ratio is 30.2% (2019: 12.1%).

FINAL DIVIDEND

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

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

The Directors do not recommend payment of any dividend for the year ended 31 December 2020 (31 December 2019: Nil).

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices as the Board considers that good and effective corporate governance is essential for enhancing accountability and transparency of a company to the investing public and other stakeholders. During the year ended 31 December 2020, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange, except for the followings:

(a) Code provision A.6.7 provides that independent non-executive Directors and non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to their respective business engagements and travel restrictions as a result of COVID-19, 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 and the special general meetings of the Company held on 17 July 2020 and 30 September 2020; and

(b) Code provision E.1.2 provides that the chairman of the Board should attend the annual general meeting. Due to his other engagements and travel restrictions as a result of COVID-19, Mr. Wu Po Sum (the former chairman of the Board and an executive Director who resigned on 21 August 2020) was unable to attend the annual general meeting of the Company held on 5 June 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 to all Directors by the Company, all the Directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

MATERIAL EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2020

As at the date of this announcement, there were no material events after the year ended 31 December 2020.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lee Chi Ming, Mr. Jiang Hongqing, and Mr. Ma Lishan. The Audit Committee has reviewed the Group's audited annual results for the year ended 31 December 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT

This audited annual results announcement is published on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://dit.aconnect.com.hk). The Company's 2020 annual report containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 March 2021

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