

Stock Code : 726



A LEADING INTEGRATED SERVICE PROVIDER IN SMART BUILDING

DIT Group Limited

(Incorporated in Bermuda with limited liability)

INTERIM REPORT **2024**



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. GUO Weiqiang

(Chairman and Chief Executive Officer)

Mr. LIU Weixing

(resigned on 26 January 2024)

Ms. WANG Jing

Non-executive Directors

Ms. WU Wallis (alias LI Hua)

(resigned on 14 June 2024)

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. GUO Weiqiang *(Chairman)*

(appointed on 26 January 2024)

Mr. LIU Weixing

(resigned on 26 January 2024)

Mr. JIANG Hongqing

Mr. LEE Chi Ming

Remuneration Committee

Mr. JIANG Hongqing *(Chairman)*

Mr. GUO Weiqiang

(appointed on 26 January 2024)

Mr. LIU Weixing

(resigned on 26 January 2024)

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

Units 1602–1605, 16/F
Tower 2, The Gateway
Harbour City, 25 Canton Road
Tsim Sha Tsui, Kowloon, Hong Kong

Independent Auditor

ZHONGHUI ANDA CPA Limited
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 2024)

Shares outstanding: 3,101,095,730 shares
Nominal value: HK\$0.40 per share



CORPORATE PROFILE

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.

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 six 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, artificial intelligence, RIFF system to fast delivery system. 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.



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors, I would like to present to our shareholders an overview of the Group's half-yearly results for the period ended 30 June 2024 and our business development strategy.

In the first half of 2024, despite the complex and volatile global economy, China's economy was stable and progressing but also faced multiple challenges, and therefore the development of the industry was still in an adjustment cycle. Producer Price Index (PPI) remained at a low level, exerting pressure on corporate profitability. A fundamental reversal was not expected in the real estate industry downtrend while the prefabricated construction industry encountered the plight of shrinking market demand. From January to June 2024, real estate development investment amounted to RMB5.25 trillion, representing a year-on-year decrease of 10.1%. New construction area was 380 million square metres (m²), representing a year-on-year decrease of 23.7%. The reduced investment in real estate development further highlighted the challenges facing the industry.

The Group's results for the first half of the year continued to be under pressure under the severe market environment, with a year-on-year decline in order volume and sales revenue. For the six months ended 30 June 2024, the Group recorded sales revenue of approximately HK\$235.3 million, representing a year-on-year decrease of approximately 54.7%. The gross profit amounted to approximately HK\$3.0 million. Net loss attributable to the parent company amounted to approximately HK\$170.5 million.

In order to actively respond to the challenges, the Group quickly adjusted its strategy at the beginning of the year, focusing on innovation-driven model and transformation and upgrading, deepening technology research and development (R&D), and leading the market with technology. Simultaneously, we consolidated the fundamentals of capital by implementing special actions such as debt collection and settlement, asset revitalisation and financing expansion to ensure the steady and sustainable operation of the Company.

New progress was made in the product renewal campaign, and overseas business expansion began to bear fruit. On the basis of stabilising the traditional housing construction business, the Company took the initiative to seek changes and intensified the expansion of new business. The wind power tower business and offshore MIC business have become new growth points, with increased proportion of orders from central state-owned enterprises. In the first half of the year, orders from central state-owned enterprises increased by RMB152 million, accounting for 42% of the total orders, of which new wind turbine tower orders amounted to RMB74 million, accounting for 20% of the total orders. The Hong Kong Full-MiC strategic cooperation agreement executed with a central enterprise demonstrated our further penetration into the Hong Kong market. We have strengthened exchanges and signed strategic cooperation agreements with enterprises in Russia and Australia to actively expand overseas markets.

Continued efforts were contributed to technological innovation with effective application of R&D results. The “Research Project on Carbon Emission Reduction Technology of Tightly Combined Prestressed Bidirectional Laminated Floor”, an independent R&D project of the Group, was successfully included in the 2023 science and technology planning project of the Department of Housing and Urban-Rural Development of Henan Province. The CECS specification “Edge Laminated Floor Technical Specification” jointly compiled by Southeast University and the Company was formally released, marking the edge laminated floor technology from R&D to the stage of large-scale engineering applications, which brings a brand-new development opportunity for the field of prefabricated construction.

The reform of the management system was deepened to establish a learning-based organisation on an ongoing basis. During the first half of the year, the Group continued to optimise its talent structure and strengthened its talent acquisition and retention mechanism to accelerate the development of a highly qualified and professional talent team. By deepening the reform of the organisational structure and comprehensively optimising the remuneration and performance system, we ensured the fairness and effectiveness of the incentive mechanism, and stimulated the organisation vitality and the operating dynamics. Regular activities were arranged to recharge the mind of our staff and improve their physical fitness, aiming to promote their comprehensive ability in all aspects. The executive committee was formally established to formulate scientific resolutions on the Group’s major strategic decisions and to accelerate the progress and quality of resolutions.

Brand power accumulation and market influence expansion. We were invited to the 20th International Conference on Green and Energy-efficient Building & New Technologies and Products Expo, where we focused on showcasing the Group’s innovations in RIFF system, intelligent construction, green and low carbon. The 2024 Partner Conference was successfully organised, recognising a number of outstanding suppliers, which helped to build internal and external consensus and convey positive signals, further enhancing our brand influence and market confidence. A number of factories under the Group were awarded by the government and industry organisations. Specifically, the Jiaozuo factory was awarded the “Good Start” special economic subsidy by the Henan Provincial Government for the first quarter of 2024; the Nanjing factory was awarded the title of Nanjing Intelligent Construction Pilot Enterprise; the Huizhou factory won two awards, “Green and Sustainable Contribution” and “Livable City Building”, at the “Building a Livable, Competitive and Sustainable City” symposium organised by the Hong Kong Quality Assurance Agency (HKQAA).

In the long run, prefabricated construction serves as innovation-driven productivity of the construction industry, which can closely integrate industrialisation and changes in construction technology. Besides, new technologies, materials and equipment are applied in prefabricated construction to realise the iterative quality upgrading, duration improvement and cost reduction, to continuously develop the core competitiveness of enterprises. On 23 May 2024, the State Council published the 2024–2025 Action Plan for Energy Conservation and Carbon Reduction, which calls for accelerating the transformation of construction methods, vigorously developing prefabricated construction, and actively promoting intelligent construction in the construction energy conservation and carbon reduction action.



CHAIRMAN'S STATEMENT *(Continued)*

In the second half of the year, the Group will deepen its core competitiveness, promote all-round transformation and upgrading, and implement the “2410 Action Plan” to ensure the smooth implementation of each strategy. Specifically, the Group will strengthen the application of technology integration, dispose of inefficient assets in a timely manner, adjust its industrial structure and enhance its organisational efficiency, with a view to fundamentally breaking the limitations of a traditional housing construction PC supplier and gradually transforming into a technology-integrated operator.

In terms of business strategies, the Group will be more aggressive to accelerate its transformation and upgrading, actively expand into overseas markets, speed up the completion of overseas MIC orders, and tap into the potential of the rural self-built housing market and innovate the business model of self-built housing in order to satisfy the diversified needs of the market. In terms of technological innovation, the Group is fully committed to promoting the integration and application of the RIFF technology system, accelerating the process of strategic transformation through technological innovation, and making strides towards a technology-intensive service model. At the management level, the Group will flexibly adjust its organisational structure in accordance with market changes to ensure efficient allocation and precise deployment of resources. A market-driven production plan will be implemented to ensure that production is based on sales. We will optimise the allocation of human resources, promote the simultaneous improvement of staff efficiency and business growth, and maintain a dynamic balance between organisational structure and market scale. In addition, the Group will further strengthen its performance management system, strictly enforce performance appraisals and implement a result-oriented incentive mechanism, to ensure that corporate objectives are closely linked to employee interests and realise refined management with clear responsibilities, quantified targets and specific tasks, so as to stimulate the vitality and creativity of our team.

The Group will continue to promote the optimisation and reduction of prefabricated construction costs by relying on the extensive application of new prefabricated construction technologies such as the “RIFF System” and the “Fast Delivery System”. The Group will continue to strengthen its internal management to ensure the steady progress of the enterprise and the realisation of its long-term development objectives.

On behalf of the board of directors, I would like to take this opportunity to express my sincere gratitude to all shareholders, investors and other business partners for their continued unwavering support and deep trust in the Group. The Group will keep enhancing its core competitiveness, aiming to create more value for its shareholders and inject more vitality and momentum into the sustainable development of the green building industry. In this process, the Group looks forward to working with all parties for mutual development.

BY ORDER OF THE BOARD

DIT Group Limited

GUO Weiqiang

Chairman

Hong Kong, 16 September 2024

Business Review

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

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

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

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

In the first half of 2024, facing market changes brought by the dilemma in the construction industry, the Group quickly adjusted its strategies at the beginning of the year, focusing on innovation-driven model and transformation and upgrading, deepening technology research and development (R&D), and leading the market with technology. Simultaneously, we consolidated the fundamentals of capital by implementing special actions such as debt collection and settlement, asset revitalisation and financing expansion to ensure the steady and sustainable operation of the Company. The Group continued to focus on prefabricated construction, consolidating its business presence across the entire industry chain. Demand was shrinking due to the sluggish real estate industry while market price declined as a result of fiercer market competition. The Group's contracted sales of PC components amounted to approximately RMB324 million, representing a decrease of approximately 37.8% year-on-year; the output of PC components was approximately 79,700 cubic metres, representing a year-on-year decrease of approximately 49%; and the sales volume of PC components was approximately 92,900 cubic metres, representing a year-on-year decrease of approximately 40%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 2024, the Group had 19 PC factories and a prefabricated decoration industrial park nationwide, with a designed production capacity of 1.32 million cubic metres. In terms of PC components sales by regions for the first half of the year, the percentages of the Central China, the Yangtze River Delta, the Greater Bay Area, and Henan Province were approximately 42%, 27%, 13% and approximately 15%, respectively, reflecting the effectiveness of the nation production capacity business planning.

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

In the face of the inevitable decline in performance brought about by the overall economic situation, the Group has been seeking for new ideas and changes, and has endeavoured to revitalise its existing assets in the hope of making up for the economic losses caused by the predicament in new areas. During the Reporting Period, the Group's newly developed wind power tower business successfully signed 2 new projects, with a total contract value of approximately RMB74 million; the newly developed overseas MIC business successfully signed 1 project, with a total contract value of approximately RMB9 million; the newly developed photovoltaic power generation base business successfully signed 1 project, with a total contract value of approximately RMB9 million, bringing growth momentum for the Group's future. In addition to business innovation, the Group also strived to expand its commercial footprint by signing a Full-MiC strategic cooperation agreement with state-owned enterprises for further penetration into the Hong Kong market; We have strengthened exchanges and signed strategic cooperation agreements with enterprises in Russia and Australia to actively expand overseas markets.

Business Review *(Continued)*

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

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

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

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

Both parties conducted cooperation to create a vertically integrated platform for the industry by leveraging the Group's industrialisation technology system and Glodon's digital building solutions. The two parties have jointly developed a smart site digital project management system (PMS) for prefabricated construction sites, which has been successfully applied in EMPC general contracting projects. The cooperation progressed smoothly. In addition, the Group and Glodon jointly developed and improved the Group's Quick Quotation System (QQS) for prefabricated construction and jointly conducted market expansion. Furthermore, under a commercial promotion cooperation agreement, the Group and Glodon strived to promote the development of industry information technology and deepen the application of refined project management. By seizing the opportunities arising from rapid development of smart buildings, the Company and Glodon joined hands to make contribution to the digital transformation and development of the construction industry.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

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

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

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

Business Outlook and Strategy

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Outlook and Strategy *(Continued)*

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

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

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

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

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

Business Outlook and Strategy *(Continued)*

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Outlook and Strategy (Continued)

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

Sales revenue of prefabricated construction units — by region

Six months ended 30 June

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

Sales revenue of prefabricated construction units

Six months ended 30 June

	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales revenue from third parties	173,072	374,968
Sales revenue from related parties	28,021	18,766
Total	201,093	393,734

Business Outlook and Strategy *(Continued)*

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

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

Plants in operations

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Outlook and Strategy (Continued)

Government grants in the first half of 2024

As prefabricated construction industry has received strong support from central government of People's Republic of China (the "PRC"), local governments are initiating relevant ancillary policies, offering honorary awards and fund subsidies. As a national high-tech enterprise, the technology innovation capability of the Group is widely recognized by the government authorities. The Group has been granted honorary awards such as Changsha Engineering Research Center and National Intellectual Property Advantageous Enterprises. We have also made great contributions to environmental energy-saving engineering, promotion of industry upgrade and transformation, and intelligent manufacturing, while encouraging local employment and industry development. In this regard, local governments offer direct cash incentives.

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

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

Financial Review

Review of results

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

Revenue

The revenue of the Group decreased by approximately HK\$284.3 million from approximately HK\$519.6 million for the six months ended 30 June 2023 to approximately HK\$235.3 million for the six months ended 30 June 2024. The decrease in revenue was mainly attributable to (i) the decrease in revenue from sales of prefabricated construction units and consulting services as a result of the decreasing number of customers for the six months ended 30 June 2024; and (ii) the decrease in revenue from the smart landscaping business and smart decoration business as a result of the decreasing number of customers for the six months ended 30 June 2024. As a result, the Group recorded sales revenue for the six months ended 30 June 2024 of prefabricated construction units of approximately HK\$201.1 million (six months ended 30 June 2023: approximately HK\$393.7 million), revenue from decoration and landscaping services of approximately HK\$25.9 million (six months ended 30 June 2023: approximately HK\$110.8 million), revenue from consulting services of approximately HK\$3.5 million (six months ended 30 June 2023: approximately HK\$4.4 million), rental income from investment properties of approximately HK\$4.1 million (six months ended 30 June 2023: approximately HK\$8.1 million) and revenue from sales of prefabricated construction equipments of approximately HK\$0.7 million (six months ended 30 June 2023: approximately HK\$2.6 million).

Cost of sales

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

Other income

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



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Other losses — net

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Loss for the period

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

Financial Review *(Continued)*

Liquidity and financial resources

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

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

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

As at 30 June 2024, the Group had interest-bearing bank and other borrowings of approximately HK\$1,717.8 million, all denominated in RMB with interest rate in a range of 3.45% to 9.72% per annum (31 December 2023: approximately HK\$1,727.5 million, all denominated in RMB with interest rate in a range of 3.45% to 9.72% per annum). Please refer to note 20 and note 22 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 2023.

Capital structure

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

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 2024, the repayment schedule of the Group's loans and lease liabilities was as follows:

Repayment Schedule	As at 30 June 2024 HK'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Borrowings		
Within one year	1,336,729	886,224
More than one year, but not exceeding two years	267,235	520,183
More than two year, but not exceeding five years	113,794	321,073
	1,717,758	1,727,480
Lease Liabilities		
Within one year	–	2,022
More than one year, but not exceeding two years	–	2,150
More than two year, but not exceeding five years	–	749
	–	4,921
Total debt	1,717,758	1,732,401
Interest payable	30,874	12,316
Less: cash and cash equivalents	(10,479)	(9,286)
Net debt	1,738,153	1,735,431
Total equity	2,355,182	2,555,642
Net gearing ratio	73.80%	67.9%

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 2024

As at 30 June 2024, the Group had 450 employees (31 December 2023: 493) excluding directors of the Company (the "Directors"), among which, 447 (31 December 2023: 489) of them worked in the PRC and 3 (31 December 2023: 4) of them worked in Hong Kong, with a turnover rate of approximately 9%. The numbers of employees by age, education level and function are set out as below:

Age:

20–30	78
31–40	245
41–50	81
51 or above	46
<hr/>	
Total	450

Employees and Remuneration Policy *(Continued)*

1. Analysis of employees as at 30 June 2024 *(Continued)*

Education level:

Master degree or above	14
Bachelor degree	164
Associate degree	130
Middle school or below	142

Total	450
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Function:

Construction	241
Administration	47
Finance and accounting (finance and costing)	48
Engineering	42
Sales, marketing and customer service	47
Design	3
Management	22

Total	450
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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.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Charges on the Group Assets

As at 30 June 2024, 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 22 to the consolidated financial statements.

Capital Commitments and Contingent Liabilities

As at 30 June 2024, the Group had no outstanding capital commitments (31 December 2023: Nil) and no material contingent liabilities (31 December 2023: Nil).

Issue of Equity Securities for Cash by the Group

During the six months ended 30 June 2024, 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 2024.

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 2024.

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 Practices

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

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

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

Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. In response to the specific enquiry made by the Company, all the Directors confirmed that they fully complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2024.

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

GENERAL INFORMATION

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

As at 30 June 2024, 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. 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 3,101,095,730 Shares as at 30 June 2024.
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 32 to 34.

Save as disclosed above or under the section headed "Share Option Scheme" below, as at 30 June 2024, 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.

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

As at 30 June 2024, 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 2024

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Jiayao Global Investments Limited ("Jiayao")	Beneficial owner	1,468,835,000	47.37%
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%
Jiayao	Interest of controlled corporation	309,500,000	9.97%
Jiaye Summit Global Investments Limited	Interest of controlled corporation	1,778,335,000	57.34%
Drawin Intelligent Manufacture Technology Industry Group Limited	Interest of controlled corporation	1,778,335,000	57.34%
Henan Drawin Intelligent Manufacture Technology Industry Group Limited	Interest of controlled corporation	1,778,335,000	57.34%
Henan Hongdao Business Information Consultancy Company Limited	Interest of controlled corporation	1,778,335,000	57.34%

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 2024
(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	1,778,335,000	57.34%
Construction Development (H.K.) Company Limited	Interest of controlled corporation	1,778,335,000	57.34%
Construction Housing Group Company Limited	Interest of controlled corporation	1,778,335,000	57.34%
Jianye Holdings Limited	Interest of controlled corporation	1,778,335,000 (notes 2 & 3)	57.34%
Joy Bright Investments Limited	Beneficial owner	245,567,425 (notes 2 & 3)	7.92%
Mr. Wu Po Sum	Interest of controlled corporation	2,023,902,425 (notes 2 & 3)	65.27%
Youdao Development International (Hong Kong) Limited	Beneficial owner	1,624,345,000 (note 3)	52.38%
Henan Tongsheng Real Estate Co., Ltd	Interest of controlled corporation	1,624,345,000 (note 3)	52.38%
Henan Railway Construction & Investment Group Co., Ltd.	Interest of controlled corporation	1,624,345,000 (note 3)	52.38%
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%

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 2024 *(continued)*

Notes:

1. It was based on 3,101,095,730 Shares as at 30 June 2024.
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 2024, 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 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.



GENERAL INFORMATION *(Continued)*

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.

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 2024 to 30 June 2024 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 2024	during the Reporting Period	during the Reporting Period	during the Reporting Period	during the Reporting Period	30 June 2024
Directors									
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	59,700,000	-	-	(6,370,000) (note 2)	(2,730,000)	50,600,000
	30 November 2020	HK\$1.09	6 years from the date of grant	38,600,000	-	-	-	-	38,600,000
				127,300,000	-	-	(6,370,000)	(2,730,000)	118,200,000

GENERAL INFORMATION *(Continued)*

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 100,843,405 and 105,613,405 as at 1 January 2024 and 30 June 2024 respectively. The Company did not grant any share options during the six months ended 30 June 2024.

Review of Interim Results

The audit committee of the Company has reviewed the interim results and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024.

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.com@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 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	4	235,289	519,569
Cost of sales	7	(232,251)	(456,127)
Gross profit		3,038	63,442
Government grants		5,470	2,876
Other income	5	493	750
Other losses — net	6	(11,757)	(1,562)
Selling and distribution expenses	7	(22,185)	(37,665)
Administrative expenses	7	(91,281)	(69,381)
Share of losses of associates		(1,887)	(6,062)
Net impairment losses on financial assets		(23,554)	(12,600)
Operation loss		(141,663)	(60,202)
Finance costs	8	(43,041)	(42,971)
Loss before income tax		(184,704)	(103,173)
Income tax expenses	9	(360)	(2,860)
Loss for the period		(185,064)	(106,033)
Loss for the period, attributable to:			
— Owners of the Company		(170,487)	(99,712)
— Non-controlling interests		(14,577)	(6,321)
		(185,064)	(106,033)
Losses per share attributable to owners of the Company (expressed in HK\$ cents per share)			
— Basic and diluted	11	(5.50)	(3.21)

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

For the six months ended 30 June 2024

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	2,643,000	2,733,620
Right-of-use assets	13	845,214	865,938
Investment properties	14	15,689	16,063
Intangible assets		30,253	33,209
Deferred income tax assets	23	112,868	113,673
Investments in associates	15	183,101	192,974
Financial assets at fair value through profit or loss	16	40,004	40,289
		3,870,129	3,995,766
Current assets			
Inventories	17	113,543	138,502
Trade and other receivables and prepayments	18	1,888,602	2,165,866
Cash and cash equivalents	19	10,479	9,286
Restricted cash	20	27,472	24,721
		2,040,096	2,338,375
TOTAL ASSETS		5,910,225	6,334,141
Current liabilities			
Trade and other payables	21	1,651,126	1,847,914
Contract liabilities		49,061	61,303
Current income tax liabilities		39,381	41,106
Lease liabilities		–	2,022
Borrowings	22	1,336,729	886,224
		3,076,297	2,838,569
Net current liabilities		(1,036,201)	(500,194)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,833,928	3,495,572

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2024

	Notes	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Non-current liabilities			
Amount due to a related party	26	81,267	79,281
Deferred income		1,695	1,539
Deferred income tax liabilities	23	14,755	14,955
Lease liabilities		–	2,899
Borrowings	22	381,029	841,256
		478,746	939,930
NET ASSETS		2,355,182	2,555,642
Capital and reserves			
Share capital (nominal value)	24	1,240,438	1,240,438
Reserves		454,092	640,040
Equity attributable to owners of the Company		1,694,530	1,880,478
Non-controlling interests	25	660,652	675,164
TOTAL EQUITY		2,355,182	2,555,642

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company							Non-controlling interests HK\$'000	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	Accumulated losses HK\$'000	Total HK\$'000		
Balance at 1 January 2024 (audited)	1,240,438	1,032,009	(131,028)	100,142	48,587	(409,670)	1,880,478	675,164	2,555,642
Loss for the period (unaudited)	-	-	-	-	-	(170,487)	(170,487)	(14,577)	(185,064)
Other comprehensive income:									
Currency translation difference (unaudited)	-	-	(16,482)	-	-	-	(16,482)	65	(16,417)
Total comprehensive loss for the period	-	-	(16,482)	-	-	(170,487)	(186,969)	(14,512)	(201,481)
Transactions with owners in their capacity as owners:									
Share-based compensation (unaudited)	-	-	-	-	(4,672)	5,693	1,021	-	1,021
Total transactions with owners	-	-	-	-	(4,672)	5,693	1,021	-	1,021
Balance at 30 June 2024 (unaudited)	1,240,438	1,032,009	(147,510)	100,142	43,915	(574,464)	1,694,530	660,652	2,355,182
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
Loss for the period (unaudited)	-	-	-	-	-	(99,712)	(99,712)	(6,321)	(106,033)
Other comprehensive loss:									
Currency translation difference (unaudited)	-	-	(90,160)	-	-	-	(90,160)	261	(89,899)
Total comprehensive loss 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 2024

	Note	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Operating activities			
Cash generated from operations		35,807	31,274
Income tax paid		(2,143)	(1,475)
Net cash generated from operating activities		33,664	29,799
Investing activities			
Proceeds from disposal of an associate		6,867	–
Proceeds from disposal of investment properties		225	–
Interest received		39	311
Purchase of property, plant and equipment		(1,825)	(68,315)
Proceeds from disposal of equipment		2,512	9,947
Net cash from/(used in) investing activities		7,818	(58,057)
Financing activities			
Repayment of borrowings		(48,420)	(118,657)
Interest paid		(24,464)	(41,736)
Payment of lease liabilities		(176)	–
Proceeds from borrowings		32,848	177,352
Share buy-backs		–	(24)
Net cash (used in)/from financing activities		(40,212)	16,935
Net increase/(decrease) in cash and cash equivalents			
		1,270	(11,323)
Cash and cash equivalents at beginning of the period		9,286	25,120
Net exchange losses on cash and cash equivalents		(77)	(847)
Cash and cash equivalents at end of the period	19	10,479	12,950

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024 have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and investment properties, which are carried at fair value, and in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

Going concern basis

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

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

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

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

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

- (i) In respect of borrowings that are either overdue or in default (including the Bank Borrowing Defaults), the Group has been actively negotiating with the relevant lenders for the repayment, renewal and extension of the overdue borrowings. The Directors are confident to convince the relevant lenders not to exercise their rights to demand the Group’s immediate repayment of the borrowings prior to their scheduled contractual repayment dates. Subsequent to 30 June 2024, the Group has repaid RMBnil (equivalent to HK\$nil) and successfully extended RMB262,480,000 (equivalent to HK\$288,843,000) of these defaulted borrowings and the Directors believe that the Group will be able to timely fulfil the repayment schedules under the extended borrowing agreements.
- (ii) The Group has also been negotiating with various banks and financial institutions to seek renewal, extension of the other existing borrowings and obtain new borrowings. The Directors believe that, given the Group’s long-term relationship with the banks and financial institutions and the availability of the Group’s long-term assets as collateral for the borrowings, the Group will be able to renew or extend existing borrowings and obtain new borrowings when needed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024, certain overdue payables have been settled and the Directors are confident that the Group is able to reach revised repayment schedules with suppliers and settle the overdue payable accordingly.
- (iv) The Group will continue to implement measures to increase the sales of its prefabricated construction units and decoration and landscaping services, and to speed up the collection of trade receivables.
- (v) The Group will seek opportunities to dispose of certain assets and investments at reasonable prices to generate cash inflows and mitigate its liquidity pressure.

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

2. MATERIAL ACCOUNTING POLICIES

The accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those of the annual consolidated financial statements of the Company for the year ended 31 December 2023, as described in those annual financial statements, except for estimation of income tax for the interim periods using the tax rate that would be applicable to expected total annual earnings, and the adoption of the new and amended standards of HKFRSs effective for the financial year ending 31 December 2024, which did not have any significant impact on the Group's financial statements and did not require retrospective adjustments.

There are no standards, amendments and interpretations to existing standards that are not effective and would be expected to result in any significant impact on the Group's financial positions and results of operations.

3. SEGMENT INFORMATION

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

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

4. REVENUE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from sales of prefabricated construction units	201,093	393,734
Revenue from decoration and landscaping services	25,932	110,767
Rental income	4,124	8,135
Revenue from consulting services	3,489	4,376
Revenue from sales of prefabricated construction equipment	651	2,557
	235,289	519,569

5. OTHER INCOME

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

6. OTHER LOSSES – NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Losses)/gains on disposal of equipment	(8,727)	159
Net exchange losses	(9)	(15)
Others	(3,021)	(1,706)
	(11,757)	(1,562)

7. EXPENSES BY NATURE

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

8. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on borrowings	43,022	42,912
Finance charges on lease liabilities	19	59
	43,041	42,971

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 2024 (six months ended 30 June 2023: Nil). Taxation on PRC profits is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax — PRC corporate income tax	360	4,648
Deferred income tax	—	(1,788)
Total income tax expenses for the period	360	2,860

10. DIVIDEND

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. LOSSES PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Consolidated loss attributable to owners of the Company (HK\$'000)	(170,487)	(99,712)
Weighted average number of ordinary shares in issue ('000)	3,101,096	3,102,401
Basic losses per share (HK cents)	(5.50)	(3.21)

(b) Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2024 and 2023, the calculation of diluted losses per share excluded the share options granted to directors, senior management and other employees on 30 November 2021, as their inclusion would have been antidilutive. Therefore, diluted losses per share for the six months ended 30 June 2024 and 2023 are equal to respective basic losses per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Balance as at 1 January (audited)	2,733,620	2,894,335
Additions	7,726	18,281
Disposals	(14,130)	(9,788)
Depreciation charge	(58,009)	(61,372)
Currency translation differences	(26,207)	(87,584)
Balance as at 30 June (unaudited)	2,643,000	2,753,872

As at 30 June 2024, property, plant and equipment with a net book value of HK\$506.0 million (31 December 2023: HK\$509.6 million) were pledged as collateral for the Group's borrowings of HK\$330.0 million (31 December 2023: HK\$332.4 million). Among the collateral, property ownership certificate of the Group's buildings with a net book value of HK\$233.5 million (31 December 2023: HK\$235.2 million) is under China Minsheng Drawin Co., Ltd. These buildings were pledged as collateral for the Group's two bank borrowings of HK\$138.9 million (31 December 2023: HK\$139.9 million) which were secured by China Minsheng Drawin Co., Ltd.

For the six months ended 30 June 2024, depreciation of property, plant and equipment of approximately HK\$58.0 million (six months ended 30 June 2023: HK\$61.4 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. RIGHT-OF-USE ASSETS

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Balance as at 1 January (audited)	865,938	894,791
Additions	–	6,022
Disposals	(4,654)	–
Amortisation charged into profit or loss	(9,966)	(13,106)
Currency translation differences	(6,104)	(27,408)
Balance as at 30 June (unaudited)	845,214	860,299

As at 30 June 2024, right-of-use assets with a net book value of HK\$258.2 million (31 December 2023: HK\$260.0 million) were pledged as collateral for the Group's borrowings of HK\$273.5 million (31 December 2023: HK\$275.4 million).

14. INVESTMENT PROPERTIES

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Balance as at 1 January (audited)	16,063	16,344
Disposals	(261)	–
Currency translation differences	(113)	(556)
Balance as at 30 June (unaudited)	15,689	15,788

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

15. INVESTMENT IN ASSOCIATES

	At 30 June	At 31 December
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (audited)
Share of net assets	183,101	192,974
Less: Provision for impairment	–	–
	183,101	192,974

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. INVESTMENT IN ASSOCIATES *(continued)*

As at 30 June 2024, 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	–	10%	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

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

Commitments in respect of associates

	At 30 June 2024	At 31 December 2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Commitments to pay up the subscription capital	16,992	16,872

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	At 30 June 2024	At 31 December 2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Non-current:		
— Unlisted equity instruments (note (a))	40,004	40,289
	40,004	40,289

Note:

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

17. INVENTORIES

	At 30 June 2024	At 31 December 2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Raw materials	37,407	42,842
Finished goods	57,395	77,565
Goods in transit	10,111	8,907
Low value articles	21	24
Work in progress	12,445	12,578
Inventory provision	(3,836)	(3,414)
	113,543	138,502

Inventories recognised as cost of sales during the six months ended 30 June 2024 amounted to HK\$121.8 million (six months ended 30 June 2023: HK\$225.0 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

18. 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:

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

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.

19. CASH AND CASH EQUIVALENTS

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

	At 30 June 2024	At 31 December 2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Cash at bank and on hand		
— Denominated in HK\$	749	549
— Denominated in RMB	9,730	8,737
	10,479	9,286

20. RESTRICTED CASH

	At 30 June 2024	At 31 December 2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Restricted cash		
— Frozen for litigation (note (a))	27,472	24,721
	27,472	24,721

Note:

- (a) On 30 June 2024, the deposit of HK\$27.5 million (31 December 2023: HK\$24.7 million) was frozen due to litigation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

21. TRADE AND OTHER PAYABLES

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

22. BORROWINGS

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

Notes:

- (a) These bank borrowings of the Group are secured by property, plant and equipment (note 12), right-of-use assets (note 13) and restricted cash deposit of the Group and/or guaranteed by subsidiaries of the Company or related parties (note 26(c)).
- (b) The borrowings are all denominated in RMB and their fair values approximate their carrying amounts.
- (c) For the year ended 30 June 2024, the Group failed to repay multiple commercial bank borrowings amounted to RMB98,337,000 (equivalent to HK\$108,293,000) in total according to the scheduled repayment dates, each of which constituted an event of default (collectively, "Bank Borrowing Defaults"). Such events of default resulted in the mentioned borrowings amounted to RMB546,236,000 (equivalents to HK\$598,497,000) as at 30 June 2024 becoming immediately repayable if requested by the lenders, of which RMB185,739,000 (equivalent to HK\$203,510,000) represented bank borrowings with scheduled repayment dates within one year, while the remaining RMB360,497,000 (equivalent to HK\$394,987,000) represented the non-current portion with original maturity dates beyond 30 June 2024 that were reclassified as current liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

23. DEFERRED INCOME TAX

The gross movement in deferred income tax assets and liabilities for the six months ended 30 June 2024 and six months ended 30 June 2023, 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	
	2024	2023
	HK\$'000	HK\$'000
Balance as at 1 January (audited)	113,673	77,317
Credit to profit or loss (note 9)	–	1,788
Currency translation differences	(805)	(2,686)
Balance as at 30 June (unaudited)	112,868	76,419

Deferred income tax liabilities

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Balance as at 1 January (audited)	14,955	14,097
Currency translation differences	(200)	(654)
Balance as at 30 June (unaudited)	14,755	13,443

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

24. SHARE CAPITAL

Authorised shares

	Number of authorised shares
As at 1 January 2024 and 30 June 2024	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 2024 and 30 June 2024	3,101,095,730	1,240,438

All the shares issued rank pari passu in all respects.

25. NON-CONTROLLING INTERESTS

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

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Changsha DIT Limited ("DIT Changsha")	547,571	554,925
Qingdao Shi Jiaozhou DIT Limited	69,145	71,822
Nantong China Minsheng DIT Limited	37,358	41,316
Nanjing DIT Limited	6,578	7,101
	660,652	675,164

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

26. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Central China Management Company Limited *	Controlled by the same ultimate controlling shareholder
Central China New Life Limited *	Controlled by the same ultimate controlling shareholder
Central China Properties Development Ltd. *	Controlled by the same ultimate controlling shareholder
Central China Real Estate Limited and its Affiliate companies *	Controlled by the same ultimate controlling shareholder
China Minsheng Drawin Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Minsheng Drawin Culture Co., Ltd. *	Controlled by the same ultimate controlling shareholder
Drawin Intelligent Construction Design Co., Ltd. *	Controlled by the same ultimate controlling shareholder
Drawin Intelligent Construction New Material Company Limited *	Controlled by the same ultimate controlling shareholder
Drawin Intelligent Construction Technology Group Co., Ltd. *	Controlled by the same ultimate controlling shareholder
Henan Drawin Construction Decoration Engineering 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 Group Limited *	Controlled by the same ultimate controlling shareholder
Henan Drawin Labour Center Construction Development Co., Ltd. *	Controlled by the same ultimate controlling shareholder

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

26. RELATED PARTY TRANSACTIONS *(continued)*

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

Name	Relationship
Henan Drawin Landscaping Construction Co., Ltd. *	Controlled by the same ultimate controlling shareholder
Henan Hongdao Investment Co., Ltd. *	Controlled by the same ultimate controlling shareholder
Henan Ruida Engineering Management Company Limited *	Controlled by the same ultimate controlling shareholder
Hunan China Minsheng Drawin Green Construction Investment Limited *	Controlled by the same ultimate controlling shareholder
Jianye Holdings Limited *	Controlled by the same ultimate controlling shareholder
Jiayao Global Investments Limited *	Controlled by the same ultimate controlling shareholder
Xiangxi China Minsheng Drawin Technology Company Limited *	An associate company of the Group
YMCI China Minsheng Kunming Technology Group Co., Ltd. *	An associate company of the Group
Zhejiang Anju Drawin Technology Company Limited *	An associate company of the Group
Henan Qionglei Construction Engineering Co., Ltd. *	Controlled by the same ultimate controlling shareholder
Henan Jianxiang Decoration Engineering Company Limited *	Controlled by the same ultimate controlling shareholder
Henan Houde Landscape & Garden Engineering Co. Ltd. *	Controlled by the same ultimate controlling shareholder

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

26. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

During the six months ended 30 June 2024 and 2023, the Group has the following related party transactions:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Supply of decoration and landscaping services by the Group		
Central China Real Estate Limited and its Affiliate companies	25,636	94,466
	25,636	94,466
Supply of prefabricated construction components and products by the Group, including financing component recognized in other income		
Drawin Intelligent Construction Technology Group Co., Ltd.	987	2,732
Central China Real Estate Limited and its Affiliate companies	–	16,034
	987	18,766
Provision of labor services by a related party		
Henan Drawin Labour Center Construction Development Co., Ltd.	707	–
	707	–
Leasing of properties to related parties		
Drawin Intelligent Construction Technology Group Co., Ltd.	691	58
Henan Drawin Intelligent Manufacture Technology Industry Group Limited	–	5,494
Drawin Intelligent Construction New Material Company Limited	–	681
	691	6,233
Supply of consulting services by the Group		
Central China Real Estate Limited and its Affiliate companies	–	1,884
	–	1,884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

26. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Leasing of properties by a related party		
Central China Properties Development Ltd.	–	1,244
	–	1,244
Provision of design services by a related party		
Drawin Intelligent Construction Design Co., Ltd.	–	145
	–	145
Payment on behalf of related parties by the Group		
Henan Drawin Landscaping Construction Co., Ltd.	25,094	83,941
Central China New Life Limited	16,397	–
Drawin Intelligent Construction New Material Company Limited	4,258	10,631
Henan Drawin Intelligent Manufacture Technology Industry Group Limited	291	429
Drawin Intelligent Construction Design Co., Ltd.	275	–
Drawin Intelligent Construction Technology Group Co., Ltd.	–	243
China Minsheng Drawin Culture Co., Ltd.	–	194
Central China Real Estate Limited and its Affiliate companies	–	42
Henan Drawin Construction Engineering Company Limited	–	28
	46,315	95,508
Payment on behalf of the Group by related parties		
Central China New Life Limited	14,306	–
Henan Drawin Landscaping Construction Co., Ltd.	12,033	–
Drawin Intelligent Construction New Material Company Limited	4,336	10
China Minsheng Drawin Culture Co., Ltd.	77	–
Drawin Intelligent Construction Technology Group Co., Ltd.	67	115
Henan Drawin Intelligent Manufacture Technology Industry Group Limited	–	12,217
China Minsheng Drawin Co., Ltd.	–	5
	30,819	12,347

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

26. RELATED PARTY TRANSACTIONS *(continued)*

(c) Related-party balances

	At 30 June 2024	At 31 December 2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Amounts due from related parties		
Central China Real Estate Limited and its Affiliate companies	445,085	206,939
Drawin Intelligent Construction Technology Group Co., Ltd.	248,234	274,988
Henan Drawin Landscaping Construction Co., Ltd.	40,286	145,337
Drawin Intelligent Construction Design Co., Ltd.	30,602	30,111
Henan Drawin Intelligent Manufacture Technology Industry Group Limited	21,879	21,658
Xiangxi China Minsheng Drawin Technology Company Limited	14,781	–
Drawin Intelligent Construction New Material Company Limited	13,880	13,290
Henan Drawin Labour Center Construction Development Co., Ltd.	13,161	12,829
YMCI China Minsheng Kunming Technology Group Co., Ltd.	6,988	–
Zhejiang Anju Drawin Technology Company Limited	1,511	–
Central China Management Company Limited	1,096	–
Hunan China Minsheng Drawin Green Construction Investment Limited	1,017	1,024
Central China New Life Limited	997	342
China Minsheng Drawin Culture Co., Ltd.	974	1,005
Henan Drawin Construction Engineering Company Limited	220	221
Jianye Holdings Limited	3	2
Henan Jianxiang Decoration Engineering Company Limited	–	21,174
China Minsheng Drawin Co., Ltd.	–	10,656
Henan Qionglei Construction Engineering Co., Ltd.	–	3,896
Henan Ruida Engineering Management Company Limited	–	319
Henan Drawin Construction Decoration Engineering Co., Ltd.	–	1
	840,714	743,792

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

26. RELATED PARTY TRANSACTIONS (continued)

(c) Related-party balances (continued)

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Amounts due to related parties		
Drawin Intelligent Construction Technology Group Co., Ltd.	100,627	83,548
Jiayao Global Investments Limited	81,267	79,281
Henan Drawin Intelligent Manufacture Technology Industry Group Limited	54,756	55,188
Henan Drawin Landscaping Construction Co., Ltd.	9,210	132,995
Drawin Intelligent Construction Design Co., Ltd.	9,077	8,992
Central China Real Estate Limited and its Affiliate companies	8,749	19,968
Zhejiang Anju Drawin Technology Company Limited	4,994	–
Henan Drawin Labour Center Construction Development Co., Ltd.	3,835	4,277
Central China New Life Limited	136	137
Drawin Intelligent Construction New Material Company Limited	79	42
Henan Drawin Construction Engineering Company Limited	56	57
China Minsheng Drawin Culture Co., Ltd.	53	–
China Minsheng Drawin Co., Ltd.	–	4,916
Henan Jianxiang Decoration Engineering Company Limited	–	378
Henan Houde Landscape & Garden Engineering Co. Ltd.	–	12
Henan Hongdao Investment Co., Ltd	–	13
	272,839	389,804

All amounts due from or due to related parties are unsecured, bear no interest and are repayable on demand or within one year.

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Guarantee/security for borrowings provided by the related party		
Henan Drawin Intelligent Manufacture Technology Industry Group Limited	740,499	745,778
Drawin Intelligent Construction Technology Group Co., Ltd.	438,270	441,394
China Minsheng Drawin Co., Ltd.	286,989	289,035
	1,465,758	1,476,207

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

26. RELATED PARTY TRANSACTIONS *(continued)*

(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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	2,225	3,176
Share-based compensation	175	599
	2,400	3,775