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

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of DIT Group Limited (the “**Company**”) is pleased to present the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

	FINANCIAL SUMMARY		
	For the year ended 31 December		
	2021	2020	Changes
	HK\$’000	HK\$’000	
Revenue	2,085,226	1,089,284	91.4%
Gross profit	524,155	345,204	51.8%
Profit for the year, attributable to	138,977	169,966	(18.2%)
— Owners of the Company	132,375	158,833	(16.7%)
— Non-controlling interests	6,602	11,133	(40.7%)

The Board recommended the payment of a final dividend of HK\$0.01 per share for the year ended 31 December 2021 (31 December 2020: Nil) to the shareholders of the Company (the “**Shareholders**”).

During the year, the revenue of the Group rose by 91.4% to HK\$2,085 million on a year-on-year basis, mainly due to an increase in the number of technology parks that manufacture and sell prefabricated components being put into operation and the continuous increase in the production capacity, a growth in the income from licensing and consulting services from the third party, as well as the contribution from newly added decoration and landscaping business. The gross profit soared 51.8% on a year-on-year basis to HK\$524 million, and the gross profit margin was 25.1%.

Benefiting from the accelerated implementation of supportive policies for the prefabricated construction (“PC”) industry across the country to promote the growth of market demand, the Group has been adhering to the development strategies of “Smart Home” and “Leading Technology” to expand its presence in the prefabricated construction industry, continuously increase the production capacity and steadily improve the scale and efficiency. The annual production of PC components reached 430,000 cubic metres, an increase of 40% from 307,000 cubic metres in 2020. The shipments amounted to 417,000 cubic metres, an increase of 33% from 314,000 cubic metres in 2020.

The Group, deeply engaged in the field of prefabricated construction, is committed to technological innovation and the development of collaborative business model across the whole industry chain. Based on the development of businesses across the whole industry chain, the Group has been exploring the integrated development of “digital intelligence and industrialisation” to accelerate the digital intelligence transformation of the construction industry.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
	<i>Notes</i>		
Revenue	3	2,085,226	1,089,284
Cost of sales		<u>(1,561,071)</u>	<u>(744,080)</u>
Gross profit		524,155	345,204
Government grants		37,660	94,452
Other income		17,636	11,751
Other gains — net		8,485	2,741
Selling and distribution expenses		(91,180)	(69,915)
Administrative expenses		(192,166)	(132,472)
Net impairment losses on financial assets		(47,111)	(9,673)
Share of (losses)/gains of associates		<u>(12,534)</u>	<u>5,551</u>
Operating profit		244,945	247,639
Finance costs	4	<u>(56,912)</u>	<u>(32,948)</u>
Profit before income tax		188,033	214,691
Income tax expenses	5	<u>(49,056)</u>	<u>(44,725)</u>
Profit for the year		<u>138,977</u>	<u>169,966</u>
Profit for the year, attributable to			
— Owners of the Company		132,375	158,833
— Non-controlling interests		<u>6,602</u>	<u>11,133</u>
		<u>138,977</u>	<u>169,966</u>
Earnings per share attributable to owners of the Company (expressed in HK\$ cents per share)			
— Basic and diluted	7	<u>4.66</u>	<u>5.67</u>

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

For the year ended 31 December 2021

	Year ended 31 December 2021 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>
Profit for the year	138,977	169,966
Other comprehensive income, which may be reclassified subsequently to profit or loss		
— Currency translation differences	<u>84,935</u>	<u>168,785</u>
Other comprehensive income for the year, net of tax	<u>84,935</u>	<u>168,785</u>
Total comprehensive income for the year	<u>223,912</u>	<u>338,751</u>
Total comprehensive income for the year, attributable to		
— Owners of the Company	216,979	322,967
— Non-controlling interests	<u>6,933</u>	<u>15,784</u>
	<u>223,912</u>	<u>338,751</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
<i>Note</i>		
ASSETS		
Non-current assets		
Property, plant and equipment	2,951,508	1,978,312
Right-of-use assets	1,119,436	991,017
Investment properties	18,591	18,298
Intangible assets	4,346	4,567
Deferred income tax assets	61,745	39,067
Investments in associates	241,514	222,996
Financial assets at fair value through profit or loss	52,003	46,276
	<u>4,449,143</u>	<u>3,300,533</u>
Current assets		
Inventories	211,424	89,456
Trade and other receivables and prepayments	2,238,936	1,159,868
Financial assets at fair value through profit or loss	12,231	–
Cash and cash equivalents	461,351	443,882
Restricted cash	187,717	219,613
	<u>3,111,659</u>	<u>1,912,819</u>
Total assets	<u><u>7,560,802</u></u>	<u><u>5,213,352</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital (nominal value)	1,240,960	1,120,960
Reserves	1,425,619	1,029,059
	<u>2,666,579</u>	<u>2,150,019</u>
Non-controlling interests	<u>694,718</u>	<u>671,565</u>
Total equity	<u><u>3,361,297</u></u>	<u><u>2,821,584</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2021*

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
LIABILITIES		
Non-current liabilities		
Amount due to a related party	–	50,463
Deferred income	2,672	2,709
Deferred income tax liabilities	14,323	13,613
Lease liabilities	105,472	31,544
Borrowings	1,341,120	993,023
	<u>1,463,587</u>	<u>1,091,352</u>
Current liabilities		
Trade and other payables	1,772,008	835,377
Contract liabilities	60,890	17,558
Current income tax liabilities	51,113	46,747
Lease liabilities	13,749	13,735
Borrowings	838,158	386,999
	<u>2,735,918</u>	<u>1,300,416</u>
Total liabilities	<u>4,199,505</u>	<u>2,391,768</u>
Total equity and liabilities	<u>7,560,802</u>	<u>5,213,352</u>

NOTES:

1 GENERAL INFORMATION

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

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

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

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and rounded to the nearest thousand (“**HK\$’000**”), unless otherwise stated.

As at 31 December 2021, the ultimate controlling shareholder of the Company is Mr. Wu Po Sum.

The annual results set out in this announcement do not constitute the Group’s consolidated financial statement for the year ended 31 December 2021 but are extracted from those financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

New and amended standards of HKFRSs adopted by the Group in 2021

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

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

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Revenue from sales of prefabricated construction units	1,322,633	915,261
Revenue from decoration and landscaping services	551,472	37,432
Revenue from granting licenses	98,069	67,709
Revenue from consulting services	79,020	27,210
Rental income	21,335	13,687
Revenue from sales of prefabricated construction equipments	12,697	27,985
	<u>2,085,226</u>	<u>1,089,284</u>

4 FINANCE COSTS

	Year ended 31 December 2021 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>
Interest expenses on borrowings	97,929	38,623
Finance charges on lease liabilities	4,648	1,450
Less: Interest capitalised	<u>(45,665)</u>	<u>(7,125)</u>
	<u>56,912</u>	<u>32,948</u>

5 INCOME TAX EXPENSES

	Year ended 31 December 2021 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>
Current income tax		
— PRC corporate income tax	69,958	36,602
— Hong Kong profits tax	<u>—</u>	<u>—</u>
	69,958	36,602
Deferred income tax	<u>(20,902)</u>	<u>8,123</u>
Total income tax expenses for the year	<u>49,056</u>	<u>44,725</u>

5 INCOME TAX EXPENSES (Continued)

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

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Profit before income tax	<u>188,033</u>	<u>214,691</u>
Income tax calculated at respective statutory rates	49,288	55,226
Preferential income tax rate	(2,932)	(6,219)
Previously unrecognised tax losses recognised in current year as deferred tax assets	(129)	(8)
Non-deductible expenses	1,167	543
Non-taxable income	(9,397)	(726)
Research and development expenditure additional deduction	(12,680)	(8,952)
Utilisation of previously unrecognised tax losses	(563)	(558)
Tax losses and temporary differences not recognised as deferred tax assets	14,093	7,148
Prior year's tax filing differences	<u>10,209</u>	<u>(1,729)</u>
Total income tax expenses for the year	<u><u>49,056</u></u>	<u><u>44,725</u></u>

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% (year ended 31 December 2020: 16.5%) on the estimated assessable profit derived in Hong Kong for the year ended 31 December 2021.

PRC corporate income tax

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

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Company's mainland China subsidiaries did not have plan for distributing dividend to the Company for the year ended 31 December 2021, thus no such withholding tax was accrued (year ended 31 December 2020: Nil).

6 DIVIDEND

A final dividend in respect of year ended 31 December 2021 of HK\$0.01 per ordinary share (year ended 31 December 2020: Nil) has been proposed by the board of directors of the Company and is subject to the approval of the shareholders at the Annual General Meeting to be held on 24 May 2022. The aggregate amount of the proposed dividend expected to be paid but not recognised as a liability at year end is HK\$31,024,000.

7 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December 2021	Year ended 31 December 2020
Consolidated earnings attributable to owners of the Company (HK\$'000)	<u>132,375</u>	<u>158,833</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,837,743</u>	<u>2,802,401</u>
Basic earnings per share (HK cents)	<u>4.66</u>	<u>5.67</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2021 and 2020, the calculation of diluted earnings per share excluded the share options granted to directors, senior management and other employees on 30 November 2020, as their inclusion would have been antidilutive. Therefore, diluted earnings per share for the year ended 31 December 2021 and 2020 are equal to respective basic earnings per share.

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Trade receivables — third parties	1,217,674	756,326
Trade receivables — related parties	795,443	219,969
Value-added tax recoverable	119,873	71,053
Amounts due from related parties	39,638	30,494
Notes receivable	31,118	9,320
Prepayments	22,569	17,096
Land auction deposits	20,008	28,348
Deposits	17,292	12,988
Government grants receivable	2,630	5,228
Receivables relating to disposal of subsidiaries	2,071	6,764
Others	34,700	18,923
	<u>2,303,016</u>	<u>1,176,509</u>
Less: Provision for impairment of trade receivables and other receivables (note (a))	<u>(64,080)</u>	<u>(16,641)</u>
	<u><u>2,238,936</u></u>	<u><u>1,159,868</u></u>

note:

- (a) As at 31 December 2021, such balance included provision for impairment of trade receivables of HK\$50,383,000 and provision for impairment of other receivables of HK\$13,697,000 (31 December 2020: HK\$9,593,000 and HK\$7,048,000, respectively).

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

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Less than 1 year	1,912,328	772,764
1 to 2 years	74,610	199,954
Over 2 years	26,179	3,577
	<u>2,013,117</u>	<u>976,295</u>

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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

As at 31 December 2021 and 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 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
HK dollar	10,907	6,540
Renminbi	<u>2,228,029</u>	<u>1,153,328</u>
	<u><u>2,238,936</u></u>	<u><u>1,159,868</u></u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2021 coincides with the first year of the “14th Five-Year Plan”. The country vigorously promotes the high-quality development of the building industry and sets carbon peak and carbon neutrality targets in response to climate change. Benefiting from the accelerated implementation of policies, the demand is getting stronger in the prefabricated building industry. With the Group’s leading full-industry chain business model and technological advantages, the Group’s business scale has grown significantly in 2021 and its operating efficiency has steadily improved. For the year ended 31 December 2021 (“**this year**”), the Group recorded sales revenue of approximately HK\$2,085 million, a year-on-year increase of approximately 91.4%; and its gross profit rose approximately 51.8% from a year earlier to approximately HK\$524 million.

I. The whole industry chain features perfect business layout, and the production and sales of prefabricated components maintain rapid growth.

The Group has been deeply engaged in the field of prefabricated building, committed to technological innovation and the development of collaborative business model across the whole industry chain, and has been actively exploring the business of smart gardens and smart decoration, doubling the order volume this year and promoting performance growth. The Group continued deepening its PC business layout and increasing its regional layout in the Yangtze River Delta and the Greater Bay Area this year, with its market share in the Greater Bay Area leading the market, laying the foundation for the Group’s business orders. This year, contract sales of prefabricated components rose approximately 74% on a year-on-year basis to approximately RMB2.501 billion; annual production of prefabricated components reached 430,000 cubic meters, increased by about 40% year-on-year. As of 31 December 2021, the Group has put into operation a total of 19 direct intelligent PC factories nationwide, with a design capacity of 1.16 million square meters. The overall utilization rate of prefabricated components production capacity is about 47%. The Group accelerated the expansion of its prefabricated components production business by means of franchise, joint venture and asset-light model, successfully signed with one leased factory, one asset-light factory, and four franchised factories, and continued to improve the Group’s production capacity layout around the nation.

With its excellent product quality and service capability, the Group won the bid of the China Urban Realty Association (“CURA”) in June 2021, becoming the bid winner of a project, the 11th joint procurement project of CURA. The winning of this bid provided the Group with the opportunity to speed up project signing and implementation in the prefabricated building services and prefabricated components supply business. The Group also signed strategic cooperation agreements with a number of institutions this year, including the East China Branch of China Construction Fifth Bureau, 23rd Metallurgical Construction Group of Minmetals, Shanxi Interior Decoration Association and Shanxi Jinduofu Real Estate Co., Ltd., to further expand the network of major customers and drive the soaring of the annual contract amount. In addition, the Group set up a joint venture with Dongzhu Ecological Environment Protection Co Ltd at the end of September, namely, Henan Dongzhu Drawin Ecological Environment Protection Limited, to accelerate the development of smart garden business. As a scientific and technological innovation enterprise in the building industry, the Group appeared at the China (Changsha) International Prefabricated Building and Construction Technology Expo to exhibit its exploration and development achievements in the entire industry chain of prefabricated buildings and a series of achievements in green construction.

II. Glodon became a shareholder to accelerate the transformation of digital intelligence of buildings

In August 2021, the Group signed a subscription agreement with Glodon Company Limited (“Glodon”), a wholly-owned subsidiary of China’s largest engineering cost software company and completed the closing in November. Glodon subscribed for 300,000,000 shares issued by the Group through its subsidiary, accounting for 9.67% of the issued share capital. The net amount raised is about HK\$288 million, of which HK\$90 million will be earmarked for the development of SaaS software for the prefabricated building industry, and the remaining amount will be used as working capital and for the operation of smart factories.

Relying on Glodon’s leadership in China’s building engineering digital intelligence market, coupled with the Group’s years of practical experience in the field of prefabricated building, the Group will polish the leading digital intelligence technology in the industry jointly with Glodon to develop SaaS software in the prefabricated building industry, empower the Group’s entire industry chain business with Glodon’s digital intelligence technology, realize the integrated development of “digital intelligence + industrialization”, create an industry-oriented integrated vertical platform across the industry chain, and accelerate the transformation of digital intelligence of buildings.

III. Advantages of leading scientific research deepen the strategy of home intelligence

The Group positions itself as a “provider of integrated smart building solutions” and adheres to the “technology leading” development strategy. Since the announcement of the “home intelligence” strategy in 2020, the Group has relied on the technological innovation and integration of the core production sections of the entire industry chain of prefabricated buildings, and is committed to achieving standardized design, factory manufacturing, professional construction, platform procurement, refined management and intelligent operation in the entire industry chain to realize the comprehensive upgrade of building quality, construction period and cost, and create an innovative collaborative model across the industry chain. As of 31 December 2021, the number of patents independently developed by the Group totalled 1,908, increased by 6.6% from 2020, ranking first in the industry. The Group reduces prefabricated building costs and improves building quality with leading research and development and design.

In April 2021, the “Flexible Manufacturing Technology and Demonstration of Complex-shaped Concrete Parts and Components based on a Standard Production Line Transformation”, as one of the topics of the national key R&D programme in the “13th Five-Year Plan” undertaken by the Group, was accepted by a panel of experts and was assessed to reach the international advanced level. Flexible components production line can adapt to the efficient production of complex and multi-category prefabricated components. It offers a new solution for the production of components in PC factories. The prefabricated components produced by the demonstration production line have been widely applied in prefabricated building projects in Zhengzhou, Jiaozuo, Luoyang, etc. In July, the Group set up a national post-doctoral research station to recruit and train post-doctoral researchers in scientific research and production. The Group actively introduces and trains high-end technological talents, strengthens the industry-university-research cooperation between enterprises and universities, solves the difficulties in the industry, and makes every effort to promote the application of high-tech projects and to promote the high-quality development of the prefabricated building industry. In December, the case of “Application of DIT Group Double-cycle Prefabricated Concrete Component Production Line in Jiaozuo Factory of DIT Group” independently developed by the Group was successfully selected as the first batch of typical cases of innovative services for new technologies and products of intelligent construction by the Ministry of Housing and Construction. This production line is the first in the industry and has been authorized by 26 patents, including seven invention patents, covering process methods, apparatus, complete logistics, control system and intelligent detection, etc. It is one of the most advanced intelligent production lines in the industry.

BUSINESS OUTLOOK

The national dual-carbon policy accelerates the growth of the prefabricated building industry

China has put forward the strategic goal of “3060” carbon peak and carbon neutrality, and the building industry is one of the key areas for carbon reduction. Driven by national policies, the prefabricated building industry is regarded as an important solution for energy saving and carbon reduction in the building industry. In the past six years, local governments in various provinces and cities have continued to increase their efforts to launch schemes or plans to support the development of prefabricated buildings. The comprehensive advantages of prefabricated buildings in green and environmental protection will be further highlighted. In the future, the Group will continue to seize the new opportunities of dual-carbon, accelerate the research and development and application of prefabricated building technology, and accelerate the green transformation and upgrading of the building industry.

The Ministry of Housing and Urban-Rural Development issued the “14th Five-Year Plan” for Development Planning of Building Industry in early 2022, which clearly requires that by 2025, prefabricated buildings account for more than 30% of new buildings. Moreover, the Central Economic Work Conference insisted on high-quality development and seeking progress while maintaining stability, emphasizing “to promote the construction of affordable housing and support the commercial housing market to better meet the reasonable housing needs of home buyers”. With the expansion of the industry scale, under the economies of scale, prefabrication costs may be gradually reduced, and the green and prefabricated building industry will usher in major development opportunities, bringing growth potential to the Group.

Consolidate the business development across the industry chain and accelerate the realization of digital intelligence advantages

On 12 March 2021, the central government issued the “14th Five-Year Plan” and the outline of the “Long-range objectives through the year 2035”, which clarified the general direction of the building industry in the future, i.e. prefabrication, green and low-carbon, information technology, and new industrialization. Intelligent construction and green construction will become the mainstream trend of the future development of the building industry, and technological innovation will become the inherent requirement of the transformation and upgrading of the building industry. The digital intelligence of prefabricated buildings has become a new track in the building industry during the “14th Five-Year Plan” period.

Looking forward to the future, the Group will continue to focus on prefabricated building technology, continue to deploy intelligent digital factories in various provinces and cities across the country, improve the production capacity, expand third-party customers for prefabricated components, smart gardens and smart decorations, accelerate the layout of its prefabricated components factories through direct selling, franchising and asset-light models, actively explore new projects, realize new business growth, expand its market share in the country, and lead the Company's business into stable growth.

The digital intelligence of prefabricated buildings has become a new track in the building industry during the "14th Five-Year Plan" period. In the future, the Group's research and development focus will shift from technology research and development to product research and development. Through the research and development of products based on the two major structural systems in terms of construction period, cost and quality, the Group will aim to reduce costs and increase efficiency, and use the advantages of the whole industry chain to create core competitive products. With the help of the Group's digital intelligence platform, we will focus on breaking through the data-driven business, and through the iteration of digital intelligence system applications and the continuous accumulation of data, we will initially form an influential overall solution for digital intelligence in the field of prefabricated buildings. We will formulate carbon emission reduction plans and integrate our own technologies to provide complete and sustainable green buildings for real estate enterprises. In addition, Glodon's shareholding and cooperation in the research and development of digital intelligence products will speed up the implementation of the Group's "home intelligence" strategy and form an overall solution for digital intelligence in the prefabricated building industry.

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 increased by approximately 91.4% from approximately HK\$1,089.3 million for the year ended 31 December 2020 to approximately HK\$2,085.2 million for the year ended 31 December 2021. The significant increase in revenue was mainly attributable to (i) the increase in the operation for the manufacture and sale of prefabricated components and the continuous increase in the production capacity utilized by technology parks during the year; (ii) a significant increase in the income of licenses and consulting services; and (iii) additional income from connected transactions regarding decoration and landscaping services.

As a result, the Group recorded sales revenue for year ended 31 December 2021 of prefabricated construction units of approximately HK\$1,322.6 million (2020: approximately HK\$915.3 million), decoration and landscaping services of approximately HK\$551.5 million (2020: approximately HK\$37.4 million), granting licenses of approximately HK\$98.1 million (2020: approximately HK\$67.7 million), consulting services of approximately HK\$79.0 million (2020: approximately HK\$27.2 million), rental income of approximately HK\$21.3 million (2020: approximately HK\$13.7 million) and prefabricated construction equipments of approximately HK\$12.7 million (2020: approximately HK\$28.0 million).

Cost of sales

The Group recorded cost of sales of approximately HK\$1,561.1 million (2020: approximately HK\$744.1 million) for the year ended 31 December 2021. The increase was primarily attributable to the increase in sales of prefabricated construction components and revenue from the decoration and landscaping services, while the corresponding cost of sales also increased at the same time; as the additional plants which have been in its initial operation were in low production volume, the increase in each fixed expense therefore resulted in the increase of cost.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately HK\$179.0 million from approximately HK\$345.2 million for the year ended 31 December 2020 to approximately HK\$524.2 million for the year ended 31 December 2021. The gross profit margin decreased to 25.1% in 2021 from 31.7% in 2020. The decrease in gross profit for this year was mainly due to an increase in raw material costs, increased by about HK\$185 per cubic metre due to the increase in the price of steel.

Other income

The other income of the Group increased by approximately HK\$5.8 million from approximately HK\$11.8 million for the year ended 31 December 2020 to approximately HK\$17.6 million for the year ended 31 December 2021. Other income mainly comprised of interest income from a related party of approximately HK\$10.8 million and interest income arose from bank deposits of approximately HK\$5.4 million.

Other gains — net

For the year ended 31 December 2021, other gains — net amounting to approximately HK\$8.5 million mainly comprised of (i) gains on disposal of equipments of approximately HK\$5.5 million; (ii) fair value gains on financial assets at fair value through profit or loss of approximately HK\$3.2 million; (iii) gains on disposal of right-of-use assets of approximately HK\$1.2 million; and (iv) net exchange losses of approximately HK\$1.1 million.

Selling and distribution expenses

The selling and distribution expenses amounted to approximately HK\$91.2 million (2020: approximately HK\$69.9 million) for the year ended 31 December 2021. The increase in expense was primarily attributable to the increase in regional salesforce, the increase in salary and the number of plants in operation and growth of income with the significant growth in transportation fees for product sales.

Administrative expenses

During the year ended 31 December 2021, the administrative expenses increased by 45.1% to approximately HK\$192.2 million from approximately HK\$132.5 million in 2020, which was mainly attributable to an increase in staff expenses, partially due to an increase in personnel due to the addition of subsidiaries, resulting in an increase in costs, and a significant growth in equity incentive expenses, while the remaining increase was attributable to the increment of other general administrative expenses, such as rental expenses, professional fee, entertainment, travelling expenses and office expenses etc.

Finance costs

Finance costs of approximately HK\$56.9 million for the year ended 31 December 2021 represented (i) the interest expenses of approximately HK\$97.9 million for the borrowings; (ii) the finance charges of approximately HK\$4.6 million on the lease liabilities; and (iii) capitalisation interest of approximately HK\$45.7 million in plant under development for prefabricated construction business for the year.

Liquidity and Financial Resources

As at 31 December 2021, the cash and bank balances of the Group amounted to approximately HK\$461.4 million (2020: approximately HK\$443.9 million) and the current ratio of the Group is 1.1 (2020: 1.5).

As at 31 December 2021, the borrowings of the Group amounted to approximately HK\$2,179.3 million (31 December 2020: approximately HK\$1,380.0 million) and the net gearing ratio, calculated as net debt divided by total equity, is 49.1% (2020: 30.2%).

FINAL DIVIDEND

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

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

The Board recommended the payment of a final dividend of HK\$0.01 per share for the year ended 31 December 2021 (31 December 2020: Nil) to the Shareholders. The proposed final dividend will be submitted for consideration at the forthcoming annual general meeting of the Company to be held on Tuesday, 24 May 2022 (“AGM”). Subject to Shareholders’ approval at the AGM, the final dividend will be paid on or around Monday, 13 June 2022 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 1 June 2022.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Tuesday, 24 May 2022. A notice convening the AGM will be published in due course in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022, both dates inclusive, for the purpose of ascertaining the Shareholders’ entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 18 May 2022.

RECORD DATE FOR PROPOSED FINAL DIVIDEND

For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 30 May 2022 to Wednesday, 1 June 2022, both dates inclusive. The proposed final dividend will be payable to the Shareholders whose names appear on the register of members of the Company as at Wednesday, 1 June 2022. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 27 May 2022.

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices as the Board considers that good and effective corporate governance is essential for enhancing accountability and transparency of a company to the investing public and other stakeholders. During the year ended 31 December 2021, the Company has complied with the code provisions set out in the Corporate Governance Code (version up to 31 December 2021) (the "Code") contained in Appendix 14 to the Listing Rules, except for the following:

- (a) Code provision A.6.7 provides that independent non-executive Directors and non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to their respective business engagements and travel restrictions as a result of COVID-19, Ms. Wu Wallis and Mr. Wang Jun were unable to attend the special general meetings of the Company held on 9 September 2021. The Company will arrange video conference and ensure proper equipment are in place for such meetings in the future in order to provide more flexibility.

Save as disclosed above, the principles as set out in the Code have been applied in our corporate governance structure throughout the year. The Board has taken actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the Code. The current practices are reviewed and updated regularly to be in line with the local and international corporate governance practices.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. In response to the specific enquiry made to all Directors by the Company, all the Directors confirmed that they have fully complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

MATERIAL EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2021

As at the date of this announcement, there were no material events after the year ended 31 December 2021.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Lee Chi Ming, Mr. Jiang Hongqing and Mr. Ma Lishan. The Audit Committee has reviewed the Group’s audited annual results for the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT

This audited annual results announcement is published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://dit.aconnect.com.hk>). The Company's 2021 annual report containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2022

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), 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.