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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL SUMMARY	Six months ended 30 June		Changes
	2021	2020	
	HK\$'000	HK\$'000	
Revenue	593,811	402,375	+47.6%
Gross profit	169,861	112,263	+51.3%
Gross profit margin	28.6%	27.9%	+0.7*
Profit attributable to owners of the Company	26,288	8,486	+209.8%
Basic and diluted earnings per share (HK\$ cents)	0.94	0.30	+213.3%

*Note: * Change in percentage point*

In the first half of 2021, the Group saw a remarkable increase in the business scale and a significant improvement in its business and operational efficiency, benefiting from the market demand growth driven by the accelerated implementation of policies supporting the prefabricated construction industry and the rapid expansion of prefabricated component capacity.

During the period, the Group's sales revenue increased by approximately 47.6% year-on-year to approximately HK\$594 million, of which the sales revenue of prefabricated construction units was approximately HK\$445 million, a year-on-year increase of 26.5%, and the revenue from new business of decoration and landscaping services was approximately HK\$63.72 million.

The gross profit was approximately HK\$170 million, an increase of about 51.3% as compared with the same period last year, and the gross profit margin increased to 28.6%.

The profit attributable to owners of the Company increased significantly by 209.8% to approximately HK\$26.29 million as compared with the same period of 2020.

The board of directors (the “**Directors**”) of DIT Group Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) with comparative figures for the corresponding period of 2020 as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>Notes</i>	Six months ended 30 June	
		2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Revenue	4	593,811	402,375
Cost of sales	7	(423,950)	(290,112)
Gross profit		169,861	112,263
Government grants		15,322	4,215
Other income	5	7,617	1,002
Other gains/(losses) — net	6	1,240	(526)
Selling and distribution expenses	7	(30,695)	(30,878)
Administrative expenses	7	(90,062)	(54,883)
Share of gains of associates		2,067	4,087
Net impairment losses on financial assets		(4,859)	(3,075)
Operating profit		70,491	32,205
Finance costs		(23,740)	(14,682)
Profit before income tax		46,751	17,523
Income tax expenses	8	(16,546)	(6,941)
Profit for the period		30,205	10,582
Profit for the period, attributable to			
— Owners of the Company		26,288	8,486
— Non-controlling interests		3,917	2,096
		30,205	10,582
Earnings per share attributable to owners of the Company (expressed in HK\$ cents per share)			
— Basic and diluted	10	0.94	0.30

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	30,205	10,582
Other comprehensive income/(loss), which may be reclassified subsequently to profit or loss		
— Currency translation differences	31,532	(49,805)
Other comprehensive income/(loss) for the period, net of tax	31,532	(49,805)
Total comprehensive income/(loss) for the period	61,737	(39,223)
Total comprehensive income/(loss) for the period, attributable to		
— Owners of the Company	57,866	(39,073)
— Non-controlling interests	3,871	(150)
	61,737	(39,223)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>	(unaudited)	(audited)
ASSETS		
Non-current assets		
Property, plant and equipment	2,596,147	1,978,312
Right-of-use assets	1,014,383	991,017
Investment properties	18,239	18,298
Intangible assets	3,543	4,567
Deferred income tax assets	47,449	39,067
Investments in associates	225,843	222,996
Financial assets at fair value through profit or loss	46,808	46,276
	3,952,412	3,300,533
Current assets		
Inventories	185,286	89,456
Trade and other receivables and prepayments	1,401,806	1,159,868
Cash and cash equivalents	281,886	443,882
Restricted cash	207,956	219,613
	2,076,934	1,912,819
Total assets	6,029,346	5,213,352
EQUITY		
Equity attributable to owners of the Company		
Share capital (nominal value)	1,120,960	1,120,960
Reserves	1,092,715	1,029,059
	2,213,675	2,150,019
Non-controlling interests	691,656	671,565
Total equity	2,905,331	2,821,584

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)
AS AT 30 JUNE 2021

		30 June	31 December
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(unaudited)	(audited)
LIABILITIES			
Non-current liabilities			
Amount due to a related party		4,000	50,463
Deferred income		2,626	2,709
Deferred income tax liabilities		13,373	13,613
Lease liabilities		47,478	31,544
Borrowings	<i>13</i>	1,467,949	993,023
		<u>1,535,426</u>	<u>1,091,352</u>
Current liabilities			
Trade and other payables	<i>12</i>	1,032,171	835,377
Contract liabilities		65,793	17,558
Current income tax liabilities		21,401	46,747
Lease liabilities		21,953	13,735
Borrowings	<i>13</i>	447,271	386,999
		<u>1,588,589</u>	<u>1,300,416</u>
Total liabilities		<u>3,124,015</u>	<u>2,391,768</u>
Total equity and liabilities		<u>6,029,346</u>	<u>5,213,352</u>

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2021 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 2020, 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 2020, 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 2021, 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue from sales of prefabricated construction units	444,917	351,785
Revenue from decoration and landscaping services	63,721	–
Revenue from granting licenses	53,403	16,081
Revenue from consulting services	17,720	329
Rental income	10,770	5,648
Revenue from sales of prefabricated construction equipments	3,280	28,532
	<u>593,811</u>	<u>402,375</u>

5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Financing component from a related party	4,313	–
Interest income on bank deposits	2,988	931
Others	316	71
	<u>7,617</u>	<u>1,002</u>

6. OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Gains on disposal of equipments	2,068	36
Net exchange losses	(142)	(193)
Others	(686)	(369)
	<u>1,240</u>	<u>(526)</u>

7. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Raw materials and consumables used	277,111	177,288
Changes in inventories of finished goods, goods in transit and work in progress	(54,936)	(169)
Employee benefits expenses	120,993	78,687
Labour outsourcing	27,093	28,896
Subcontracting charges in relation to decoration and landscaping services	49,902	–
Depreciation	46,249	35,782
Amortisation of right-of-use assets	16,008	10,480
Transportation	23,443	18,178
Land use tax and value-added tax surcharges	10,900	7,646
Provision for inventories impairment	3,632	10
Legal and professional fees	4,260	8,147
Entertainment and travelling expenses	2,892	1,604
Repairs and maintenance	916	1,052
Office expenses	316	338
Others	15,928	7,934
	<hr/>	<hr/>
Total of cost of sales, selling and distribution expenses and administrative expenses	544,707	375,873

8. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits in Hong Kong for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). Taxation on PRC profits is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Under the Corporate Income Tax 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%.

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current income tax — PRC corporate income tax	24,843	2,294
Deferred income tax	(8,297)	4,647
	<hr/>	<hr/>
Total income tax expenses for the period	16,546	6,941
	<hr/>	<hr/>

9. DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

10. EARNINGS 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	
	2021	2020
	<i>(unaudited)</i>	(unaudited)
Consolidated profit attributable to owners of the Company <i>(HK\$'000)</i>	26,288	8,486
Weighted average number of ordinary shares in issue (<i>'000</i>)	2,802,401	2,802,401
Basic earnings per share (<i>HK cents</i>)	0.94	0.30
	<hr/>	<hr/>

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 period.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2021, the calculation of diluted earnings per share excluded the share options granted to directors, senior management and other employees on 30 November 2020, as their inclusion would have been antidilutive. Therefore, diluted earnings per share for the six months ended 30 June 2021 is equal to basic earnings per share.

For the six months ended 30 June 2020, diluted earnings per share were equal to the basic earnings per share as the Group does not have any dilutive potential ordinary shares.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade receivables — third parties	843,937	756,326
Trade receivables — related parties	305,902	219,969
Value-added tax recoverable	108,446	71,053
Amounts due from related parties	40,209	30,494
Land auction deposits	38,901	28,348
Prepayments	20,825	17,096
Notes receivable	17,753	9,320
Deposits	15,037	12,988
Receivables relating to disposal of subsidiaries	4,438	6,764
Government grants receivable	4,206	5,228
Others	23,853	18,923
	1,423,507	1,176,509
Less: Provision for impairment of trade receivables and other receivables	(21,701)	(16,641)
	1,401,806	1,159,868

The ageing analysis of trade receivables as at 30 June 2021 and 31 December 2020 based on the invoice issue date were as follows:

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Less than 1 year	711,903	772,764
1 to 2 years	433,218	199,954
Over 2 years	4,718	3,577
	<u>1,149,839</u>	<u>976,295</u>

The maximum exposure to credit risk as at 30 June 2021 and 31 December 2020 is the carrying value of each class of receivables mentioned above.

As at 30 June 2021 and 31 December 2020, the fair values of trade and other receivables approximate their carrying amounts.

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

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
HK dollar	4,514	6,540
Renminbi	<u>1,397,292</u>	<u>1,153,328</u>
	<u>1,401,806</u>	<u>1,159,868</u>

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

12. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Trade payables — third parties	531,219	429,462
Trade payables — related parties	8,769	7,082
Accrued payable for property, plant and equipment construction — third parties	44,791	60,531
Accrued payable for property, plant and equipment construction — related parties	149,859	75,585
Notes payable	96,019	112,476
Amounts due to related parties	90,460	47,890
Accrued tax payable	43,592	44,080
Accrued payroll	10,819	11,404
Deposits	5,164	3,649
Provision for onerous contract	1,709	314
Interest payable	515	600
Others	49,255	42,304
	<u>1,032,171</u>	<u>835,377</u>

The ageing analysis of trade payables as at 30 June 2021 and 31 December 2020 based on the invoice issue date were as follows:

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Less than 1 year	346,434	405,556
Over 1 year	193,554	30,988
	<u>539,988</u>	<u>436,544</u>

As at 30 June 2021 and 31 December 2020, the fair values of trade and other payables approximate their carrying amounts.

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

13. BORROWINGS

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Non-current, secured		
— Bank borrowings	1,543,415	1,080,707
— Other financial institution borrowings	27,070	25,664
Non-current, unsecured		
— Bank borrowings	—	20,199
	1,570,485	1,126,570
Less: Current portion of non-current borrowings	(102,536)	(133,547)
Non-current, total	1,467,949	993,023
Current, secured		
— Bank borrowings	260,608	241,571
Current, unsecured		
— Bank borrowings	84,127	11,881
	344,735	253,452
Current portion of non-current borrowings	102,536	133,547
Current, total	447,271	386,999

notes:

- (a) These borrowings of the Group are secured by property, plant and equipment, right-of-use assets and restricted cash deposit of the Group and/or guaranteed by subsidiaries of the Company or related parties.
- (b) The borrowings are all denominated in RMB and their fair values approximate their carrying amounts.
- (c) As at 30 June 2021, the Group's current borrowings included borrowing with principal amount of HK\$9.0 million (31 December 2020: HK\$20.7 million) which the Group has breached certain terms and conditions, as set out in the respective borrowing agreement was originally matured before 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group saw a remarkable increase in the business scale and a significant improvement in its business and operational efficiency in the first half of 2021, benefitting from the market demand growth driven by the accelerated implementation of policies supporting the prefabricated construction industry and the rapid expansion of prefabricated component capacity. As of 30 June 2021, the Group recorded sales revenue of approximately HK\$594 million, a year-on-year increase of approximately 47.6%. Its gross profit rose approximately 51.3% from a year earlier to approximately HK\$170 million for the six months ended 30 June 2021. Net profit attributable to the parent company was approximately HK\$26.29 million for the six months ended 30 June 2021, a year-on-year surge of approximately 209.8%. During the Reporting Period, the Group launched two new businesses, namely Smart Landscaping and Smart Decoration services, expanding its business across the entire industry chain.

I. Contract sales of prefabricated components soared approximately 369.5% YoY; the Group won the bid of CURA's procurement project

The Group accelerated its pace to expand its prefabricated component business during the Reporting Period. Six green building sci-tech parks have come into production after completion. The Company focused on establishing business relationship with the top 30 property developers. The company won the bidding for the annual centralised procurement project of nine entities, including China Urban Realty Association (CURA), China Construction Third Engineering Bureau, China Construction Eighth Engineering Division, Zhengzhou Vanke and Hunan Poly. This has laid a solid foundation for its business orders. Contract sales of prefabricated components soared approximately 369.5% year-on-year to approximately RMB1.568 billion in the first half of 2021. The whole year output of prefabricated components was 154,600 cubic metres, a year-on-year rise of approximately 24.2%. As of 30 June 2021, the Group had 18 directly-operated smart PC factories. The capacity utilisation rate of the Group's prefabricated component business stayed at approximately 39% during the Reporting Period.

The Group stood out among many competitors and won the bid of CURA's procurement project in June 2021, becoming the bid winner of a prefabricated component project, the 11th joint purchasing project of CURA, China's largest joint purchasing platform in the real estate sector. CURA is a strategic alliance formed by Vanke, Tiantai and other renowned real estate developers in major Chinese cities based on the principle of equality and mutual benefit. It now has 68 members. The Group won the bid after passing a strict screening process. This is a major recognition of the Group's technologies, strong R&D capabilities, high-quality product and service capabilities. It is a significant milestone.

Moreover, it is rapidly expanding its franchise and asset-light prefabricated component businesses. Two franchisees successively won the bid for land parcels to build two franchise PC factories. Xiangxi Green Building Sci-tech Park, one of the two franchised projects, will be built on a 100-mu land parcel in the Western Ecological Industrial Park of Xiangxi High-tech Industrial Development Zone in Hunan, while the other one Shijiazhuang Ruimin Intelligent Building Sci-tech Park will cover 80 mu of land in the Gaocheng Economic Development Zone in Shijiazhuang, Hebei. Completion of the construction of the two projects will further optimise the Group's production capacity coverage in China. The Group will continuously cooperate with partners through direct operation, franchise, and asset-light model. By introducing brands, utilising R&D capabilities, sharing management experience and licensing patents, the Group will draw on each other's resources with partners.

II. Digital transformation of production improved operational efficiency; the number of patents rose 14%

The Group focuses on the strategy of "Smart Home" and positions itself as a provider of integrated smart building solutions. Our core competitive advantages lie in our strengths in professional services and R&D along the entire smart building industry chain covering R&D, design, construction, prefabricated component, landscaping and decoration. The Group, which highly emphasizes R&D and technology, continuously invested many resources during the Reporting Period to improve core technology and promote digital transformation in production, aiming to improve product quality and reduce costs and increase efficiency for its own production process.

The number of its self-developed patents totalled 1,827 as of 30 June 2021, up 14% from a year earlier, consistently ranking first in the industry. The Group's "Flexible manufacturing technology and demonstration of complex-shaped concrete parts and components transformed based on a standard production line", the subproject of a national key R&D programme during the "13th Five-Year Plan" (2016-2020), passed the acceptance check by a panel of experts from China Academy of Building Research in Jiaozuo Green Building Sci-Tech Park in April 2021. Flexible production line is a demonstration production line of complex-shaped components developed by the Group, which integrates concrete automatic conveying, integration of concrete transferring and distributing, intelligent steam curing, universal modular mould, large working surface structure and so forth. It can adapt to the efficient production of multi-category prefabricated components, such as complex wall panels, prestressed concrete composite slabs and bay windows. Flexible production line can improve the production capacity by more than 30%. It offers a new solution for the production of components in PC factories. The panel recognised that the research results of the assigned topic were applied in the demonstration production line. The prefabricated components produced by the demonstration production line have been widely applied in prefabricated construction projects in Zhengzhou, Jiaozuo, Luoyang, etc., with remarkable economic, social and environmental benefits.

In the context of “Smart Home” and carbon neutrality, the Group, which relies on the scientific and technological innovation and integration at the core production steps of the whole prefabricated construction industry chain, achieved standardised design, factory manufacturing, platform-based procurement, fine management and intelligent operation in the entire smart building industry chain by combining building information modelling (BIM) technology, cloud computing, big data, Internet of things and other digital technologies. This leads to an overall upgrade of construction quality and cost. Robots operated in the production process are gradually replacing manpower in repetitive process. More front-line managers will make decisions based on data-driven analysis. The key to improving smart factories’ operational efficiency is to get hold of the operational data from each production step in real time. The Group is currently establishing a digital middle platform system. The new middle platform system will not only connect various systems at each production step through cloud computing, big data, Internet of Things, AI, 5G and other technologies, but also achieve intelligent design, manufacturing and operation and maintenance based on BIM data generated during design. Today, the digital and intelligent management platform of our smart factories enables the management team to instantly monitor the production status and management data of various factories across the country. The management system that integrates the Kanban system of a production line, smart lighting system, factory central control system, MES system, video monitoring system, facial recognition system, digital cockpit decision-making system and other systems related to intelligent factories can provide a variety of aided decision-making statements and show the real-time management data changes and factory production.

The decoration industrial park recently put into production in Kaifeng, Henan is the Group’s first high-tech industrial park focusing on prefabricated decoration. With intelligent and automatic production equipment and digital management system, the park has built a digital management system based on the Internet of Things to upgrade smart manufacturing through the application of 5G, artificial intelligence, big data, cloud computing and other advanced technologies. Empowered by China’s state-of-the-art production equipment and the industry’s most advanced digital management system, the smart production line for doors and windows consists of robots and smart equipment, which allows production in a complete darkness with no human intervention. Such factories are dubbed “dark factories”.

III. Business outlook: Policies support the rapid development of the industry and explosive growth in 2021

Our products are uniquely positioned with competitive advantages in the rapidly-growing prefabricated construction market, based on our positioning as a provider of integrated smart building solutions and technological strength in the prefabricated construction sector. The production capacity and orders of prefabricated components are increasing. Besides, the new smart landscaping and smart decoration businesses will further accelerate the Group's business growth in the second half of 2021. The Group is likely to achieve a major breakthrough in its full-year business performance, entering into a period of unprecedented rapid growth.

China is on track to meet its goal of becoming carbon neutral by 2060. Efficient and eco-friendly prefabricated construction technology can significantly reduce building wastage, save water and reduce pollution, which will become an important carbon neutral solution for the construction industry. As clarified in the Action Plan for Prefabricated Buildings in the 13th Five-Year Plan Period released by the Ministry of Housing and Urban-Rural Development (MOHURD), the area of prefabricated buildings should account for no less than 30% of the gross floor area of new buildings by 2025. Official data from MHURD showed that the gross floor area of prefabricated buildings in China amounted to 420 million and 630 million square metres in 2019 and 2020, a year-on-year rise of 45% and 50% respectively. The proportion of prefabricated buildings to the gross floor area of new buildings in China grew to 20.5% in 2020 from 13.4% in 2019. It is still lower than the national target of 30% penetration rate in 2025 and the penetration rate of more than 70% in European and American countries. Judging by the policies released in the first half of 2021, local governments are stepping up efforts to support the development of prefabricated buildings. In addition, governments of Shanghai, Shenzhen, Taizhou in Jiangsu, Nanchang in Jiangxi and Jingzhou in Hubei have issued circulars to regulate the employment of elderly workers of construction companies, banning them from recruiting men aged over 60 and women aged over 50 for the construction work. The labour shortage and environmental pressure in the construction industry will further push the market demand to shift toward new construction methods represented by prefabricated construction. The prefabricated construction market is widely expected to see rapid growth.

The Group has created a wide range of services covering the entire industry chain, and the newly-added smart landscaping and smart decoration businesses will become its profit growth drivers in the second half of this year. We will focus on increasing the number of third-party customers in prefabricated components, smart landscaping and smart decoration, including national real estate developers and contractors. We will explore new projects, achieve new business growth and improve returns to shareholders. With the support of Central China Group, DIT Group has a complete production capacity coverage

in Henan Province. Relying on the brand influence of Central China Group in Henan Province and the ‘Great Central China Strategy’, DIT Group and its subsidiaries will continuously explore synergies. Central China Real Estate and Central China Management rank among the top ten property developers in China in terms of construction area, which means there are considerable demands for prefabricated components, landscaping and decoration services. Central China New Life whose property management area exceeds 100 million square metres will have plenty of opportunities for home decoration and landscape maintenance businesses.

As of 30 June 2021, the Group has signed contracts with the third parties for prefabricated components with a total contract amount of approximately RMB1,186.64 million.

Sales revenue of prefabricated construction units

— by region	Six months ended 30 June	
	2021 <i>HK\$’000</i> (unaudited)	2020 <i>HK\$’000</i> (unaudited)
Nanjing	69,254	70,890
Huizhou	63,030	19,123
Foshan	57,926	26,320
Changsha	57,141	72,458
Jiaozuo	49,602	68,361
Hefei	34,235	45,052
Zhoukou	34,188	—
Xiangtan	23,840	18,470
Zhengzhou	15,238	—
Kunshan	13,048	27,320
Hengyang	6,875	3,519
Luoyang	5,982	—
Nantong	5,667	—
Huaian	3,498	—
Yuxi	1,884	—
Zhumadian	1,622	—
Chongqing	1,114	—
Jiaozhou	773	272
Total	<u>444,917</u>	<u>351,785</u>

Sales revenue of prefabricated construction units	Six months ended 30 June	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Sales revenue from third parties	378,331	282,110
Sales revenue from related parties	66,586	69,675
Total	<u>444,917</u>	<u>351,785</u>

Technology trademarks and patents obtained by the Group during the first half of 2021

Patents: For the six months ended 30 June 2021, 37 applications for patents have been made, and 27 patents were granted. As at 30 June 2021, there were approximately 1,827 applications for patents in aggregate, and 1,242 patents were granted.

Plants in operations

Regions	Annual estimated capacity (approximate '000 cubic metre)	Area (approximate mu)	Area of plants (approximate square metre)
Changsha Technology Park	110	352	33,433
Nanjing Technology Park	110	151	35,981
Hefei Technology Park	80	154	22,398
Hengyang Technology Park	70	150	24,905
Foshan Technology Park	70	123	36,550
Huizhou Technology Park	70	61	22,284
Zhoukou Technology Park	60	135	20,639
Qingdao Jiaozhou Technology Park	60	92	19,339
Kunshan Technology Park	60	50	18,061
Jiaozuo Technology Park	50	81	19,383
Huaian Technology Park	40	120	19,356
Xiangtan Technology Park	40	100	19,310
Zhengzhou Technology Park	20	134	19,659
Total	<u>840</u>	<u>1,703</u>	<u>311,298</u>

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)
Luoyang Technology Park	100%	3.7	308	55,260	50
Zhengzhou Technology Park	100%	3.0	143	49,954	60
Zhumadian Technology Park	100%	2.1	130	26,873	40
Wuhan Technology Park	100%	1.9	116	29,767	20
Tianjin Technology Park	100%	1.9	94	26,154	20
Yuxi Technology Park	100%	1.7	124	18,191	60
Chongqing Technology Park	100%	1.3	134	19,659	20
Nantong Technology Park	60%	1.7	100	26,154	40
Total		17.3	1,149	252,012	310

Incorporation of new subsidiaries for the six months ended 30 June 2021

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 (%)
Hainan DIT Construction Technology Limited* 海南築友智造建築科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	100%
Zhumadian DIT Construction Materials Limited* 駐馬店築友智造建材有限公司	China, limited liability company	Construction industrialisation	RMB30,000,000	100%
Luoyang DIT Construction Materials Limited* 洛陽築友智造建材有限公司	China, limited liability company	Construction industrialisation	RMB30,000,000	100%

* For identification purpose only

Government grants 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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Government grants	15,322	4,215

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

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\$191.4 million from approximately HK\$402.4 million for the six months ended 30 June 2020 to approximately HK\$593.8 million for the six months ended 30 June 2021. The increase in revenue were mainly attributable to (i) 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 2021; and (ii) revenue from the smart landscaping business and smart decoration business for the six months ended 30 June 2021 were approximately HK\$63.7 million, which were new sources of revenue as compared to the revenue for the six months ended 30 June 2020. As a result, the Group recorded sales revenue for the six months ended 30 June 2021 of prefabricated construction units of approximately HK\$444.9 million (2020: approximately HK\$351.8

million), revenue from decoration and landscaping services of approximately HK\$63.7 million (2020: nil), revenue from granting licenses of approximately HK\$53.4 million (2020: approximately HK\$16.1 million), revenue from consulting services of approximately HK\$17.7 million (2020: approximately HK\$0.3 million), rental income from investment properties of approximately HK\$10.8 million (2020: approximately HK\$5.6 million) and revenue from sales of prefabricated construction equipments of approximately HK\$3.3 million (2020: approximately HK\$28.5 million).

Cost of sales

The Group recorded cost of sales of approximately HK\$424.0 million (2020: approximately HK\$290.1 million) for the six months ended 30 June 2021. The increase was primarily attributable to the increase in sales of prefabricated construction units, and new costs brought by the newly deployed smart landscaping business and smart decoration business.

Other income

The other income of the Group increased by approximately HK\$6.6 million from approximately HK\$1.0 million for the six months ended 30 June 2020 to approximately HK\$7.6 million for the six months ended 30 June 2021. Other income mainly came from financing component from a related party and interest income generated from bank deposits.

Other gains — net

For the six months ended 30 June 2021, other gains-net amounting to approximately HK\$1.2 million mainly comprised of (i) gains on disposal of equipments amounting to approximately HK\$2.1 million; (ii) net exchange losses amounting to approximately HK\$0.1 million; and (iii) non-business expenditures of approximately HK\$0.7 million.

Selling and distribution expenses

For the six months ended 30 June 2021, the selling and distribution expenses decreased by approximately HK\$0.2 million to approximately HK\$30.7 million for the six months ended 30 June 2021 from approximately HK\$30.9 million for the six months ended 30 June 2020, such expenses are directly related to the sale of prefabricated construction units.

Administrative expenses

For the six months ended 30 June 2021, the administrative expenses increased by approximately 64.1% from approximately HK\$54.9 million for the six months ended 30 June 2020 to approximately HK\$90.1 million for the six months ended 30 June 2021. Such increase was mainly because staff's basic salaries increased by approximately HK\$6.7 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 2021, the finance costs increased by approximately HK\$9.1 million from approximately HK\$14.7 million for the six months ended 30 June 2020 to approximately HK\$23.7 million for the six month ended 30 June 2021 which was mainly attributable to (i) the interest expenses of approximately HK\$44.7 million for the bank borrowing; (ii) the interest expenses of approximately HK\$1.7 million for the lease liabilities; and (iii) capitalisation interest of approximately HK\$22.6 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\$19.6 million to approximately HK\$30.2 million for the six months ended 30 June 2021 as compared to a profit of approximately HK\$10.6 million for the corresponding period of 2020.

Liquidity and financial resources

For the six months ended 30 June 2021, the Group's net cash generated from operating activities was approximately HK\$3.3 million (six months ended 30 June 2020: net cash generated from operating activities was approximately HK\$14.1 million) and the Group's cash and cash equivalents were approximately HK\$281.9 million as at 30 June 2021 (31 December 2020: approximately HK\$443.9 million).

As at 30 June 2021, the Group had current assets of approximately HK\$2,076.9 million (31 December 2020: approximately HK\$1,912.8 million) and current liabilities of approximately HK\$1,588.6 million (31 December 2020: approximately HK\$1,300.4 million). The current ratio (which is calculated by dividing total current assets by total current liabilities) was approximately 1.3 as at 30 June 2021 (31 December 2020: 1.5).

As at 30 June 2021, the Group hold borrowings amounted to approximately HK\$1,915.2 million (31 December 2020: approximately HK\$1,380.0 million) and the net gearing ratio (calculated as net debt dividend by total equity) was 54.2% (31 December 2020: 30.2%).

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 2020.

Capital structure

As at 30 June 2021, the total number of issued shares of the Company (the “**Share(s)**”) was 2,802,400,730 Shares with a par value of HK\$0.4 each. Based on the closing price of HK\$0.810 per Share as at 30 June 2021, the Company’s market value as at 30 June 2021 was approximately HK\$2,269,944,591.

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices as the Board considers that good and effective corporate governance is essential for enhancing accountability and transparency of a company to the investing public and other stakeholders.

For the six months ended 30 June 2021, the Company has fully complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

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 2021.

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

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

Hong Kong, 11 August 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.