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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 2024

The board (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 2024 (the “**Reporting Period**”) with comparative figures for the corresponding period of 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<i>Notes</i>	Six months ended 30 June	
		2024 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)
Revenue	4	235,289	519,569
Cost of sales	7	<u>(232,251)</u>	<u>(456,127)</u>
Gross profit		3,038	63,442
Government grants		5,470	2,876
Other income	5	493	750
Other losses — net	6	(11,757)	(1,562)
Selling and distribution expenses	7	(22,185)	(37,665)
Administrative expenses	7	(91,281)	(69,381)
Share of losses of associates		(1,887)	(6,062)
Net impairment losses on financial assets		<u>(23,554)</u>	<u>(12,600)</u>
Operation loss		(141,663)	(60,202)
Finance costs		<u>(43,041)</u>	<u>(42,971)</u>
Loss before income tax		(184,704)	(103,173)
Income tax expenses	8	<u>(360)</u>	<u>(2,860)</u>
Loss for the period		<u>(185,064)</u>	<u>(106,033)</u>
Loss for the period, attributable to:			
— Owners of the Company		(170,487)	(99,712)
— Non-controlling interests		<u>(14,577)</u>	<u>(6,321)</u>
		<u>(185,064)</u>	<u>(106,033)</u>
Losses per share attributable to owners of the Company (expressed in HK\$ cents per share)			
— Basic and diluted	10	<u>(5.50)</u>	<u>(3.21)</u>

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

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	<u>(185,064)</u>	<u>(106,033)</u>
Other comprehensive loss, which may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of		
— Foreign operation	(15,274)	(83,617)
— Associates	<u>(1,143)</u>	<u>(6,282)</u>
Other comprehensive loss for the period, net of tax	<u>(16,417)</u>	<u>(89,899)</u>
Total comprehensive loss for the period	<u>(201,481)</u>	<u>(195,932)</u>
Total comprehensive loss for the period, attributable to		
— Owners of the Company	(186,969)	(189,872)
— Non-controlling interests	<u>(14,512)</u>	<u>(6,060)</u>
	<u>(201,481)</u>	<u>(195,932)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June	31 December
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		2,643,000	2,733,620
Right-of-use assets		845,214	865,938
Investment properties		15,689	16,063
Intangible assets		30,253	33,209
Deferred income tax assets		112,868	113,673
Investments in associates		183,101	192,974
Financial assets at fair value through profit or loss		40,004	40,289
		<u>3,870,129</u>	<u>3,995,766</u>
Current assets			
Inventories		113,543	138,502
Trade and other receivables and prepayments	<i>11</i>	1,888,602	2,165,866
Cash and cash equivalents		10,479	9,286
Restricted cash		27,472	24,721
		<u>2,040,096</u>	<u>2,338,375</u>
TOTAL ASSETS		<u>5,910,225</u>	<u>6,334,141</u>
Current liabilities			
Trade and other payables	<i>12</i>	1,651,126	1,847,914
Contract liabilities		49,061	61,303
Current income tax liabilities		39,381	41,106
Lease liabilities		–	2,022
Borrowings	<i>13</i>	1,336,729	886,224
		<u>3,076,297</u>	<u>2,838,569</u>
Net current liabilities		<u>(1,036,201)</u>	<u>(500,194)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,833,928</u>	<u>3,495,572</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 30 June 2024*

		30 June	31 December
		2024	2023
		HK\$'000	HK\$'000
	<i>Note</i>	(unaudited)	(audited)
Non-current liabilities			
Amount due to a related party		81,267	79,281
Deferred income		1,695	1,539
Deferred income tax liabilities		14,755	14,955
Lease liabilities		–	2,899
Borrowings	<i>13</i>	381,029	841,256
		<u>478,746</u>	<u>939,930</u>
NET ASSETS		<u>2,355,182</u>	<u>2,555,642</u>
Capital and reserves			
Share capital (nominal value)		1,240,438	1,240,438
Reserves		454,092	640,040
		<u>1,694,530</u>	<u>1,880,478</u>
Equity attributable to owners of the Company		1,694,530	1,880,478
Non-controlling interests		660,652	675,164
		<u>2,355,182</u>	<u>2,555,642</u>
TOTAL EQUITY		<u>2,355,182</u>	<u>2,555,642</u>

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024 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 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 Group for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Going concern basis

The Group incurred a loss of HK\$185,064,000 for the six months ended 30 June 2024 and as at 30 June 2024, the Group’s current liabilities exceeded its current assets by HK\$1,036,201,000. At the same date, the Group’s current borrowings amounted to HK\$1,336,729,000 while its cash and cash equivalents amounted to HK\$10,479,000 only.

For the six months ended 30 June 2024, the Group failed to repay multiple commercial bank borrowings amounted to RMB98,337,000 (equivalent to HK\$108,293,000) in total according to the scheduled repayment dates, each of which constituted an event of default (collectively, “Bank Borrowing Defaults”). Such events of default resulted in the mentioned borrowings amounted to RMB546,236,000 (equivalents to HK\$598,497,000) as at 30 June 2024 becoming immediately repayable if requested by the lenders, of which RMB185,739,000 (equivalent to HK\$203,510,000) represented bank borrowings with scheduled repayment dates within one year, while the remaining RMB360,497,000 (equivalent to HK\$394,987,000) represented the non-current portion with original maturity dates beyond 30 June 2024 that were reclassified as current liabilities.

As at 30 June 2024, there were various litigations against the Group which were claimed by certain suppliers with respect to overdue payables amounted to approximately RMB285,732,000 (equivalent to HK\$313,069,000) in total.

Such conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

In view of such circumstances, the Directors have given careful considerations to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) In respect of borrowings that are either overdue or in default (including the Bank Borrowing Defaults), the Group has been actively negotiating with the relevant lenders for the repayment, renewal and extension of the overdue borrowings. The Directors are confident to convince the relevant lenders not to exercise their rights to demand the Group's immediate repayment of the borrowings prior to their scheduled contractual repayment dates. Subsequent to 30 June 2024, the Group has repaid RMBnil (equivalent to HK\$nil) and successfully extended RMB262,480,000 (equivalent to HK\$288,843,000) of these defaulted borrowings and the Directors believe that the Group will be able to timely fulfil the repayment schedules under the extended borrowing agreements.
- (ii) The Group has also been negotiating with various banks and financial institutions to seek renewal, extension of the other existing borrowings and obtain new borrowings. The Directors believe that, given the Group's long-term relationship with the banks and financial institutions and the availability of the Group's long-term assets as collateral for the borrowings, the Group will be able to renew or extend existing borrowings and obtain new borrowings when needed.
- (iii) In respect of the outstanding litigations for overdue payables to the Group's suppliers, the Group is negotiating with suppliers for revised repayment schedules and actively arranging settlement. Subsequent to 30 June 2024, certain overdue payables have been settled and the Directors are confident that the Group is able to reach revised repayment schedules with suppliers and settle the overdue payable accordingly.
- (iv) The Group will continue to implement measures to increase the sales of its prefabricated construction units and decoration and landscaping services, and to speed up the collection of trade receivables.
- (v) The Group will seek opportunities to dispose of certain assets and investments at reasonable prices to generate cash inflows and mitigate its liquidity pressure.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2024. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2024. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) the successful negotiations with the Group's lenders in respect of the borrowings that were either overdue or in default, so that the relevant lenders will not exercise their contractual rights to demand immediate repayment of the borrowings; the timely repayments according to the scheduled repayment dates as stipulated in the extended borrowing agreements;
- (ii) the successful negotiations with the banks and financial institutions for renewal of or extension for repayment of the other existing borrowings and the successful obtaining of additional new sources of financing as and when needed;
- (iii) the successful settlement of litigation against the Group which were claimed by suppliers for overdue payables; and
- (iv) the successful and timely implementation of the measures to increase the sales and speed up the collection of trade receivables, and the successful disposal of relevant assets and investments at reasonable prices and timely collection of the proceeds.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. MATERIAL 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 2023, 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 2024, 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue from sales of prefabricated construction units	201,093	393,734
Revenue from decoration and landscaping services	25,932	110,767
Rental income	4,124	8,135
Revenue from consulting services	3,489	4,376
Revenue from sales of prefabricated construction equipment	651	2,557
	<u>235,289</u>	<u>519,569</u>

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income on bank deposit	39	311
Others	454	439
	<u>493</u>	<u>750</u>

6. OTHER LOSSES — NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Losses)/gains on disposal of equipment	(8,727)	159
Net exchange losses	(9)	(15)
Others	(3,021)	(1,706)
	<u>(11,757)</u>	<u>(1,562)</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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Raw materials and consumables used	128,876	213,606
Changes in inventories of finished goods, goods in transit and work in progress	(19,099)	11,362
Employee benefits expenses	63,485	63,028
Labour outsourcing	15,448	26,830
Subcontracting charges in relation to decoration and landscaping services	12,369	98,503
Depreciation	58,009	61,372
Amortisation of right-of-use assets	9,966	13,106
Transportation	14,467	25,741
Land use tax and value-added tax surcharges	10,548	11,572
Legal and professional fees	8,728	5,707
Entertainment and travelling expenses	3,358	2,118
Repairs and maintenance	179	1,419
Office expenses	1,381	369
Provision for inventories impairment	540	229
Others	37,462	28,211
	<u>345,717</u>	<u>563,173</u>
Total of cost of sales, selling and distribution expenses and administrative expenses	<u>345,717</u>	<u>563,173</u>

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 2024 (six months ended 30 June 2023: 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 ("CIT") Law of the PRC, 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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax — PRC corporate income tax	360	4,648
Deferred income tax	—	(1,788)
	<u>360</u>	<u>(1,788)</u>
Total income tax expenses for the period	<u>360</u>	<u>2,860</u>

9. DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

10. LOSSES PER SHARE

(a) Basic

Basic losses per share for the period is calculated by dividing the consolidated loss 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	
	2024	2023
	(unaudited)	(unaudited)
Consolidated loss attributable to owners of the Company (HK\$'000)	(170,487)	(99,712)
Weighted average number of ordinary shares in issue ('000)	3,101,096	3,102,401
Basic losses per share (HK cents)	<u>(5.50)</u>	<u>(3.21)</u>

(b) Diluted

Diluted losses 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 2024 and 2023, the calculation of diluted losses per share excluded the share options granted to directors, senior management and other employees on 30 November 2021, as their inclusion would have been antidilutive. Therefore, diluted losses per share for the six months ended 30 June 2024 and 2023 are equal to respective basic losses per share.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Trade receivables — third parties	1,054,497	1,302,603
Trade receivables — related parties	755,739	661,190
Amounts due from related parties	68,593	202,680
Notes receivable	40,197	45,545
Prepayments — third parties	45,927	34,378
Prepayments — related parties	16,382	65,052
Land auction deposits	3,491	3,608
Value-added tax recoverable	10,270	6,840
Deposits	14,351	16,412
Receivables relating to disposal of subsidiaries	1,855	1,868
Others	130,981	63,893
	2,142,283	2,404,069
Less: Provision for impairment of trade and other receivables	(253,681)	(238,203)
	<u>1,888,602</u>	<u>2,165,866</u>

An ageing analysis of trade receivables and notes receivable as at 30 June 2024 and 31 December 2023, from the date when they were recognised, is as follows:

	At 30 June 2024	At 31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Less than 1 year	476,174	872,697
1–2 years	1,236,962	1,031,270
Over 2 years	137,297	105,371
	<u>1,850,433</u>	<u>2,009,338</u>

The maximum exposure to credit risk as at 30 June 2024 and 31 December 2023 is the carrying value of each class of receivables mentioned above.

As at 30 June 2024 and 31 December 2023, 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:

	At 30 June 2024	At 31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Hong Kong dollars (“HK\$”)	486	205,807
Renminbi (“RMB”)	1,888,116	1,960,059
	<u>1,888,602</u>	<u>2,165,866</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

	At 30 June 2024	At 31 December 2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables — third parties	1,118,949	1,256,727
Trade payables — related parties	19,421	27,208
Accrued tax payable	122,149	112,708
Accrued payable for property, plant and equipment construction — third parties	68,082	63,715
Accrued payable for property, plant and equipment construction — related parties	49,877	50,582
Amounts due to related parties	116,082	232,733
Accrued payroll	27,901	26,982
Deposits	9,246	8,845
Interest payable	30,874	12,316
Others	88,545	56,098
	<u>1,651,126</u>	<u>1,847,914</u>

An ageing analysis of trade payables as at 30 June 2024 and 31 December 2023, from the date when they were incurred, is as follows:

	At 30 June 2024	At 31 December 2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Less than 1 year	565,570	1,220,999
Over 1 year	572,800	62,936
	<u>1,138,370</u>	<u>1,283,935</u>

As at 30 June 2024 and 31 December 2023, the fair values of trade and other payables approximate their carrying amounts.

As at 30 June 2024 and 31 December 2023, the carrying amounts of the trade and other payables are primarily denominated in RMB.

13. BORROWINGS

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Non-current, secured:		
— Bank borrowings	710,827	1,001,979
Non-current, unsecured:		
— Bank borrowings	<u>626</u>	<u>1,628</u>
	711,453	1,003,607
Less: Current portion of non-current borrowings	<u>(330,424)</u>	<u>(162,351)</u>
Non-current, total	<u><u>381,029</u></u>	<u><u>841,256</u></u>
Current, secured:		
— Bank borrowings	797,541	578,086
Current, unsecured:		
— Bank borrowings	<u>208,764</u>	<u>145,787</u>
	1,006,305	723,873
Current portion of non-current borrowings	<u>330,424</u>	<u>162,351</u>
Current, total	<u><u>1,336,729</u></u>	<u><u>886,224</u></u>

Notes:

- (a) These bank 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) For the year ended 30 June 2024, the Group failed to repay multiple commercial bank borrowings amounted to RMB98,337,000 (equivalent to HK\$108,293,000) in total according to the scheduled repayment dates, each of which constituted an event of default (collectively, “Bank Borrowing Defaults”). Such events of default resulted in the mentioned borrowings amounted to RMB546,236,000 (equivalents to HK\$598,497,000) as at 30 June 2024 becoming immediately repayable if requested by the lenders, of which RMB185,739,000 (equivalent to HK\$203,510,000) represented bank borrowings with scheduled repayment dates within one year, while the remaining RMB360,497,000 (equivalent to HK\$394,987,000) represented the non-current portion with original maturity dates beyond 30 June 2024 that were reclassified as current liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, despite the complex and volatile global economy, China's economy was stable and progressing but also faced multiple challenges, and therefore the development of the industry was still in an adjustment cycle. Producer Price Index (PPI) remained at a low level, exerting pressure on corporate profitability. A fundamental reversal was not expected in the real estate industry downtrend while the prefabricated construction industry encountered the plight of shrinking market demand.

The investment confidence in the real estate industry, a pillar of the economy, remained at a low level. According to the National Bureau of Statistics, the total investment in the development of real estate nationwide amounted to approximately RMB5.25 trillion in the first half of 2024, representing a year-on-year decline of approximately 10.1%. The negative impact of the downturn in the domestic real estate industry has spread to the upstream industry chain, including the construction industry, leading to further shrinkage of industry scale. The gross new housing construction area declined significantly by approximately 23.7% year-on-year, indicating a very challenging operating environment for the construction industry. The dilemma in domestic real estate industry has brought about a significant reduction in orders, while the collection of funds also put pressure on the operation of the construction industry. The severe survival crisis has forced the industry to accelerate consolidation.

The challenging business environment inevitably affected the Group's operating results in the first half of the year. For the six months ended 30 June 2024, the Group's sales revenue amounted to approximately HKD235.3 million, representing a year-on-year decrease of approximately 54.7%; gross profit was approximately HKD3.0 million; the net loss attributable to the parent company was approximately HKD170.5 million.

I. Active adjustment of operating strategies in response to market changes to ensure the quality of our business development

In the first half of 2024, facing market changes brought by the dilemma in the construction industry, the Group quickly adjusted its strategies at the beginning of the year, focusing on innovation-driven model and transformation and upgrading, deepening technology research and development (R&D), and leading the market with technology. Simultaneously, we consolidated the fundamentals of capital by implementing special

actions such as debt collection and settlement, asset revitalisation and financing expansion to ensure the steady and sustainable operation of the Company. The Group continued to focus on prefabricated construction, consolidating its business presence across the entire industry chain. Demand was shrinking due to the sluggish real estate industry while market price declined as a result of fiercer market competition. The Group's contracted sales of PC components amounted to approximately RMB324 million, representing a decrease of approximately 37.8% year-on-year; the output of PC components was approximately 79,700 cubic metres, representing a year-on-year decrease of approximately 49%; and the sales volume of PC components was approximately 92,900 cubic metres, representing a year-on-year decrease of approximately 40%.

During the Reporting Period, for the PC business, which has maintained a dominant position in the industry for a long period of time, the Group placed more emphasis on quality development in its business planning. As of 30 June 2024, the Group had 19 PC factories and a prefabricated decoration industrial park nationwide, with a designed production capacity of 1.32 million cubic metres. In terms of PC components sales by regions for the first half of the year, the percentages of the Central China, the Yangtze River Delta, the Greater Bay Area, and Henan Province were approximately 42%, 27%, 13% and approximately 15%, respectively, reflecting the effectiveness of the nation production capacity business planning.

Considering the pressure of fund collection due to the difficulties in the domestic real estate industry, the Group has actively adjusted its collection policy and stepped up its efforts in collecting accounts receivable, so as to ensure the repayment of funds and the safety of funds as far as possible. At the same time, relying on the support of the national policies, in May of this year, the Group's Jiaozuo factory received a special subsidy for achieving a "Good Start" in the first quarter of 2024 from the Henan Provincial Government, helping to alleviate some economic pressure. In the face of the still unstable economic situation, the Group chose to enhance cooperation with state-owned key enterprises and state-owned enterprises in the PC business to better safeguard operational security. As of 30 June 2024, the Group had cumulatively signed 13 projects with state-owned enterprises, with total contract values reaching RMB152 million.

In the face of the inevitable decline in performance brought about by the overall economic situation, the Group has been seeking for new ideas and changes, and has endeavoured to revitalise its existing assets in the hope of making up for the economic losses caused by the predicament in new areas. During the Reporting Period, the Group's newly developed

wind power tower business successfully signed 2 new projects, with a total contract value of approximately RMB74 million; the newly developed overseas MIC business successfully signed 1 project, with a total contract value of approximately RMB9 million; the newly developed photovoltaic power generation base business successfully signed 1 project, with a total contract value of approximately RMB9 million, bringing growth momentum for the Group's future. In addition to business innovation, the Group also strived to expand its commercial footprint by signing a Full-MiC strategic cooperation agreement with state-owned enterprises for further penetration into the Hong Kong market; We have strengthened exchanges and signed strategic cooperation agreements with enterprises in Russia and Australia to actively expand overseas markets.

Despite the market pressure, the Group insisted on putting quality and reputation in the first place. During the Reporting Period, the Group's production quality was recognised by the industry again and again and received relevant awards in the prefabricated construction industry. The Nanjing factory was awarded the title of "Nanjing Smart Construction Pilot Enterprise" at the Nanjing Intelligent Construction Promotion and Industry Alliance Establishment Conference, and DIT Intelligence was recognised as a "Hunan Provincial Enterprise Technology Centre".

II. Promoting strategic cooperation with Glodon to accelerate the digital transformation of the construction industry

High-quality development of the construction industry has long been a focus of the government, which can help realise the national goals of "Carbon Peaking" and "Carbon Neutrality". The entire industry chain of the construction industry is being upgraded through digital transformation. Upon Glodon Company Limited ("**Glodon**"), the biggest construction cost estimation software provider in China, becoming the second biggest Shareholder (the "**Shareholder**") of the Company, based on the SaaS prefabricated construction industry Internet platform, and centred on the integrated development of "digitalisation + industrialisation", the Group and Glodon actively promoted the strategic cooperation of operations.

Both parties conducted cooperation to create a vertically integrated platform for the industry by leveraging the Group's industrialisation technology system and Glodon's digital building solutions. The two parties have jointly developed a smart site digital project management system (PMS) for prefabricated construction sites, which has been

successfully applied in EMPC general contracting projects. The cooperation progressed smoothly. In addition, the Group and Glodon jointly developed and improved the Group's Quick Quotation System (QQS) for prefabricated construction and jointly conducted market expansion. Furthermore, under a commercial promotion cooperation agreement, the Group and Glodon strived to promote the development of industry information technology and deepen the application of refined project management. By seizing the opportunities arising from rapid development of smart buildings, the Company and Glodon joined hands to make contribution to the digital transformation and development of the construction industry.

III. Deepening scientific research cooperation to promote the development of smart construction industry

The Group is committed to becoming a leading smart building comprehensive solution provider by always adhering to the development strategy of “being a technological leader”, leveraging its own advantages with a leading core technology system, mastering the core technologies of digital intelligence such as BIM, Internet of Things, big data, and artificial intelligence in the field of smart buildings, and promoting the digitalisation of the prefabricated construction industry.

In terms of R&D, the Group actively organised and participated in a number of thematic meetings to exchange information on latest industry developments. The Group was invited to the 20th International Conference on Green and Energy-efficient Building & New Technologies and Products Expo, where we focused on showcasing the Group's innovations in RIFF system, intelligent construction, green and low carbon. The “Research Project on Carbon Emission Reduction Technology of Tightly Combined Prestressed Bidirectional Laminated Floor”, an independent R&D project of the Group, was successfully included in the science and technology planning project of the Department of Housing and Urban-Rural Development of Henan Province. The CECS specification “Edge Laminated Floor Technical Specification” jointly compiled by Southeast University and the Company was formally released, marking the transition of edge laminated floor technology from R&D to large-scale engineering applications, which brings a brand-new development opportunity for the field of prefabricated construction. The Huizhou factory won two awards, “Green and Sustainable Contribution” and “Liveable City Building”, at the “Building a Liveable, Competitive and Sustainable City” symposium organised by the Hong Kong Quality Assurance Agency (HKQAA).

BUSINESS OUTLOOK AND STRATEGY

I. Making progress in financial performance while seeking for improved quality in the second half of the year, and leading transition of the industry to low-carbon green construction

The development of prefabricated construction has become one of the key construction industry policies in China at this stage. Since the Guiding Opinions on Vigorously Developing Prefabricated Construction (Guo Ban Fa [2016] No. 71) issued by the General Office of the State Council in 2016, a large number of policy documents related to prefabricated construction have been released successively under the situation of continuous innovation and high industry scale of the construction industry in China. Various standards have been gradually improved, development indicators have become clearer and more stringent, and various architectural systems have flourished, showing a concurrent development trend across the country. Key regions under development have taken the lead in entering the stage of high-quality and green low-carbon development.

In the long run, prefabricated construction is a new quality productive force of the construction industry. It can closely combine industrialisation and construction technology changes, and apply new technologies, new materials, and new equipment to achieve iterative upgrades in quality, schedule, and cost, continuously forming the core competitiveness of enterprises. On 23 May 2024, the State Council issued the 2024-2025 Energy Saving and Carbon Reduction Action Plan, which requires accelerating the transformation of construction methods in the energy saving and carbon reduction actions by the construction industry, vigorously developing prefabricated construction, and actively promoting intelligent construction.

Under the macro guidance of the “Dual Carbon” strategy, the traditional construction industry will accelerate its transformation and upgrade. Such transformation is not only a positive response to global climate change but also an inherent requirement for promoting high-quality development in the construction industry. The Group is expected to achieve gradual recovery and growth as China intensifies its efforts to achieve high-quality development of the construction industry and promote the goal of “carbon peaking” and “carbon neutrality”, together with the intensive implementation of policies related to prefabricated construction, and continuously growing market demand for prefabricated construction.

II. Deepening technology integration and application, and accelerating business transformation and market expansion

The Group adheres to the concept of innovation-driven development, accelerating technology integration and application, and deepening business transformation and upgrade. In the second half of 2024, the Group will lead the transformation with technologies, accelerate the integration and application of cutting-edge technologies such as the RIFF technology system, and promote the strategic transformation process through technological innovation, making great strides towards a technology-intensive service model. The Group will optimise its market presence, actively expand overseas markets, accelerate the substantive implementation of overseas MIC orders, and explore diversified international market presence. At the same time, the Group will actively expand the rural self-built housing market, accurately connecting and meeting the broad market demand through innovative business models.

To achieve this goal, the Group will simultaneously optimise and upgrade its internal management by, on one hand, effectively disposing of inefficient assets, optimising industrial structure, and improving organisational effectiveness, fundamentally breaking the constraints of traditional business models; on the other hand, flexibly adjusting organisational structure to ensure efficient and accurate resource allocation, and implementing market demand-oriented production plans to achieve close integration of production and sales. At the same time, the Group will strengthen internal management, especially by improving the performance management system, with result-oriented approaches to unleash team potential and ensure a deep integration of corporate goals and employee interests, forming a good situation where everyone works together for development.

Driven by technological innovation and market promotion, the Group will rely on the extensive application of new technologies in prefabricated construction, such as the “RIFF system” and “Fast Delivery System” to continuously optimise the cost structure of prefabricated construction and enhance market competitiveness. At the same time, the Group will lead production and sales with front-end design, promoting the deep integration of design institutes and markets to improve order quality and project implementation efficiency. Furthermore, through maintaining strategic customers, strengthening technical support and after-sales service, and implementing an all-staff marketing strategy, the Group will further consolidate its market position and increase customer stickiness.

The Group will continue to deepen technological innovation and business transformation, achieve comprehensive buildup of MIC housing technology, and enhance independent supply capabilities overseas. Meanwhile, the Group will explore a light-asset business model of equipment + technology export, breaking into the self-built housing market with new technologies such as full-bolt connection, expanding business fields and enhancing market competitiveness.

III. Strengthening R&D leadership to accelerate the digital and intelligent transformation of the industry

The Group adheres to the development strategy of “technological leadership”, deeply cultivating the field of cutting-edge prefabricated construction technology, and striving for technological breakthroughs and innovation. As the leader of the national key R&D program project, the Group successfully developed innovative products based on the efficient connection technology of iterative plate members and semi-rigid connected technology — a new type of large-span prestressed iterative floor and hybrid dry-wet connection efficient prefabricated construction technology system (RIFF system), and built a data-interoperable software system covering the entire chain of design, manufacturing, and construction, which has been granted a national patent.

The Group plans to fully implement its application in the second half of the year, and continue to promote the extensive application of other scientific research achievements in various actual projects, contributing to the overall progress and development of the industry. Meanwhile, in the field of major equipment manufacturing, the Group will focus on breakthroughs in the R&D of new material manufacturing equipment technology, further consolidating and expanding its industry-leading position through the formulation of technical standards, and promoting the digital and intelligent transformation of the entire industry chain.

In the wave of digital transformation, the Group has built an industry-leading digital management system, relying on technological innovation and deep integration in the core links of prefabricated construction, integrating cutting-edge technologies such as BIM, cloud computing, big data, and the Internet of Things, achieving comprehensive upgrades from standardised design to factory manufacturing, professional construction, platform-based procurement, refined management, and intelligent operation, significantly enhancing the comprehensive benefits of construction projects.

To deepen the digital presence, the Group continuously optimises the manufacturing management platform and online procurement mall, building product analysis models to strengthen data-driven decision-making capabilities. At the same time, the Group closely cooperates with strategic partners such as Glodon, combining the advantages of both parties in digitalisation and industrialisation, jointly developing SaaS-based digital products, creating a comprehensive digital solution for the prefabricated construction industry, promoting the deep integration of digital construction and construction industrialisation, and accelerating the planning and marketing process of the industrialisation platform.

As of 30 June 2024, the Group has signed contracts with third parties for the sale of prefabricated components with a total contract amount of approximately RMB659.2 million and a total volume of 155,794 cubic metres.

Sales revenue of prefabricated construction units

— by region

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hefei	63,428	124,766
Huaian	25,948	12,292
Zhengzhou	22,741	22,122
Huizhou	16,460	15,412
Nanjing	15,362	59,090
Nantong	10,938	13,337
Xiangtan	10,553	29,471
Zhoukou	8,549	1,464
Changsha	7,917	24,940
Jiaozuo	5,857	28,420
Jiaozhou	5,525	15,957
Luoyang	3,673	18,138
Foshan	2,656	13,415
Chongqing	1,486	6,347
Wuhan	—	4,246
Hengyang	—	3,650
Zhumadian	—	663
Yuxi	—	4
Total	201,093	393,734

Sales revenue of prefabricated construction units	Six months ended 30 June	
	2024 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)
Sales revenue from third parties	173,072	374,968
Sales revenue from related parties	28,021	18,766
Total	<u>201,093</u>	<u>393,734</u>

Technology trademarks and patents obtained by the Group during the first half of 2024

Patents: As at 30 June 2024, 1,973 patents were granted in aggregate.

Plants in operations

Regions	Annual estimated capacity (<i>approximate '000 cubic metre</i>)	Area of land (<i>approximate mu</i>)	Area of plants (<i>approximate square metre</i>)
Nanjing Technology Park	100	151	35,981
Zhengzhou Technology Park	80	134	19,659
Hefei Technology Park	70	154	22,398
Huizhou Technology Park	70	61	22,284
Changsha Technology Park	60	352	33,433
Zhoukou Technology Park	60	135	20,639
Qingdao Jiaozhou Technology Park	60	92	19,339
Luoyang Technology Park	60	308	55,260
Jiaozuo Technology Park	60	81	19,383
Huaian Technology Park	60	120	19,356
Nantong Technology Park	60	100	26,154
Xiangtan Technology Park	60	100	19,310
Chongqing Technology Park	60	134	19,659
Total	<u>860</u>	<u>1,922</u>	<u>332,855</u>

Government grants in the first half of 2024

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 to 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 offer direct cash incentives.

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Government grants	5,470	2,876

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

FINANCIAL REVIEW

Review of results

The principal activities of the Group are prefabricated construction work, decoration and landscaping services, granting licenses, consulting services and sales of equipment in the People's Republic of China.

Revenue

The revenue of the Group decreased by approximately HK\$284.3 million from approximately HK\$519.6 million for the six months ended 30 June 2023 to approximately HK\$235.3 million for the six months ended 30 June 2024. The decrease in revenue was mainly attributable to (i) the decrease in revenue from sales of prefabricated construction units and consulting services as a result of the decreasing number of customers for the six months ended 30 June 2024; and

(ii) the decrease in revenue from the smart landscaping business and smart decoration business as a result of the decreasing number of customers for the six months ended 30 June 2024. As a result, the Group recorded sales revenue for the six months ended 30 June 2024 of prefabricated construction units of approximately HK\$201.1 million (six months ended 30 June 2023: approximately HK\$393.7 million), revenue from decoration and landscaping services of approximately HK\$25.9 million (six months ended 30 June 2023: approximately HK\$110.8 million), revenue from consulting services of approximately HK\$3.5 million (six months ended 30 June 2023: approximately HK\$4.4 million), rental income from investment properties of approximately HK\$4.1 million (six months ended 30 June 2023: approximately HK\$8.1 million) and revenue from sales of prefabricated construction equipments of approximately HK\$0.7 million (six months ended 30 June 2023: approximately HK\$2.6 million).

Cost of sales

The Group recorded cost of sales of approximately HK\$232.3 million (six months ended 30 June 2023: approximately HK\$456.1 million) for the six months ended 30 June 2024. The decrease was primarily attributable to the decrease in sales of prefabricated construction units.

Other income

The other income of the Group decreased by approximately HK\$0.3 million from approximately HK\$0.8 million for the six months ended 30 June 2023 to approximately HK\$0.5 million for the six months ended 30 June 2024. Other income mainly came from interest income generated from bank deposits.

Other losses — net

For the six months ended 30 June 2024, other losses — net amounting to approximately HK\$11.8 million mainly comprised of (i) losses on disposal of equipments amounting to approximately HK\$8.7 million; and (ii) non-business expenditures of approximately HK\$3.0 million.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately HK\$15.5 million to approximately HK\$22.2 million for the six months ended 30 June 2024 from approximately HK\$37.7 million for the six months ended 30 June 2023, such expenses are directly related to the sale of prefabricated construction units.

Administrative expenses

The administrative expenses increased by approximately HK\$21.9 million from approximately HK\$69.4 million for the six months ended 30 June 2023 to approximately HK\$91.3 million for the six months ended 30 June 2024. Such increase was due to the increase in other general administrative expenses such as professional fees, entertainment, travelling expenses, and office expenses.

Finance costs

The finance costs remain unchanged at approximately HK\$43.0 million for the six months ended 30 June 2023 and 30 June 2024. Finance costs mainly came from the interest expenses of approximately HK\$43.0 million for the bank borrowings.

Loss for the period

As a result of the foregoing, the Group recorded loss of approximately HK\$185.1 million for the six months ended 30 June 2024 as compared to a loss of approximately HK\$106.0 million for the corresponding period of 2023.

Liquidity and financial resources

As at 30 June 2024, the Group had current assets of approximately HK\$2,040.1 million (31 December 2023: approximately HK\$2,338.4 million) and current liabilities of approximately HK\$3,076.3 million (31 December 2023: approximately HK\$2,838.6 million). The current ratio (which is calculated by divided total current assets by total current liabilities) was approximately 0.7 as at 30 June 2024 (31 December 2023: 0.8).

As at 30 June 2024, the Group held borrowings amounted to approximately HK\$1,717.8 million (31 December 2023: approximately HK\$1,727.5 million) and the net gearing ratio (calculated as net debt divided by total equity) was 73.8% (31 December 2023: 67.9%).

As at 30 June 2024, the Group had cash and cash equivalents of approximately HK\$10.5 million, which include approximately HK\$9.7 million denominated in RMB and approximately HK\$0.8 million denominated in HKD (31 December 2023: approximately HK\$9.3 million, in which approximately HK\$8.7 million denominated in RMB and approximately HK\$0.6 million denominated in HKD). As at 30 June 2024, the Group had restricted cash of approximately HK\$27.5 million, all denominated in RMB (31 December 2023: approximately HK\$24.7 million, all denominated in RMB).

As at 30 June 2024, the Group had interest-bearing bank and other borrowings of approximately HK\$1,717.8 million, all denominated in RMB with interest rate in a range of 3.45% to 9.72% per annum (31 December 2023: approximately HK\$1,727.5 million, all denominated in RMB with interest rate in a range of 3.45% to 9.72% per annum).

Other than the matters above, there has been no material change from the information published in the annual report of the Company for the year ended 31 December 2023.

Capital structure

As at 30 June 2024, the total number of issued Shares was 3,101,095,730 Shares. Based on the closing price of HK\$0.179 per Share as at 30 June 2024, the Company's market value as at 30 June 2024 was approximately HK\$555.1 million.

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.

Reference is made to the announcement of the Company dated 26 January 2024. As disclosed in the announcement, as Mr. Guo Weiqiang (“**Mr. Guo**”) serves as both the Chairman and the Chief Executive Officer, such practice deviates from code provision C.2.1 of the Corporate Governance Code as set forth in Appendix C1 of the Listing Rules (the “**CG Code**”). The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

For the six months ended 30 June 2024, save as disclosed, the Company has fully complied with the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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 C3 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 2024.

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 2024, 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 2024.

By order of the Board of
DIT Group Limited
Guo Weiqiang
Chairman and Executive Director

Hong Kong, 23 August 2024

As at the date of this announcement, the Board comprises Mr. Guo Weiqiang (Chairman) and Ms. Wang Jing as executive Directors; Mr. Wang Jun and Mr. Guo Jianfeng as non-executive Directors; Mr. Jiang Hongqing, Mr. Lee Chi Ming and Mr. Ma Lishan as independent non-executive Directors.