

Stock Code : 726



A LEADING INTEGRATED SERVICE PROVIDER IN SMART BUILDING

DIT Group Limited

(Incorporated in Bermuda with limited liability)

The background of the cover is a composite image. On the right, a modern glass skyscraper is shown, partially obscured by a large, semi-transparent blue architectural grid. On the left, there are faint, light-colored architectural blueprints. A prominent feature is a large, curved graphic element in the bottom left corner, consisting of a red and white swoosh that overlaps the blue grid and the blueprints. The overall color palette is dominated by blue and red, with white highlights.

INTERIM REPORT 2023

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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Board Committees

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Company Secretary

Mr. TSANG Ho Pong

Authorised Representatives

Mr. GUO Weiqiang
Mr. TSANG Ho Pong

Registered Office

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

Principal Place of Business in the PRC

10 Zhongshi Road, Changsha City
Hunan Province, the PRC

Head office and Principal Place of Business in Hong Kong

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

Legal Advisor

O'Melveny & Myers
(as to Hong Kong Law)

Independent Auditor

PricewaterhouseCoopers
(resigned on 4 August 2023)
Certified Public Accountants
Registered Public Interest Entity Auditor

ZHONGHUI ANDA CPA Limited
(proposed on 4 August 2023 subject to shareholders' approval at special general meeting of the Company to be held on 20 September 2023)
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited
The Bank of China Limited

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services
Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited
(the "Stock Exchange"): 00726

Website

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

Shareholders' Information

Share listing

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

Ordinary Share (as at 30 June 2023)

Shares outstanding: 3,102,400,730 shares
Nominal value: HK\$0.40 per share

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

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

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

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

CORPORATE PROFILE *(Continued)*

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

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

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I am pleased to report the unaudited consolidated interim results of the Group and present a business review for the six months ended 30 June 2023 (the "Reporting Period").

China's gross domestic product grew by 5.5% year on year in the first half of 2023, significantly higher than the economic growth rate for the first quarter of this year and the whole of last year, showing a steady trend of regular operation and gradual recovery. However, the external environment became more complex and severe, and domestic economic development was still under pressure. Domestic real estate policies remained loose, but growth fell short of expectations. Commercial housing sales in China increased slightly by 1.1% year on year, while the national investment in property development dropped by 7.9% year on year.

The overall economic pressure and low confidence in real estate investment led to weak demand in the construction market, and competition in the precast concrete ("PC") component sector intensified. Affected by the market environment, the Group's first-half results declined year on year. For the six months ended 30 June 2023, the Group recorded sales revenue of approximately HK\$519.6 million, representing a year-on-year decrease of approximately 37.1%; the gross profit fell by approximately 68.0% year on year to approximately HK\$63.4 million; the net loss attributable to the parent company was HK\$99.7 million.

In the face of tight liquidity and heightened cyclical risks in the industry, the Group withstood the pressure in the first half of 2023 and took actions to overcome difficulties and fight its way out in core indicators, such as payment collection, financing and contracts, putting effort to stabilise its operations.

Taking actions to overcome difficulties and fighting its way out to ensure operational safety. In the first half of 2023, the Company's task force focusing on overcoming difficulties and fighting its way out made great efforts to actively promote business transformation and market expansion, took multiple measures to increase revenue and enhance benefits, and diversified industry risks, with a view to improving the ability to develop new businesses, which has achieved progressive results. In the first half of 2023, the number of newly expanded wind power projects reached 4, with a total volume of over 45,000 cubic metres. The Group signed a total of 20 orders with central state-owned enterprises, bringing the number of high-quality partners to a new level. In 2022, the Group's Huizhou plant was certified under the Quality Scheme for the Production and Supply of Concrete (QSPSC) in Hong Kong. Up to now, the Group has supplied nearly 10,000 cubic metres of PC products to a number of projects in Hong Kong, such as the Hong Kong University of Science and Technology and Kai Tak Sports Stadium. Its market influence has significantly increased. In terms of in-house management, the supplier credit evaluation system was established to classify and manage suppliers, and the supplier management mechanism of survival of the fittest was improved continuously, so as to ensure that suppliers meet the requirements in quality, technology, delivery, service and other aspects.

CHAIRMAN'S STATEMENT *(Continued)*

Adhering to the strategy of technology leadership, and gaining widespread recognition from government and competent authorities. Over these years, the Group has persisted in increasing its investment in research and development, which has yielded remarkable results. In February 2023, the Department of Science and Technology of Henan Province released the Notice on the Approval for Construction of Henan Engineering Technology Research Centres in 2022, and approved the Henan Provincial Metaverse Applied Engineering Research Centre, which will be jointly established by Henan University of Economics and Law and the Group. In April 2023, main leaders of CPC Henan Provincial Committee visited the Group's Decoration Industrial Park for research and guidance, and encouraged the Group to press ahead with stronger confidence, pull efforts together and strengthen management to show a new look of development. In July 2023, the Group, as a leader in the field of prefabricated construction in Henan, was featured in Henan TV's Henan News.

Industry influence increases significantly with frequent professional recognitions. The Group's plants in Qijiang and Xiangtan were rated as provincial and municipal SMEs characterised by specialty, refinement, uniqueness and novelty, increasing the number of such plants to 11. A total of 15 plants of the Group have been recognised as new high-tech enterprises. Ten national, provincial and municipal prefabricated bases of the Group have been recognised. In February 2023, the Group was awarded 2022 China Real Estate Chain Strategic Integrity Supplier by an authoritative industry organisation.

The development of the real estate industry, as a pillar industry, has attracted much attention. On 24 July 2023, the Political Bureau of the CPC Central Committee convened a meeting and proposed "timely adjustment and optimisation of real estate policies". It is expected that the policies for the real estate industry will remain loose in the second half of 2023, and property development investment and new construction demand will be improved. In the meantime, the 14th Five-Year Plan further clarifies the direction of prefabricated construction and the related trends of new industrialisation, informationisation and green development, etc. In the next stage, the policies to promote the development of the prefabricated construction industry will be improved continuously.

In the second half of this year, the Group will adhere to its vision of "Developing Brilliant Living", and will make the greatest effort to overcome difficulties in order to stabilise itself through the industry adjustment cycle. Priorities will be given to repay debt and collect payments to ensure survival, revitalise assets to reduce leverage, and streamline processes to increase efficiency. The Group will further expand high-quality customers with good cash flows and low risks, actively expand new markets regarding government-invested projects and wind power and new energy infrastructure supporting services, maintain strategic focus, and fight its way out.



CHAIRMAN'S STATEMENT *(Continued)*

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the staff for their hard work and dedication over the past six months. I would also like to express our gratitude to all shareholders, investors and other business partners for their continuing support and trust.

BY ORDER OF THE BOARD

DIT Group Limited

Liu Weixing

Chairman

Hong Kong, 15 September 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2023, China's economy gradually emerged from the shadow of the pandemic. However, under the influence of external factors such as interest rate hikes in developed countries in Europe and the United States, as well as the intensification of geopolitical uncertainties, residents' confidence in consumer spending was not optimistic and the growth rate of gross domestic product slowed down. Even though certain favourable policies have been implemented since the beginning of the year in many regions, the property market has yet to recover significantly.

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, in the first half of 2023, the total investment in the development of real estate nationwide amounted to approximately RMB5,855 billion, representing a year-on-year decline of approximately 7.9%. 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. In the first half of the year, the gross housing construction area of real estate development enterprises fell by approximately 6.6% year-on-year, and the gross new housing construction area fell sharply by approximately 24.3% year-on-year, indicating that the operating environment of the construction industry was very challenging. 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. Competition in the PC industry has heated up. Dragged down by the real estate market, this industry has been experiencing a rapid downturn, and the operation of companies was not optimistic, which forced them to restructure and upgrade for survival. The investment scale of PC industry was shrinking, and enterprises were focused on regional presence.

The thorny and challenging business environment inevitably affected the Group's operating results in the first half of the year. For the six months ended 30 June 2023, the Group's sales revenue amounted to approximately HK\$519.6 million, representing a year-on-year decrease of approximately 37.1%. Its gross profit was approximately HK\$63.4 million, representing a year-on-year decrease of approximately 68.0%. The net loss attributable to the parent company was approximately HK\$99.7 million, representing a year-on-year decrease of approximately HK\$120.7 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 2023, in the face of market changes brought about by the difficulties in the construction industry, the Group rose to the challenge, hoping to resolve the crisis through the adjustment of its business strategies and to bring growth momentum to its revenue. The Group continued to focus on prefabricated construction, and expanded the smart landscaping and smart decoration business to consolidate its business pattern throughout the industry chain. Demand was shrinking due to the sluggish real estate industry while market price declined as a result of fiercer market competition. In the first half of the year, the Group's contracted sales of PC components amounted to approximately RMB659 million, representing a decrease of approximately 48.2% year-on-year; the output of PC components was approximately 158,000 cubic meters, representing a decrease of approximately 14.4% year-on-year; the sales volume of PC components was approximately 156,000 cubic meters, representing a decrease of approximately 15.9% year-on-year.

Business Review *(Continued)*

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

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 2023, the Group had 19 PC factories and a prefabricated decoration industrial park nationwide, with a designed production capacity of 1.34 million cubic meters. In terms of PC components sales by regions in the first half of the year, the percentage of the Central China, the Yangtze River Delta, the Greater Bay Area, and Henan Province was approximately 20%, 54%, 6% and 13% respectively. The efforts put in national production capacity business planning were effective. In terms of PC components sales by customers in the first half of the year, construction companies accounted for about 99%, while real estate developers accounted for only 1%.

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 policy, the Group was eligible to apply for government subsidies for high-tech enterprises. In January this year, the Drawin Intelligent Decoration Industry Park under the Group was awarded a research and development (the "R&D") subsidy for the year 2022, which helps to alleviate part of the 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 at 30 June 2023, the Group had cumulatively signed 20 projects with state-owned enterprises with a total contract value of RMB270 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 revitalize its existing assets in the hope of making up for the economic losses caused by the predicament in new areas. During the Reporting Period, in terms of the newly developed wind power tower business of the Group, 31 new projects were successfully signed with a total contract value of approximately RMB120 million, which will bring growth momentum to the Group in the future. In addition to business innovation, the Group also strived to expand its business presence. In July 2023, the Group's Huizhou factory once again signed a contract with Duwei Creative Construction Company Limited (多惟創作建築有限公司) for the production of prefabricated construction components in Hong Kong, marking a new breakthrough for the Group in the Hong Kong market.

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. In January 2023, the Group was awarded "2022 China Real Estate Chain Strategic Integrity Supplier". In May 2023, the Group's Qijiang factory was accredited as a "SME of Specialty, Refinement, Uniqueness and Novelty in Chongqing", the 11th factory of the Group obtaining this credit. As at the end of the Reporting Period, the Group has 15 factories in total that have been recognised as new high-tech enterprises and 10 provincial prefabricated bases, maintaining the upper-middle level of the industry.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

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 to realize 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 of the Company (the “Shareholder”), 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 in the first half of the year.

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 the smart building, 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. During the Reporting Period, the Group continued to lead the industry with a cumulative number of patents to 1,912 as of 30 June 2023.

Business Review *(Continued)*

III. Deepening scientific research cooperation to promote the development of smart construction industry *(Continued)*

In terms of R&D, the Group actively took the lead in organizing and participating in a number of thematic meetings to adhere to the notification documents and the reporting requirements of the Department of Industry and Information Technology, exchanging the latest industry development trends, and exploring the possibility of joint construction with a number of industry units and research institutes, and promoting the construction of carbon reduction as the goal of technological innovation. In January 2023, the Group was invited to participate in the Seminar on Standardized Development of Prefabricated Construction in Henan Province, and made a presentation on “PC Intelligent Manufacturing Key Technology”. In February 2023, the “Henan Provincial Engineering Research Centre for Metaverse Application of Construction Engineering”, jointly established by a subsidiary of the Company and Henan University of Finance, Economics and Law, was successfully selected as one of the 2022 Provincial Engineering Research Centres to be recognised for construction. The Group is confident that it will be able to promote the industrialisation of intelligent construction through strong cooperation, independent R&D and integrated innovation.

IV. Multiple repurchases during the period to strengthen the Company’s confidence in its development and gain recognition from the capital market

During the first half of 2023, the Company made several repurchases of shares of the Company with a par value of HK\$0.4 each (the “Shares”) in open market on the Stock Exchange, totalling 240,000 Shares with a repurchase amount of approximately HK\$53,100. Since the announcement of the repurchase intention in September 2022 and up to 30 June 2023, the Company has repurchased 1,305,000 Shares on the Stock Exchange, involving a total amount of approximately HK\$490,000. Shares repurchased by the Company demonstrated its confidence in the Group’s operating conditions, development prospects and long-term investment value. Share repurchases not only effectively safeguarded the Company’s Share price, market value and capital value, but also returned capital to investors and protected the interests of the general public, especially small and medium-sized investors, and provided investors with stable expectations and long-term investment returns for Shareholders.

During the Reporting Period, with an excellent corporate governance structure and good investor relations, the Company was recognised by the capital market. In January 2023, at the 7th Zhitong Caijing Capital Markets Theme Forum Cum Awards Ceremony, the Company was honoured to receive the “Most Valuable Industrial Manufacturing Company” award. In June 2023, the Company won the “Best Investor Relations Company” award in the small cap category of the 9th Hong Kong Investor Relations Awards 2023 organized by the Hong Kong Investor Relations Association.

Business Outlook and Strategy

I. **Making progress while maintaining stability in economy in the second half of the year with low-carbon green construction to facilitate the industry development**

With the full relaxation of domestic pandemic control in the first half of the year, the Chinese government has stepped up its efforts to stabilize the economy, and in terms of the economic development, it is expected that China will seek progress while maintaining stability in the second half of the year. The real estate industry is a pillar industry of the national economy. As “16-point Financial Plan” and other supportive policies were announced in the first half of the year, and recently, the timely adjustment and optimisation of real estate policy has been clearly declared to promote the stable and healthy development of the real estate market, policies are expected to be formulated to restore the confidence in the real estate industry. However, it will take some time for the real estate market to completely return to normal growth.

At the same time, China insists on achieving the goal of “carbon peaking” by 2030 and “carbon neutrality” by 2060. As carbon emissions from the construction industry account for 51.3% of national carbon emissions, the prefabricated construction industry is seen as an important solution for energy saving and carbon reduction in the construction industry, which will help to achieve the dual-carbon target. As the “Prefabricated Construction Action Plan under the 14th Five-Year Plan” announced by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China expressly indicated, prefabricated construction will account for 30% of the new GFA by 2025 and will account for 40% of the new GFA of urban-rural areas by 2030. In 2022, the GFA of newly constructed prefabricated construction reached 810 million square meters, an increase of 9.46% over 2021, accounting for 26.2% of the new GFA.

With the frequent implementation of provincial and municipal policies on the prefabricated construction industry, up to now, 31 provinces (autonomous regions and municipalities) have issued construction-related “14th Five-Year Plan”, in which some provinces and municipalities established targets for prefabricated construction in respect of its proportion of new construction, which were higher than the national planning ones. For example, by the end of 2025, in Henan Province, it is required that prefabricated construction will account for the proportion of new construction area of up to 40%; by 2025, in Hunan Province, the proportion of prefabricated construction will account for the proportion of new construction area of more than 30%. In the last seven years, in the industry, about 1,303 policy documents and 668 standards and norms were released to build up an industry policy system, and it is believed that in the next decade, the construction industry will focus on the synergistic development of smart construction and new construction industrialisation.

Against the backdrop of the “dual carbon” goals, the traditional construction industry will speed up upgrading and transformation and promote green construction methods. The prefabricated construction is becoming dominant in China’s construction industry. The Group is expected to achieve gradual recovery and steady 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.

Business Outlook and Strategy *(Continued)*

II. Taking advantages of the entire industry chain to expand the scale and quality of business development

The Group is committed to consolidating prefabricated construction business, and covering the full industry chain of PC components, landscaping, and decoration to serve the whole lifecycle of prefabricated construction. Leveraging on the Group's strengths in the entire industry chain and in response to the plan to increase the industrialisation rate of prefabricated construction from 2023 to 2025, the Group will tap into the construction industrialisation scenario in the future, seek breakthroughs in business expansion, expand the scale and quality of the Group's business and prioritize the development of key regions so as to continue to be a market leader in the core regions.

Moreover, the Group will continue to innovate its business development model by expanding the business types of PC components, such as prefabricated culverts, water conservancy projects, wind power towers, public utility networks and protective PC components along railways, to enrich the types of business orders and increase third-party customers. In addition to the business presence established in the Henan market, the Group has formally started its nationwide layout for its wind power tower business, striving for new business opportunities in new energy material manufacturing. At the same time, the Group will actively explore new infrastructure markets such as rural water conservancy facilities and municipal prefabricated facilities. In this way, the Group not only gives impetus to business development, but also enhances the capacity utilisation of the Group's factories and helps to promote energy-saving and carbon-reducing green buildings, thereby accelerating the upgrading and transformation of the construction industry.

As the Central Government of China proposed to advance the construction of affordable housing at the end of 2022, and the State Council has recently proposed to steadily promote the transformation of urban villages in megacities, it is expected that the policy will drive the growth of demand for prefabricated construction for their advantages of standardisation, industrialisation, energy saving and emission reduction. The Group will actively explore opportunities in the construction of affordable housing, public buildings, urban renewal, and infrastructure facilities, strengthen horizontal strategic cooperation with national platform companies and relevant institutions, seize business opportunities, and strive for cooperation at different levels to increase its market penetration of prefabricated construction.

III. Maximising leading R&D advantages to accelerate the digitalisation of the industry

By adhering to the development strategy of "Top Priority for Leading Edge of Technology", the Group will continue to invest in R&D to strengthen the research of cutting-edge technologies in the field of prefabricated construction. In particular, the Group hosted for the first time a national key R&D program project, based on the efficient connection technology of iterative plate members and semi-rigid connected prefabricated structure technology, to develop a new type of large-span prestressed iterative floor product and a hybrid dry-wet connection product with efficient prefabricated construction technology (RIFF system), and to create a software system that integrates the data interoperability of the three phases of design, manufacturing and construction, which has already been granted a national patent.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Outlook and Strategy *(Continued)*

III. Maximising leading R&D advantages to accelerate the digitalisation of the industry *(Continued)*

The products developed under the project have broad market prospects and significant economic benefits, and the Group aims to formalize their application in 2023, and will continue to promote the extensive application of other scientific research results in actual projects, contributing to the development of the industry. In addition, the Group will focus on breaking through the R&D of new material manufacturing equipment technology in major equipment manufacturing, and will maintain its leading position in the industry through the release of technical specifications, digitisation of the entire industry chain, and intelligent PC equipment, which will give full play to its strengths in R&D.

At the same time, the Group has the most comprehensive and advanced digital management system in the industry, and is committed to building an innovative whole industry chain synergy model and realising the “Home Smart” strategy. Relying on the scientific and technological innovation and integration at the core production steps (i.e., design, manufacturing, and construction) of the whole prefabricated construction industry chain, it will achieve standardised design, factory manufacturing, platform-based procurement, fine management, and intelligent operation in the entire industry chain by combining BIM technology, cloud computing, big data, Internet of things and other digital technologies through prefabrication. This leads to an overall upgrade of construction quality, schedule, and cost.

With respect to digitalisation, the Group will continue to improve its manufacturing management platform, and online procurement and investment promotion platform, promote the construction of smart community R&D platform, and build product analysis models to support data decision making. By leveraging on both parties’ strengths in “digitalisation” and “industrialisation”, the Group will continue to work with Glodon to develop SaaS-based digital products, create overall digital solution for the prefabricated construction industry, integrate digitalisation and industrialisation of construction, and carry out industrialisation platform planning to promote the market launch of digital products. With the Group’s leading position in digitisation, coupled with the large room for applying these systems, the Group will focus more on the application of the whole process information management system in the future, and plans to promote the digital system in the industry to serve more than 1,300 PC factories across the country, leading the transformation and upgrading of digitization and intelligence in the construction industry.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Outlook and Strategy (Continued)

As of 30 June 2023, 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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Hefei	124,766	55,927
Nanjing	59,090	86,915
Xiangtan	29,471	18,738
Jiaozuo	28,420	16,413
Changsha	24,940	57,607
Zhengzhou	22,122	41,142
Luoyang	18,138	39,834
Jiaozhou	15,957	20,330
Huizhou	15,412	45,751
Foshan	13,415	105,483
Nantong	13,337	9,249
Huaiian	12,292	9,771
Chongqing	6,347	21,679
Wuhan	4,246	1,064
Hengyang	3,650	43
Zhoukou	1,464	13,573
Zhumadian	663	8,076
Yuxi	4	2,937
Tongxu	–	25,102
Kunshan	–	3,476
Dongli	–	2,468
Total	393,734	585,578

Sales revenue of prefabricated construction units

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Sales revenue from third parties	374,968	538,438
Sales revenue from related parties	18,766	47,140
Total	393,734	585,578

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Outlook and Strategy (Continued)

Technology trademarks and patents obtained by the Group during the first half of 2023

Patents: As at 30 June 2023, 1,912 patents were granted in aggregate.

Plants in operations

Regions	Annual estimated capacity (approximate '000 cubic metre)	Area of land (approximate mu)	Area of plants (approximate square metre)
Changsha Technology Park	110	352	33,433
Nanjing Technology Park	110	151	35,981
Hefei Technology Park	80	154	22,398
Hengyang Technology Park	70	150	24,905
Foshan Technology Park	70	123	36,550
Huizhou Technology Park	70	61	22,284
Zhengzhou Technology Park	60	143	49,954
Zhoukou Technology Park	60	135	20,639
Qingdao Jiaozhou Technology Park	60	92	19,339
Luoyang Technology Park	50	308	55,260
Jiaozuo Technology Park	50	81	19,383
Zhumadian Technology Park	40	130	26,873
Huaian Technology Park	40	120	19,356
Nantong Technology Park	40	100	26,154
Xiangtan Technology Park	40	100	19,310
Chongqing Technology Park	20	134	19,659
Total	970	2,334	451,478

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Outlook and Strategy (Continued)

Plants under construction

Regions	Proportion of attributable equity interest	Amount of investment (approximate RMB100 million)	Area of land (approximate mu)	Area of plants (approximate square metre)	Annual estimated capacity (approximate '000 cubic metre)
Wuhan Technology Park	100%	1.9	116	29,767	20
Tianjin Technology Park	100%	1.9	94	26,154	20
Total		3.8	210	55,921	40

Government grants in the first half of 2023

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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Government grants	2,876	10,350

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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\$306.4 million from approximately HK\$825.9 million for the six months ended 30 June 2022 to approximately HK\$519.6 million for the six months ended 30 June 2023. 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 2023; 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 2023. As a result, the Group recorded sales revenue for the six months ended 30 June 2023 of prefabricated construction units of approximately HK\$393.7 million (six months ended 30 June 2022: approximately HK\$585.6 million), revenue from decoration and landscaping services of approximately HK\$110.8 million (six months ended 30 June 2022: approximately HK\$154.1 million), revenue from consulting services of approximately HK\$4.4 million (six months ended 30 June 2022: approximately HK\$24.3 million), rental income from investment properties of approximately HK\$8.1 million (six months ended 30 June 2022: approximately HK\$9.7 million), revenue from sales of prefabricated construction equipments of approximately HK\$2.6 million (six months ended 30 June 2022: approximately HK\$10.3 million) and nil revenue from granting licenses (six months ended 30 June 2022: approximately HK\$41.9 million).

Cost of sales

The Group recorded cost of sales of approximately HK\$456.1 million (six months ended 30 June 2022: approximately HK\$627.7 million) for the six months ended 30 June 2023. 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\$8.4 million from approximately HK\$9.2 million for the six months ended 30 June 2022 to approximately HK\$0.8 million for the six months ended 30 June 2023. Other income mainly came from interest income generated from bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Other losses/gains — net

For the six months ended 30 June 2023, other losses — net amounting to approximately HK\$1.6 million mainly comprised of (i) gains on disposal of equipments amounting to approximately HK\$0.2 million; and (ii) non-business expenditures of approximately HK\$1.7 million.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately HK\$6.1 million to approximately HK\$37.7 million for the six months ended 30 June 2023 from approximately HK\$43.8 million for the six months ended 30 June 2022, such expenses are directly related to the sale of prefabricated construction units.

Administrative expenses

The administrative expenses decreased by approximately HK\$25.9 million from approximately HK\$95.3 million for the six months ended 30 June 2022 to approximately HK\$69.4 million for the six months ended 30 June 2023. Such decrease was due to the decrease in staff costs and other general administrative expenses such as professional fees, entertainment, travelling expenses, and office expenses.

Finance costs

The finance costs increased by approximately HK\$10.8 million from approximately HK\$32.1 million for the six months ended 30 June 2022 to approximately HK\$43.0 million for the six months ended 30 June 2023. Finance costs mainly came from the interest expenses of approximately HK\$42.9 million for the bank borrowings.

Loss/profit for the period

As a result of the foregoing, the Group recorded loss of approximately HK\$106.0 million for the six months ended 30 June 2023 as compared to a profit of approximately HK\$20.2 million for the corresponding period of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Liquidity and financial resources

As at 30 June 2023, the Group had current assets of approximately HK\$2,589.9 million (31 December 2022: approximately HK\$2,552.2 million) and current liabilities of approximately HK\$2,636.7 million (31 December 2022: approximately HK\$2,824.0 million). The current ratio (which is calculated by dividing total current assets by total current liabilities) was approximately 1.0 as at 30 June 2023 (31 December 2022: 1.0).

As at 30 June 2023, the Group held borrowings amounted to approximately HK\$1,731.4 million (31 December 2022: approximately HK\$1,771.1 million) and the net gearing ratio (calculated as net debt divided by total equity) was 63.4% (31 December 2022: 59.9%).

As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$13.0 million, which include approximately HK\$11.9 million denominated in RMB and approximately HK\$1.0 million denominated in HKD (31 December 2022: approximately HK\$25.1 million, in which approximately HK\$24.4 million denominated in RMB and approximately HK\$0.7 million denominated in HKD). As at 30 June 2023, the Group had restricted cash of approximately HK\$24.5 million, all denominated in RMB (31 December 2022: approximately HK\$55.3 million, all denominated in RMB).

As at 30 June 2023, the Group had interest-bearing bank and other borrowings of approximately HK\$1,731.4 million, all denominated in RMB with interest rate in a range of 3.45% to 7.02% per annum (31 December 2022: approximately HK\$1,771.1 million, all denominated in RMB with interest rate in a range of 3.75% to 12.00% per annum). Please refer to note 20 and note 25 to the consolidated financial statements for detailed information.

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 2022.

Capital structure

As at 30 June 2023, the total number of issued Shares was 3,102,400,730 Shares. Based on the closing price of HK\$0.206 per Share as at 30 June 2023, the Company's market value as at 30 June 2023 was approximately HK\$639.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Capital structure *(Continued)*

On 19 November 2021, the Company allotted and issued 300,000,000 new Shares (the “Subscription Shares”) to Glodon (Hongkong) Software Limited for cash at subscription price of HK\$0.96 per Subscription Share (the “Subscription”). The net proceeds from the Subscription (after deducting the expenses incurred in the Subscription) amounted to approximately HK\$287,500,000. The Company intends to apply the net proceeds from the Subscription: (i) as to HK\$90,000,000 for digitalization and software development in relation to the construction industry, and (ii) the remaining amount for working capital and other general corporate purposes. There had been no change in the intended use of net proceeds as previously disclosed in the Company’s announcements. The details of the use of the net proceeds from the Subscription are set out below:

Uses of net proceeds	Net proceeds from the Subscription (HK\$ million)	Actual unutilized amount as at 1 January 2023 (HK\$ million)	Actual amount utilized during the Reporting Period (HK\$ million)	Actual amount utilized up to 30 June 2023 (HK\$ million)	Actual unutilized amount as at 30 June 2023 (HK\$ million)	Expected utilization timeline for unutilized amount
Digitalization and software development in relation to the construction industry	90.0	83.9	0.6	6.7	83.3	31 December 2024
Working capital and other general corporate purposes	197.5	-	-	197.5	-	-

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Structure of Borrowings and Deposits

The Group continued to adopt a prudent principle on financial management and centralise our funding and financial management. Therefore, we maintained a high proportion of cash with a reasonable level of borrowings. As at 30 June 2023, the repayment schedule of the Group's loans and lease liabilities was as follows:

Repayment Schedule	As at 30 June 2023 HK'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Borrowings		
Within one year	651,857	916,732
More than one year, but not exceeding two years	202,741	286,897
More than two year, but not exceeding five years	876,787	567,461
	1,731,385	1,771,090
Lease Liabilities		
Within one year	3,026	1,401
More than one year, but not exceeding two years	1,531	–
More than two year, but not exceeding five years	1,229	–
	5,786	1,401
Total debt	1,737,660	1,772,491
Interest payable	1,456	221
Less: cash and cash equivalents	(12,950)	(25,120)
Net debt	1,726,166	1,747,592
Total equity	2,724,366	2,918,444
Net gearing ratio	63.4%	59.9%

Financial Review *(Continued)*

Exposures to exchange rates

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

Employees and Remuneration Policy

1. Analysis of employees as at 30 June 2023

As at 30 June 2023, the Group had 420 employees (31 December 2022: 631) excluding directors of the Company (the "Directors"), among which, 416 (31 December 2022: 627) of them worked in the PRC and 4 (31 December 2022: 4) of them worked in Hong Kong, with a turnover rate of approximately 15%. The numbers of employees by age, education level and function are set out as below:

Age:

20–30	102
31–40	269
41–50	42
51 or above	7
<hr/>	
Total	420

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Employees and Remuneration Policy *(Continued)*

1. Analysis of employees as at 30 June 2023 *(Continued)*

Education level:

Master degree or above	19
Bachelor degree	220
Associate degree	137
Middle school or below	44

Total	420
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Function:

Construction	306
Administration	34
Finance and accounting (finance and costing)	25
Engineering	18
Sales, marketing and customer service	15
Design	11
Management	10
Investment (investment, preliminary work)	1

Total	420
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2. Remuneration policy

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

The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of the scheme are set in the section headed "Share Option Scheme" below.

Details of the emoluments of the employees are set out in note 7 to the consolidated financial statements.

Charges on the Group Assets

As at 30 June 2023, no significant assets of the Group were pledged to banks to secure general banking facilities and bank loan granted to the Group, except for the one as disclosed in note 25 to the consolidated financial statements.

Capital Commitments and Contingent Liabilities

As at 30 June 2023, the Group had outstanding capital commitments in the aggregate amount of approximately HK\$67.8 million (31 December 2022: approximately HK\$31.2 million) and no material contingent liabilities (31 December 2022: Nil).

Issue of Equity Securities for Cash by the Group

During the six months ended 30 June 2023, the Group has not issued for cash any equity securities (including securities convertible into equity securities).

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company that makes strategic decisions.

The Group is managed centrally and the Directors are of the view that the whole Group is one single reporting segment and hence no segment information is presented.

Significant Investment, Material Acquisition and Disposal of Subsidiaries

The Group had no significant investment, or material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

Future Plans for Material Investments and Capital Assets

Except as disclosed in the “Business Outlook and Strategy” above, the Group did not have other plans for material investments or capital assets as at 30 June 2023.

Material Events After The Reporting Period

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

CORPORATE GOVERNANCE

Corporate Governance Practices

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

For the six months ended 30 June 2023, the Company has fully complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange 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 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. In response to the specific enquiry made by the Company, all the Directors confirmed that they fully complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2023.

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.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

As at 30 June 2023, the following Directors and chief executives of the Company had or were deemed to have interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code to the Listing Rules.

Long positions in the Shares and underlying Shares of the Company

Name of Director or chief executive	Capacity	Number of Share Options held (note 2)	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Mr. Liu Weixing	Director	28,000,000	5,660,000	1.08%
Mr. Guo Weiqiang	Director	21,000,000	2,930,000	0.77%
Ms. Wang Jing	Director	8,000,000	–	0.26%

Notes:

1. It was based on 3,102,400,730 Shares as at 30 June 2023.
2. Such interest in the Shares is held pursuant to the share options granted under the New Scheme (as defined below), the details of which are disclosed on pages 31 to 33.

Save as disclosed above or under the section headed "Share Option Scheme" below, as at 30 June 2023, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required, pursuant to Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

GENERAL INFORMATION *(Continued)*

Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares

As at 30 June 2023, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares and underlying Shares of the Company as at 30 June 2023

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Jiyao Global Investments Limited ("Jiyao")	Beneficial owner	1,470,110,000	47.39%
Jiamin (Holding) Investment Limited	Beneficial owner	80,000,000	2.58%
Jianuo (Holding) Investment Limited	Beneficial owner	77,500,000	2.50%
Jiaxin (Holding) Investment Limited	Beneficial owner	68,500,000	2.21%
Jiaheng (Holding) Investment Limited	Beneficial owner	67,250,000	2.17%
Jiacheng (Holding) Investment Limited	Beneficial owner	16,250,000	0.51%
Jialing (International) Investment Limited	Interest of controlled corporation	309,500,000	9.97%
Jiyao	Interest of controlled corporation	309,500,000	9.97%
Jiaye Summit Global Investments Limited	Interest of controlled corporation	1,779,610,000	57.36%
Drawin Intelligent Manufacture Technology Industry Group Limited	Interest of controlled corporation	1,779,610,000	57.36%
Henan Drawin Intelligent Manufacture Technology Industry Group Limited	Interest of controlled corporation	1,779,610,000	57.36%
Henan Hongdao Business Information Consultancy Company Limited	Interest of controlled corporation	1,779,610,000	57.36%

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

Long positions in the Shares and underlying Shares of the Company as at 30 June 2023 (continued)

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Henan Jianye Business Information Consultancy Company Limited	Interest of controlled corporation	1,779,610,000	57.36%
Construction Development (H.K.) Company Limited	Interest of controlled corporation	1,779,610,000	57.36%
Construction Housing Group Company Limited	Interest of controlled corporation	1,779,610,000	57.36%
Jianye Holdings Limited	Interest of controlled corporation	1,779,610,000 (notes 2 & 3)	57.36%
Joy Bright Investments Limited	Beneficial owner	245,567,425 (notes 2 & 3)	7.92%
Mr. Wu Po Sum	Interest of controlled corporation	2,025,177,425 (notes 2 & 3)	65.28%
Youdao Development International (Hong Kong) Limited	Beneficial owner	1,624,345,000 (note 3)	52.36%
Henan Tongsheng Real Estate Co., Ltd	Interest of controlled corporation	1,624,345,000 (note 3)	52.36%
Henan Railway Construction & Investment Group Co., Ltd.	Interest of controlled corporation	1,624,345,000 (note 3)	52.36%
Glodon (Hong Kong) Software Limited	Beneficial owner	300,000,000	9.67%
Glodon Company Limited (note 4)	Interest of controlled corporation	300,000,000	9.67%

GENERAL INFORMATION *(Continued)*

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

Long positions in the Shares and underlying Shares of the Company as at 30 June 2023 *(continued)*

Notes:

1. It was based on 3,102,400,730 Shares as at 30 June 2023.
2. Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright Investments Limited and Jianye Holdings Limited.
3. Youdao Development International (Hong Kong) Limited (a wholly-owned subsidiary of Henan Tongsheng Real Estate Co., Ltd, which is in turn wholly-owned by Henan Railway Construction & Investment Group Co., Ltd.) acquired a security interest in 1,624,345,000 Shares from corporations controlled by Mr. Wu Po Sum.
4. Glodon Company Limited is a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002410).

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2023, the Company repurchased 240,000 Shares in total in open market on the Stock Exchange at a total consideration of approximately HK\$53,215. All repurchased Shares were not yet cancelled on 30 June 2023. Details of the Shares repurchased are as follows:

Month of repurchase	Total number of Shares repurchased	Price paid per Share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
June 2023	240,000	0.244	0.205	53,215

The reason for implementing the Share repurchase is that the Board believes that the trading price of the Shares does not reflect their intrinsic value and that this is a good opportunity for the Company to repurchase the Shares, thereby increasing the value of the Shares and improving the return to Shareholders.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2023.

Share Option Scheme

The share option scheme adopted by the Company on 7 August 2013 (the “Old Scheme”) was terminated pursuant to an ordinary resolution passed by the shareholders of the Company on 17 July 2020. A new share option scheme (the “New Scheme”) in place of the Old Scheme was adopted pursuant to such resolution with effect from 17 July 2020 which has a term of 10 years. The purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The New Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

Under the New Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted share options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme(s) of the Company, up to a maximum of 10% of the Shares in issue of the Company as at 17 July 2020, unless the Company obtains a fresh approval from the Shareholders to renew the limit as described above or the Shareholders specifically approve the grant.

The amount payable by a grantee on acceptance of a grant of the share option within 10 business days from the date on which the letter containing the offer is delivered to him is HK\$1.00 (or its equivalent in RMB or any other currency acceptable to the Company).

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted pursuant to the New Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the share options must not exceed 1% of the total number of Shares in issue. Any further grant of share options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

Any grant of share options to a participant who is a Director, chief executive, or substantial Shareholder or any of their respective associate must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the share options.

The exercise periods of the share options may be specified by the Company at the time of the grant, which shall not exceed 10 years from the relevant date of the grant subject to provisions of early termination thereof. The Board at its discretion may impose such terms and conditions of the grant on a case-by-case basis including but not limited to the minimum period for which the share options must be held or the performance target which must be achieved before the share options can be vested.

GENERAL INFORMATION *(Continued)*

Share Option Scheme *(continued)*

The subscription price of the share options under the New Scheme shall be determined by the Board in its absolute discretion and notified to a participant, provided that such price shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of a share option which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The New Scheme will expire on 16 July 2030.

No share options have been granted, exercised, cancelled or lapsed under the Old Scheme.

Movement of share options granted by the Company under the New Scheme for the period from 1 January 2023 to 30 June 2023 was as follows:

Name or category of participants	Date of grant	Exercise price per Share	Vesting period (note 1)	As at	Granted	Exercised	Cancelled	Lapsed	As at
				1 January 2023	during the Reporting Period	30 June 2023			
Directors									
Mr. Liu Weixing	30 November 2020	HK\$1.09	6 years from the date of grant	28,000,000	-	-	-	-	28,000,000
Mr. Guo Weiqiang	30 November 2020	HK\$1.09	10 years from the date of grant	21,000,000	-	-	-	-	21,000,000
Ms. Wang Jing	30 November 2020	HK\$1.09	10 years from the date of grant	8,000,000	-	-	-	-	8,000,000
Other employee participants									
Senior management and other employees of the Group	30 November 2020	HK\$1.09	10 years from the date of grant	84,850,000	-	-	(680,000)	(2,870,000)	81,300,000
	30 November 2020	HK\$1.09	6 years from the date of grant	11,200,000	-	-	-	-	11,200,000
				153,050,000	-	-	(680,000)	(2,870,000)	149,500,000

Share Option Scheme *(continued)*

Notes:

1. The share options granted will vest annually in equal instalments over the vesting period subject to the achievements of the applicable performance targets and the Board's approval. Once vested, the share options are exercisable within 3 years from the vesting date.
2. The exercise price of the cancelled share options was HK\$1.09.

The number of share options available for grant under the scheme mandate of the New Scheme (taking into account the number of share options lapsed) was 91,353,405 and 94,223,405 as at 1 January 2023 and 30 June 2023 respectively. The Company did not grant any share options during the six months ended 30 June 2023.

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 2023.

Choice of Languages or Means of Receiving Corporate Communications

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	519,569	825,926
Cost of sales	7	(456,127)	(627,702)
Gross profit		63,442	198,224
Government grants		2,876	10,350
Other income	5	750	9,161
Other (losses)/gains — net	6	(1,562)	643
Selling and distribution expenses	7	(37,665)	(43,805)
Administrative expenses	7	(69,381)	(95,268)
Share of losses of associates		(6,062)	(8,809)
Net impairment losses on financial assets		(12,600)	(7,292)
Operating (loss)/profit		(60,202)	63,204
Finance costs	8	(42,971)	(32,124)
(Loss)/profit before income tax		(103,173)	31,080
Income tax expenses	9	(2,860)	(10,896)
(Loss)/profit for the period		(106,033)	20,184
(Loss)/profit for the period, attributable to			
— Owners of the Company		(99,712)	20,969
— Non-controlling interests		(6,321)	(785)
		(106,033)	20,184
Earnings per share attributable to owners of the Company (expressed in HK\$ cents per share)			
— Basic and diluted	11	(3.21)	0.68

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

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit for the period	(106,033)	20,184
Other comprehensive loss, which may be reclassified subsequently to profit or loss		
— Currency translation differences	(89,899)	(139,913)
Other comprehensive loss for the period, net of tax	(89,899)	(139,913)
Total comprehensive loss for the period	(195,932)	(119,729)
Total comprehensive loss for the period, attributable to		
— Owners of the Company	(189,872)	(118,968)
— Non-controlling interests	(6,060)	(761)
	(195,932)	(119,729)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,753,872	2,894,335
Right-of-use assets	13	860,299	894,791
Investment properties	14	15,788	16,344
Intangible assets		4,065	4,351
Deferred income tax assets	23	76,419	77,317
Investments in associates	15	197,249	209,593
Financial assets at fair value through profit or loss	18	39,725	41,002
		3,947,417	4,137,733
Current assets			
Inventories	17	147,916	143,180
Trade and other receivables and prepayments	16	2,404,512	2,328,642
Cash and cash equivalents	19	12,950	25,120
Restricted cash	20	24,506	55,251
		2,589,884	2,552,193
Total assets		6,537,301	6,689,926
EQUITY			
Equity attributable to owners of the Company			
Share capital (nominal value)	21	1,240,960	1,240,960
Reserves		799,860	987,916
		2,040,820	2,228,876
Non-controlling interests	22	683,508	689,568
Total equity		2,724,328	2,918,444

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2023

	Notes	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Amount due to a related party	27	79,018	77,438
Deferred income		1,513	1,562
Deferred income tax liabilities	23	13,443	14,097
Lease liabilities		2,760	–
Borrowings	25	1,079,528	854,358
		1,176,262	947,455
Current liabilities			
Trade and other payables	24	1,840,665	1,792,277
Contract liabilities		97,141	72,342
Current income tax liabilities		44,022	41,275
Lease liabilities		3,026	1,401
Borrowings	25	651,857	916,732
		2,636,711	2,824,027
Total liabilities		3,812,973	3,771,482
Total equity and liabilities		6,537,301	6,689,926

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Contributed surplus reserve HK\$'000	Other reserve HK\$'000	Undistributed profits/ (Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Balance at 1 January 2022 (audited)	1,240,960	1,031,905	171,944	131,166	36,391	54,213	2,668,579	694,718	3,361,297
Profit for the period (unaudited)	-	-	-	-	-	20,969	20,969	(785)	20,184
Other comprehensive income:									
Currency translation difference (unaudited)	-	-	(139,937)	-	-	-	(139,937)	24	(139,913)
Total comprehensive income for the period	-	-	(139,937)	-	-	20,969	(118,968)	(761)	(119,729)
Transactions with owners in their capacity as owners:									
Share-based compensation (unaudited)	-	-	-	-	2,978	-	2,978	-	2,978
Capital injection by ownership interests (unaudited)	-	74	-	-	-	-	74	-	74
Dividends paid (unaudited)	-	-	-	(31,024)	-	-	(31,024)	-	(31,024)
Total transactions with owners	-	74	-	(31,024)	2,978	-	(27,972)	-	(27,972)
Balance at 30 June 2022 (unaudited)	1,240,960	1,031,979	32,007	100,142	39,369	75,182	2,519,639	693,957	3,213,596
Balance at 1 January 2023 (audited)	1,240,960	1,031,540	(94,602)	100,142	44,773	(93,937)	2,228,876	689,568	2,918,444
Profit for the period (unaudited)	-	-	-	-	-	(99,712)	(99,712)	(6,321)	(106,033)
Other comprehensive income:									
Currency translation difference (unaudited)	-	-	(90,160)	-	-	-	(90,160)	261	(89,899)
Total comprehensive income for the period	-	-	(90,160)	-	-	(99,712)	(189,872)	(6,060)	(195,932)
Transactions with owners in their capacity as owners:									
Share-based compensation (unaudited)	-	-	-	-	1,840	-	1,840	-	1,840
Share buy-back (unaudited)	-	(24)	-	-	-	-	(24)	-	(24)
Total transactions with owners	-	(24)	-	-	1,840	-	1,816	-	1,816
Balance at 30 June 2023 (unaudited)	1,240,960	1,031,516	(184,762)	100,142	46,613	(193,649)	2,040,820	683,508	2,724,328

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Operating activities			
Cash generated from operations		31,274	62,618
Income tax paid		(1,475)	(19,351)
Net cash generated from operating activities		29,799	43,267
Investing activities			
Purchase of property, plants and equipments		(68,315)	(266,381)
Purchase of intangible assets		-	(102)
Investment in an associate		-	(10,261)
Proceeds from disposal of wealth management product		-	12,072
Proceeds from disposal of equipments		9,947	1,999
Proceeds from disposal of investment properties		-	286
Interest received		311	1,706
Net cash used in investing activities		(58,057)	(260,681)
Financing activities			
Amounts due to related parties		-	189,515
Proceeds from borrowings		177,352	89,380
Repayments of borrowings		(118,657)	(266,719)
Interest paid		(41,736)	(51,204)
Repurchase of ordinary shares		(24)	-
Payment of lease liabilities		-	(5,316)
Dividends paid to Company's shareholders		-	(31,024)
Net cash generated from/(used in) financing activities		16,935	(75,368)
Net decrease in cash and cash equivalents		(11,323)	(292,782)
Cash and cash equivalents at beginning of the period		25,120	461,351
Net exchange losses on cash and cash equivalents		(847)	(24,499)
Cash and cash equivalents at end of the period	19	12,950	144,070

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Going concern basis

As at 30 June 2023, the Group's current liabilities exceeded its current assets by HK\$46,827,000. At the same date, the Group's current borrowings amounted to HK\$651,857,000 while its cash and cash equivalents amounted to HK\$12,950,000 only.

For the six months ended 30 June 2023, the Group failed to repay multiple commercial bank borrowings amounted to RMB156,074,000 (equivalent to HK\$169,281,000) 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 RMB605,660,000 (equivalents to HK\$654,113,000) as at 30 June 2023 becoming immediately repayable if requested by the lenders, of which RMB182,670,000 (equivalent to HK\$197,284,000) represented bank borrowings with scheduled repayment dates within one year, while the remaining RMB422,990,000 (equivalent to HK\$456,829,000) represented the non-current portion with original maturity dates beyond 30 June 2023 that were reclassified as current liabilities.

As at 30 June 2023, there were various litigations against the Group which were claimed by certain suppliers with respect to overdue payables amounted to approximately RMB17,068,000 (equivalent to HK\$18,512,000) 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 2023, the Group has repaid RMB33,380,000 (equivalent to HK\$36,205,000) and successfully extended RMB122,694,000 (equivalent to HK\$133,076,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

- (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 2023, 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 2023. 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 2023. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those of the annual consolidated financial statements of the Company for the year ended 31 December 2022, 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 2023, 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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from sales of prefabricated construction units	393,734	585,578
Revenue from decoration and landscaping services	110,767	154,061
Rental income	8,135	9,710
Revenue from consulting services	4,376	24,341
Revenue from sales of prefabricated construction equipments	2,557	10,325
Revenue from granting licenses	–	41,911
	519,569	825,926

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income on bank deposits	311	1,706
Financing component from a related party	–	6,461
Dividends	–	577
Others	439	417
	750	9,161

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2023

6. OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gains on disposal of equipments	159	45
Net exchange (losses)/gain	(15)	205
Others	(1,706)	393
	(1,562)	643

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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Raw materials and consumables used	213,606	334,193
Changes in inventories of finished goods, goods in transit and work in progress	11,362	11,928
Employee benefits expenses	63,028	122,166
Labour outsourcing	26,830	33,895
Subcontracting charges in relation to decoration and landscaping services	98,503	103,614
Depreciation	61,372	67,971
Amortisation of right-of-use assets	13,106	14,892
Transportation	25,741	34,475
Land use tax and value-added tax surcharges	11,572	11,964
Legal and professional fees	5,707	9,411
Entertainment and travelling expenses	2,118	3,520
Repairs and maintenance	1,419	2,185
Office expenses	369	599
Provision for inventories impairment	229	65
Others	28,211	15,897
Total of cost of sales, selling and distribution expenses and administrative expenses	563,173	766,775

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2023

8. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on borrowings	42,912	51,071
Finance charges on lease liabilities	59	2,888
Less: Interest capitalised (Note 12)	—	(21,835)
	42,971	32,124

9. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits in Hong Kong for the six months ended 30 June 2023 (six months ended 30 June 2022: 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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax — PRC corporate income tax	4,648	6,914
Deferred income tax	(1,788)	3,982
Total income tax expenses for the period	2,860	10,896

10. DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

For the six months ended 30 June 2023

11. EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share for the period is calculated by dividing the consolidated (loss)/profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Consolidated (loss)/profit attributable to owners of the Company (HK\$'000)	(99,712)	20,969
Weighted average number of ordinary shares in issue ('000)	3,102,401	3,102,401
Basic (losses)/earnings per share (HK cents)	(3.21)	0.68

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2023 and 2022, the calculation of diluted earnings per share excluded the share options granted to directors, senior management and other employees on 30 November 2020, as their inclusion would have been antidilutive. Therefore, diluted earnings per share for the six months ended 30 June 2023 and 2022 is equal to basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Balance as at 1 January (audited)	2,894,335	2,951,508
Additions	18,281	323,104
Disposals	(9,788)	(1,954)
Depreciation charge	(61,372)	(67,971)
Currency translation differences	(87,584)	(137,679)
Balance as at 30 June (unaudited)	2,753,872	3,067,008

As at 30 June 2023, property, plant and equipment with a net book value of HK\$509.6 million (31 December 2022: HK\$395.8 million) were pledged as collateral for the Group's borrowings of HK\$332.4 million (31 December 2022: HK\$339.5 million). Among the collateral, property ownership certificate of the Group's buildings with a net book value of HK\$235.2 million (31 December 2022: HK\$237.1 million) is under China Minsheng Drawin Co., Ltd. These buildings were pledged as collateral for the Group's two bank borrowings of HK\$139.9 million (31 December 2022: HK\$145.5 million) which were secured by China Minsheng Drawin Co., Ltd..

For the six months ended 30 June 2023, depreciation of property, plant and equipment of approximately HK\$61.4 million (six months ended 30 June 2022: HK\$68.0 million) has been charged to cost of sales and administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income (Note 7).

Interest expenses of HK\$nil million were capitalised in plants under development for prefabricated construction business for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$21.8 million) (Note 8).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2023

13. RIGHT-OF-USE ASSETS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Balance as at 1 January	894,791	1,119,436
Additions	6,022	–
Amortisation charged into profit or loss	(13,106)	(14,892)
Amortisation capitalised to plant under development	–	(4,358)
Currency translation differences	(27,408)	(48,411)
Balance as at 30 June (unaudited)	860,299	1,051,775

As at 30 June 2023, right-of-use assets with a net book value of HK\$304.8 million (31 December 2022: HK\$369.6 million) were pledged as collateral for the Group's borrowings of HK\$1,146.4 million (31 December 2022: HK\$1,536.1 million).

14. INVESTMENT PROPERTIES

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Balance as at 1 January	16,344	18,591
Disposals	–	(286)
Currency translation differences	(556)	(808)
Balance as at 30 June (unaudited)	15,788	17,497

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

15. INVESTMENT IN ASSOCIATES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Share of net assets	197,249	209,593
Less: Provision for impairment	–	–
	197,249	209,593

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

For the six months ended 30 June 2023

15. INVESTMENT IN ASSOCIATES *(continued)*

As at 30 June 2023, the Group had indirect interests in the following associates:

Name	Place of incorporation and operation	Proportion of ownership interest		Issued share capital	Principal activities
		Held by the Company	Indirectly held		
Zhejiang Anju Drawin Technology Company Limited	China	–	49%	HK\$200,000,000	Construction industrialisation
YMCI China Minsheng Kunming Technology Construction Limited	China	–	30%	RMB100,000,000	Construction industrialisation
Xiangxi China Minsheng Drawin Technology Company Limited	China	–	49%	RMB20,420,000	Construction industrialisation
Hainan Haikong Drawin Technology Company Limited	China	–	40%	RMB15,000,000	Construction industrialisation
Nanyang Drawin Intelligent Manufacture Technology Limited	China	–	20%	RMB100,000,000	Construction industrialisation
Baoying Maizheng Drawin Intelligent Manufacture Technology Limited	China	–	20%	RMB100,000,000	Construction industrialisation
Shaoguan Drawin Intelligent Manufacture Technology Limited	China	–	20%	RMB50,000,000	Construction industrialisation
Shangqiu Jinyao Drawin Intelligent Manufacture Technology Limited	China	–	10%	RMB100,000,000	Construction industrialisation
Henan Dongzhu Drawin Ecological Environment Protection Limited	China	–	49%	RMB10,000,000	Construction industrialisation

The financial year end dates of the above associates are coterminous with that of the Group.

(a) Commitments in respect of associates

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Commitments to pay up the subscription capital	41,845	43,190

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

For the six months ended 30 June 2023

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade receivables — third parties	1,295,772	1,390,552
Trade receivables — related parties	850,755	854,898
Amounts due from related parties	114,600	56,867
Prepayments	55,435	28,845
Notes receivable	21,312	33,898
Deposits	15,593	14,882
Value-added tax recoverable	11,501	15,379
Land auction deposits	10,663	18,090
Receivables relating to disposal of subsidiaries	–	1,895
Government grants receivable	–	280
Others	175,607	52,029
	2,551,238	2,467,615
Less: Provision for impairment of trade and other receivables	(146,726)	(138,973)
	2,404,512	2,328,642

The ageing analysis of trade receivables and notes receivable as at 30 June 2023 and 31 December 2022 based on the invoice issue date or demand note were as follows:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Less than 1 year	1,931,706	2,173,283
1 to 2 years	209,574	74,719
Over 2 years	26,559	31,346
	2,167,839	2,279,348

The maximum exposure to credit risk as at 30 June 2023 and 31 December 2022 is the carrying value of each class of receivables mentioned above.

As at 30 June 2023 and 31 December 2022, the fair values of trade and other receivables approximate their carrying amounts.

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

For the six months ended 30 June 2023

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
HK\$	1,776	4,080
RMB	2,402,736	2,324,562
	2,404,512	2,328,642

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.

17. INVENTORIES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Raw materials	58,740	63,605
Finished goods	63,439	62,861
Goods in transit	8,020	2,986
Low value articles	22	13
Work in progress	21,142	16,933
Inventory provision	(3,447)	(3,218)
	147,916	143,180

Inventories recognised as cost of sales during the six months ended 30 June 2023 amounted to HK\$225.0 million (six months ended 30 June 2022: HK\$346.1 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2023

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Non-current:		
— Unlisted equity instruments (note (a))	39,725	41,002
	39,725	41,002

note:

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

19. CASH AND CASH EQUIVALENTS

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Cash at bank and on hand		
— Denominated in HKD	1,035	702
— Denominated in RMB	11,915	24,418
	12,950	25,120

20. RESTRICTED CASH

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Restricted cash		
— Deposit for bank notes	—	16,792
— Others (note (a))	24,506	38,459
	24,506	55,251

note:

- (a) On 30 June 2023, the deposit of HK\$24.5 million (31 December 2022: HK\$38.5 million) was frozen due to litigation.

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

For the six months ended 30 June 2023

21. SHARE CAPITAL

Authorised shares

	Number of authorised shares
As at 1 January 2023 and 30 June 2023	6,250,000,000

Issued shares

	Number of issued shares (at HK\$0.4 each)	Ordinary shares (nominal value) HK\$'000
As at 1 January 2023	3,102,400,730	1,240,960
Issue of ordinary shares in 2023	–	–
As at 30 June 2023	3,102,400,730	1,240,960

All the shares issued rank pari passu in all respects.

22. NON-CONTROLLING INTERESTS

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

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Changsha DIT Limited ("DIT Changsha")	558,781	561,680
Qingdao Shi Jiaozhou DIT Limited	73,397	73,445
Nantong China Minsheng DIT Limited	44,143	47,250
Nanjing DIT Limited	7,187	7,193
	683,508	689,568

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2023

23. DEFERRED INCOME TAX

The gross movement in deferred income tax assets and liabilities for the six months ended 30 June 2023 and six months ended 30 June 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Opening balance at 1 January	77,317	61,745
Credit/(charged) to profit or loss (Note 9)	1,788	(5,712)
Currency translation differences	(2,686)	(3,656)
Closing balance at 30 June (unaudited)	76,419	52,377

Deferred income tax liabilities

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Opening balance at 1 January	14,097	14,323
Credit to profit or loss	-	(1,730)
Currency translation differences	(654)	4,902
Closing balance at 30 June (unaudited)	13,443	17,495

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2023

24. TRADE AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade payables — third parties	1,245,966	1,326,121
Trade payables — related parties	13,133	18,818
Accrued tax payable	105,664	104,877
Accrued payable for property, plant and equipment construction — related parties	58,542	92,773
Accrued payable for property, plant and equipment construction — third parties	27,530	43,334
Amounts due to related parties	246,566	63,466
Accrued payroll	26,563	28,179
Interest payable	1,456	221
Deposits	9,593	10,075
Notes payable	—	34,016
Provision for onerous contract	—	3,241
Others	105,652	67,156
	1,840,665	1,792,277

The ageing analysis of trade payables as at 30 June 2023 and 31 December 2022 based on the invoice issue date or demand note were as follows:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Less than 1 year	1,173,951	1,279,795
1 to 2 years	85,148	65,144
	1,259,099	1,344,939

As at 30 June 2023 and 31 December 2022, the fair values of trade and other payables approximate their carrying amounts.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2023

25. BORROWINGS

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Non-current, secured:		
— Bank borrowings	1,302,090	1,304,645
Non-current, unsecured:		
— Bank borrowings	2,324	50,377
	1,304,414	1,355,022
Less: Current portion of non-current borrowings	(224,886)	(500,664)
Non-current, total	1,079,528	854,358
Current, secured:		
— Bank borrowings	402,080	376,998
Current, unsecured:		
— Bank borrowings	24,891	39,070
	426,971	416,068
Current portion of non-current borrowings	224,886	500,664
Current, total	651,857	916,732

Notes:

- (a) These borrowings of the Group are secured by property, plant and equipment (Note 12), right-of-use assets (Note 13) and restricted cash deposit (Note 20) of the Group and/or guaranteed by subsidiaries of the Company or related parties (Note 27(c)).
- (b) The borrowings are all denominated in RMB and their fair values approximate their carrying amounts.

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

For the six months ended 30 June 2023

26. CAPITAL COMMITMENTS

As at 30 June 2023 and 31 December 2022, capital expenditure contracted for but not yet incurred is as follows:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Property, plant and equipment	67,825	31,181

27. RELATED-PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Drawin Intelligent Construction Technology Group Co., Ltd.*	Controlled by the same ultimate controlling shareholder
China Minsheng Drawin Co., Ltd.*	Controlled by the same ultimate controlling shareholder
Drawin Intelligent Construction Design Co., Ltd.*	Controlled by the same ultimate controlling shareholder
Henan Drawin Labour Center Construction Development Co., Ltd.*	Controlled by the same ultimate controlling shareholder
Drawin Intelligent Manufacture Technology Industry Group Limited*	Controlled by the same ultimate controlling shareholder
Drawin Intelligent Construction New Material Company Limited*	Controlled by the same ultimate controlling shareholder
Central China Properties development Ltd.	Controlled by the same ultimate controlling shareholder
China Minsheng Drawin Culture Co., Ltd.*	Controlled by the same ultimate controlling shareholder
Henan Drawin Construction Engineering Company Limited*	Controlled by the same ultimate controlling shareholder
Henan Drawin Intelligent Manufacture Technology Industry Limited*	Controlled by the same ultimate controlling shareholder
Henan Ruida Engineering Management Company Limited*	Controlled by the same ultimate controlling shareholder
Hunan Drawin Green Construction Investment Company Limited*	Controlled by the same ultimate controlling shareholder

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

For the six months ended 30 June 2023

27. RELATED-PARTY TRANSACTIONS *(continued)*

(a) Name and relationship with related parties *(continued)*

Name	Relationship
Linzhou Ruida Engineering Management Company Limited*	Controlled by the same ultimate controlling shareholder
Jiayao Global Investments Limited	Controlled by the same ultimate controlling shareholder
Henan Drawin Garden Engineering Company Limited*	Controlled by the same ultimate controlling shareholder
Tongxu Jianxiang Occupational Training School*	Controlled by the same ultimate controlling shareholder
Henan Rongjiang Construction Labor Service Company Limited*	Controlled by the same ultimate controlling shareholder
Henan Jianxiang Decoration Engineering Company Limited*	Controlled by the same ultimate controlling shareholder
Central China Real Estate Limited and its affiliate companies	Controlled by the same ultimate controlling shareholder
YMCI China Minsheng Kunming Technology Group Co., Ltd.*	An associate company of the Group
Xiangxi China Minsheng Drawin Technology Company Limited*	An associate company of the Group
Hainan Haikong Drawin Technology Company Limited*	An associate company of the Group
Baoying Maizheng Drawin Intelligent Manufacture Technology Limited*	An associate company of the Group
Zhejiang Anju Drawin Technology Company Limited*	An associate company of the Group
Shaoguan Drawin Intelligent Manufacture Technology Limited*	An associate company of the Group
Nanyang Drawin Intelligent Manufacture Technology Limited*	An associate company of the Group
Shangqiu Jinyao Drawin Intelligent Manufacture Technology Limited*	An associate company of the Group

* For identification purpose only

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

For the six months ended 30 June 2023

27. RELATED-PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

During the six months ended 30 June 2023 and 2022, the Group has the following related party transactions:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Supply of prefabricated construction components and products by the Group, including financing component recognized in other income		
Central China Real Estate Limited and its affiliate companies	16,034	25,063
Drawin Intelligent Construction Technology Group Co., Ltd.	2,732	15,705
Xiangxi China Minsheng Drawin Technology Company Limited	-	6,372
	18,766	47,140
Supply of granting licenses by the Group		
Drawin Intelligent Construction Design Co., Ltd.	-	17,083
Henan Drawin Labour Center Construction Development Co., Ltd.	-	17,083
Baoying Maizheng Drawin Intelligent Manufacture Technology Limited	-	7,745
	-	41,911
Supply of decoration and landscaping services by the Group		
Central China Real Estate Limited and its affiliate companies	94,466	150,540
Drawin Intelligent Construction Technology Group Co., Ltd.	-	94
	94,466	150,634

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

For the six months ended 30 June 2023

27. RELATED-PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Leasing of properties to related parties		
Drawin Intelligent Manufacture Technology Industry Group Limited	5,494	1,250
Drawin Intelligent Construction New Material Company Limited	681	758
Drawin Intelligent Construction Technology Group Co., Ltd.	58	3,937
Drawin Intelligent Construction Design Co., Ltd.	–	1,959
	6,233	7,904
Supply of consulting services by the Group		
Central China Real Estate Limited and its affiliate companies	1,884	4,322
Drawin Intelligent Construction Technology Group Co., Ltd.	–	4,554
Drawin Intelligent Construction Design Co., Ltd.	–	187
	1,884	9,063
Provision of engineering, procurement and construction general contracting services by a related party		
Drawin Intelligent Construction Technology Group Co., Ltd.	–	40,716
	–	40,716
Provision of design services by a related party		
Drawin Intelligent Construction Design Co., Ltd.	145	3,761
	145	3,761
Leasing of properties by a related party		
Central China Properties Development Ltd.	1,244	2,359
	1,244	2,359

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

For the six months ended 30 June 2023

27. RELATED-PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Leasing of equipment by a related party		
China Minsheng Drawin Co., Ltd.	–	1,177
	–	1,177
Payment on behalf of related parties by the Group		
Henan Drawin Landscaping Construction Co., Ltd.	83,941	–
Drawin Intelligent Construction New Material Company Limited	10,631	7
Drawin Intelligent Manufacture Technology Industry Group Limited	429	4,015
Drawin Intelligent Construction Technology Group Co., Ltd.	243	5,219
China Minsheng Drawin Culture Co., Ltd.	194	93
Central China Real Estate Limited and its affiliate companies	42	68
Henan Drawin Construction Engineering Company Limited	28	241
Drawin Intelligent Construction Design Co., Ltd.	–	4,332
China Minsheng Drawin Co., Ltd.	–	1,135
Henan Drawin Labour Center Construction Development Co., Ltd.	–	2
	95,508	15,112
Payment on behalf of the Group by related parties		
Henan Drawin Intelligent Manufacture Technology Industry Group Limited	12,217	6,565
Drawin Intelligent Construction Technology Group Co., Ltd.	115	3,464
Drawin Intelligent Construction New Material Company Limited	10	33
China Minsheng Drawin Co. Ltd	5	–
Drawin Intelligent Construction Design Co., Ltd.	–	1,471
Hainan Haikong Drawin Technology Company Limited	–	443
Henan Drawin Intelligent Manufacture Technology Industry Limited	–	116
Henan Ruida Engineering Management Company Limited	–	2
	12,347	12,094

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

For the six months ended 30 June 2023

27. RELATED-PARTY TRANSACTIONS *(continued)*

(c) Related-party balances

	As at 30 June 2023 HK\$000 (unaudited)	As at 31 December 2022 HK\$000 (audited)
Amount due from related parties		
Central China Real Estate Limited and its affiliate companies	566,091	544,648
Drawin Intelligent Construction Technology Group Co., Ltd.	238,921	240,262
Henan Drawin Landscaping Construction Co., Ltd.	45,204	12,090
Drawin Intelligent Construction Design Company Limited	30,484	33,039
Drawin Intelligent Manufacture Technology Industry Group Limited	18,721	12,290
Xiangxi China Minsheng Drawin Technology Company Limited	17,610	20,638
Henan Drawin Labour Center Construction Development Co., Ltd.#	13,950	13,440
Drawin Intelligent Construction New Material Company Limited	11,615	12,165
China Minsheng Drawin Co., Ltd.	9,484	9,386
YMCI China Minsheng Kunming Technology Group Co., Ltd.	7,215	7,140
Zhejiang Anju Drawin Technology Company Limited	2,233	3,330
Hainan Haikong Drawin Technology Limited	1,204	1,254
Hunan China Minsheng Drawin Green Construction Investment Limited	1,050	1,039
China Minsheng Drawin Culture Co., Ltd.	1,042	1,088
Henan Drawin Construction Engineering Company Limited#	266	224
Linzhou Ruida Engineering Management Co., LTD	252	–
Zhengzhou One Family Electronic Technology Co., Ltd.	11	11
Jianye Holdings Limited	2	2
	965,355	912,046

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

For the six months ended 30 June 2023

27. RELATED-PARTY TRANSACTIONS *(continued)*

(c) Related-party balances *(continued)*

	As at 30 June 2023 HK\$000 (unaudited)	As at 31 December 2022 HK\$000 (audited)
Amount due to related parties		
Drawin Intelligent Construction Technology Group Co., Ltd.	94,542	119,051
Jiayao Global Investments Limited		
— Current (note (a))	3,860	3,550
— Non-current (note (a))	79,018	77,438
Henan Drawin Garden Engineering Company Limited	42,899	–
Drawin Intelligent Manufacture Technology Industry Group Limited	33,146	33,260
Henan Drawin Intelligent Manufacture Technology Industry Group Limited		
— Industry Group Limited	24,053	324
Central China Real Estate Limited and its affiliate companies	18,955	26,121
Drawin Intelligent Construction Design Company Limited	10,232	14,059
China Minsheng Drawin Co., Ltd.	8,804	8,708
Henan Drawin Labour Center Construction Development Co., Ltd.*	2,515	1,011
Drawin Intelligent Construction New Material Company Limited	69	71
China Minsheng Drawin Culture Co. Ltd.	68	–
Henan Drawin Construction Engineering Company Limited*	58	58
Zhejiang Anju Drawin Technology Company Limited	10	5,102
Jianye Holdings Limited	7	7
Henan Central China New Life Travel Service Co., Ltd.	5	4
Hainan Haikong Drawin Technology Limited	–	743
	318,241	289,507

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

For the six months ended 30 June 2023

27. RELATED-PARTY TRANSACTIONS *(continued)*

(c) Related-party balances *(continued)*

note:

- (a) As at 30 June 2023, the amount due to Jiayao Global Investments Limited of US\$10.0 million (equivalent to HK\$79.0 million) and HK\$3.9 million were unsecured and bore no interest, of which HK\$79.0 million will be matured till May 2024 and HK\$3.9 million will be matured till August 2023.

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

	As at 30 June 2023 HK\$000 (unaudited)	As at 31 December 2022 HK\$000 (audited)
Guarantee/security for borrowings provided by the related party		
Drawin Intelligent Manufacture Technology Industry Group Limited	704,913	466,376
China Minsheng Drawin Co., Ltd.	145,928	145,533
Drawin Intelligent Construction Technology Group Co., Ltd.	16,629	11,195
	867,470	623,104

(d) Key management compensation

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

	Six months ended 30 June	
	2023 HK\$000 (unaudited)	2022 HK\$000 (unaudited)
Salaries and other short-term employee benefits	3,176	3,062
Share-based compensation	599	1,954
	3,775	5,016