China Minsheng DIT Group Limited
中民築友智造科技集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 726)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Directors") of China Minsheng DIT Group Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 with comparative figures for the corresponding period of 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*5*	**300,377**	38,072
Cost of sales	*8*	**(191,760)**	(36,970)
Gross profit		**108,617**	1,102
Recovery of other receivables — reversal of impairment provision		**–**	30,000
Government subsidies		**4,177**	26,657
Other income	*6*	**1,408**	2,281
Other gains/(losses) — net	*7*	**1,145**	(769)
Selling and distribution expenses	*8*	**(19,733)**	(3,622)
Administrative expenses	*8*	**(51,150)**	(45,334)
Net impairment — losses on financial assets		**(1,697)**	–
Share of losses of associates		**(12,918)**	–
Operating profit		**29,849**	10,315
Finance costs		**(2,912)**	(8,558)
Profit before income tax		**26,937**	1,757
Income tax expense	*9*	**(12,111)**	(1,127)
Profit for the period		**14,826**	630
Profit for the period, attributable to			
— Owners of the Company		**19,533**	1,451
— Non-controlling interests		**(4,707)**	(821)
		14,826	630
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
— Currency translation differences		**21,441**	49,031
Item recycled to profit or loss:			
— Fair value losses on available-for-sale financial assets recycled to profit or loss upon redemption or disposal and included in other losses		**–**	209

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Other comprehensive income for the period, net of tax		**21,441**	49,240
Total comprehensive income for the period		**36,267**	49,870
Total comprehensive income/(loss) for the period, attributable to			
— Owners of the Company		**40,895**	39,400
— Non-controlling interests		**(4,628)**	10,470
		36,267	49,870
Earnings per share attributable to owners of the Company			
(expressed in HK cents per share)			
— Basic and diluted	*11*	**0.17**	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	**30 June 2018** ***HK$'000*** **(unaudited)**	31 December 2017 *HK$'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,186,589**	928,708
Land use rights		**664,724**	628,458
Investment properties		**18,283**	18,543
Intangible assets		**1,175**	782
Deferred income tax assets	*14*	**21,978**	20,751
Investments in associates		**208,281**	182,735
Financial assets at fair value through profit or loss		**6,046**	–
		2,107,076	1,779,977
Current assets			
Inventories		**85,036**	78,609
Trade and other receivables and prepayments	*12*	**454,898**	402,516
Available for sale financial assets		**–**	23,926
Financial assets at fair value through profit or loss		**12,091**	–
Cash and cash equivalents		**463,042**	582,511
Restricted cash		**17,949**	449
		1,033,016	1,088,011
Total assets		**3,140,092**	2,867,988
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value		**1,120,960**	1,120,960
Reserves		**764,004**	723,517
		1,884,964	1,844,477
Non-controlling interests		**584,370**	560,917
Total equity		**2,469,334**	2,405,394

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AS AT 30 JUNE 2018

	Notes	**30 June 2018** ***HK$'000*** **(unaudited)**	31 December 2017 *HK$'000* (audited)
LIABILITIES			
Non-current liabilities			
Deferred income		**23,726**	23,475
Deferred income tax liabilities	*14*	**14,897**	7,962
Borrowings	*16*	**175,227**	101,686
		213,850	133,123
Current liabilities			
Trade and other payables	*15*	**343,961**	266,537
Contract liabilities		**17,892**	–
Advance from customers		**–**	22,987
Current income tax liabilities		**2,268**	22,003
Borrowings	*16*	**92,787**	17,944
		456,908	329,471
Total liabilities		**670,758**	462,594
Total equity and liabilities		**3,140,092**	2,867,988

NOTES:

1 BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value, and in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

2 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those used for and described in the consolidated financial statements of the Company for the year ended 31 December 2017.

New and amended standards of HKFRs adopted by the Group in the first half of 2018

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments

- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3 below.

The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Impact of standards issued but not yet applied by the Group in the first half of 2018

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The Group is a lessee of some buildings for industrial parks and office buildings, which are currently accounted for as operating leases under HKAS 17. The Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$18,535,000 and HK$25,794,000 as at 30 June 2018 and 31 December 2017, respectively. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognized as new right-of-use assets and lease liabilities. The Group is in the process of making assessments on the impacts of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognized, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3 CHANGES IN ACCOUNTING

The Group has adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers since 1 January 2018, which led to changes in accounting policies and impact on the financial statements.

(a) Impact on the financial statements

According to the transitional provision of HKFRS 9, the Group did not restate figures of the comparative period. Therefore, any reclassification and impairment provision for financial assets or liabilities during the comparative period have not been restated. All adjustments are recognised at the beginning of the period accordingly.

According to the transitional provision of HKFRS 15, the Group applied modified retrospective approach upon adoption and did not restate figures of the comparative period.

(b) HKFRS 9 Financial Instruments-Impact of adoption

HKFRS 9 replaced relevant requirements of HKAS 39 Financial Instruments relating to the recognition, classification and measurement of financial assets and liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting.

The impact on the accumulated losses of the Group as at 1 January 2018 due to the classification and measurement of financial instruments is as follows:

	HK$'000
Closing accumulated losses 31 December 2017 — HKAS 39	(373,951)
Increase in provision for trade and other receivables	(1,626)
Increase in deferred tax assets relating to impairment provisions	406
Adjustments to accumulated loss from adoption of HKFRS 9 on 1 January 2018	(1,220)
Opening accumulated losses 1 January 2018 — HKFRS 9	(375,171)

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. On 1 January 2018, financial instruments with book value of HK$ 23,926,000 were reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

(ii) Impairment of financial assets

The Group has financial assets below that are subject to HKFRS 9's new expected credit loss model:

- trade receivables
- other receivables

The Group has revised its impairment methodology according to HKFRS 9 for each of these classes of assets.

For trade receivables, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

For other receivables, the Group applies the general model for expected credit losses prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, provision is provided, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

(c) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

After considering the changes in accounting policies as a result of the initial application of HKFRS 15, the Directors considered that the initial application of HKFRS 15 has no significant impact on the consolidated financial statements of the Group, save for the presentation of contract assets and liabilities.

(i) Presentation of assets and liabilities related to contracts with customers

Contract liabilities in relation to sales prefabricated units contracts were previously included in advance from customers (HK$22,987,000 as at 1 January 2018).

According to HKFRS15, when either party to a contract has performed, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

4 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.

5 REVENUE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from sales of prefabricated units	**220,976**	36,228
Revenue from granting licenses	**67,816**	–
Revenue from sales of equipment	**10,763**	–
Consulting service income	**–**	1,615
Rental income	**822**	229
	300,377	38,072

6 OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income on bank deposits	**502**	862
Sundry income	**906**	1,419
	1,408	2,281

7 OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net realised gain/(loss) on financial assets at fair value through profit or loss	**2,258**	(413)
Net gain/(loss) on disposal of investment properties	**178**	(1,791)
Net exchange gain/(loss)	**45**	(1,737)
Net realised gain on redemption or disposal of available-for-sale financial assets	**–**	947
Recovery of other receivables — interest charged on late settlement	**–**	1,420
Loss on disposal of property, plant and equipment	**(969)**	–
Others	**(367)**	805
	1,145	(769)

8 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	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Raw materials and consumables used	**106,527**	16,037
Employee benefit expenses	**59,968**	48,157
Depreciation	**26,452**	17,374
Transportation	**13,885**	2,210
Labour outsourcing	**12,185**	–
Legal and professional fees	**9,241**	2,574
Operating lease rentals on buildings	**8,919**	9,437
Tax surcharges	**6,097**	1,222
Amortisation of land use rights	**5,425**	1,063
Office and utilities expenses	**4,732**	4,694
Entertainment and travelling expenses	**4,006**	6,027
Repairs and maintenance	**2,645**	441
Write down of inventories to net realisable value	**1,216**	–
Changes in inventories of finished goods and work in progress	**(21,799)**	(24,321)
Others	**23,144**	1,011
Total of cost of sales, selling and distribution expenses and administrative expenses	**262,643**	85,926

The cost of sales mainly comprised of raw materials and consumables used, changes in inventories of finished goods and work in progress, direct labour costs included in employee benefit expenses, tax surcharges, depreciation and amortisation of land use rights relating to production and other manufacturing overheads.

9 INCOME TAX EXPENSE

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 2018 (six months ended 30 June 2017: 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.

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current income tax — PRC corporate income tax	**5,867**	3,783
Deferred income tax *(Note 14)*	**6,244**	(2,656)
Total income tax expense for the period	**12,111**	1,127

10 DIVIDEND

The Board of Directors do not recommend any payment of dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

11 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Consolidated profit attributable to owners of the Company *(HK$'000)*	**19,533**	1,451
Weighted average number of ordinary shares in issue *('000)*	**11,209,603**	10,209,603
Basic earnings per share *(HK cents)*	**0.17**	0.01

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares for the six months ended 30 June 2017, which is the convertible bond (Note 13). The convertible bond is assumed to have been converted into ordinary shares, and the profit attributable to owners of the Group is adjusted to eliminate the interest expense less the tax effect. For the six months ended 30 June 2017, the impact of conversion of convertible bond on earnings per share is anti-dilutive since the conversion of convertible bond to ordinary shares would increase earnings per share. Diluted earnings per share therefore is equal to basic earnings per share. No diluted earnings per share for the six months ended 30 June 2018 is presented as the Group has no dilutive potential ordinary shares during the period.

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Trade receivables — related parties	**97,288**	38,344
Trade receivables — third party	**168,170**	78,765
Notes receivable	**147**	–
Less: Provision for impairment of trade receivables	**(2,662)**	–
Total receivables, net	**262,943**	117,109
Value-added tax recoverable	**55,897**	46,258
Government grant	**6,287**	6,224
Proceeds from disposal of a subsidiary — related party	**–**	62,232
Proceeds from disposal of a subsidiary — third party	**–**	99,144
Receivables relating to transaction with a minority interest	**9,673**	9,570
Amounts due from related parties	**45,687**	39,552
Deposits	**52,672**	6,128
Prepayments	**8,130**	11,575
Others	**14,329**	4,724
Less: Provision for impairment of other receivables	**(720)**	–
	454,898	402,516

The aging of trade receivables as at 30 June 2018 and 31 December 2017 based on the invoice issue date are as follows:

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Less than 1 year	**231,245**	117,109
1 to 2 years	**31,698**	–

The maximum exposure to credit risk as at 30 June 2018 and 31 December 2017 is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral security against the receivables.

As at 30 June 2018 and 31 December 2017, the fair value of trade and other receivables approximate their carrying amounts.

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

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Renminbi	**450,968**	399,324
HK dollars	**3,930**	3,192
	454,898	402,516

13 CONVERTIBLE BOND

The Company issued a zero coupon convertible bond at a par value of HK$200 million on 27 May 2015. The bond matures on the third anniversary of the date of issue at the nominal price of HK$200 million or can be converted into shares at the holder's option during the period from the date which is six months from the date of the issue and up to ten business days prior to the maturity date at the conversion price of HK$0.2 per conversion share. The value of the liability component and the equity conversion component were determined at issuance of the bond. On 6 November 2017, the convertible bond was fully exercised by the bond owner in exchange of 1,000,000,000 ordinary shares at HK$0.2 per share.

14 DEFERRED INCOME TAX

The gross movement in deferred income tax assets and liabilities for the six months ended 30 June 2018 and six months ended 30 June 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities

	Six months ended 30 June	
	2018 *HK$'000*	2017 *HK$'000*
Opening balance at 1 January (audited)	**7,962**	17,014
Debit to profit or loss *(Note 9)*	**7,859**	(1,262)
Set-off of deferred tax assets pursuant to set off provisions	**(1,010)**	–
Currency translation differences	**86**	409
Closing balance at 30 June (unaudited)	**14,897**	16,161

Deferred income tax assets

	Six months ended 30 June	
	2018 *HK$'000*	2017 *HK$'000*
Opening balance at 1 January (restated *(Note 3)*)	**21,175**	594
Credited to profit or loss *(Note 9)*	**1,615**	1,394
Set-off of deferred tax assets pursuant to set off provisions	**(1,010)**	–
Currency translation differences	**198**	1
Closing balance at 30 June (unaudited)	**21,978**	1,989

15 TRADE AND OTHER PAYABLES

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Trade payables — related party	**5,235**	8,740
Trade payables — third party	**109,262**	77,281
Payable related to acquisition of Guangzhou plant	**–**	6,171
Accrued payroll	**6,947**	18,927
Accrued tax payable	**3,670**	1,671
Accrued payable for property, plant and equipment construction — third party	**40,316**	105,068
Accrued payable for property, plant and equipment construction — related party	**93,876**	24,484
Notes payable	**77,728**	2,299
Interest payable	**96**	–
Provision for onerous contract	**465**	1,857
Others	**6,366**	20,039
	343,961	266,537

The aging analysis of trade payables and notes payable as at 30 June 2018 and 31 December 2017 based on the invoice issue date are as follows:

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Less than 1 year	**114,497**	86,021

As at 30 June 2018 and 31 December 2017, the fair value of trade and other payables approximate their carrying amounts.

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

16 BORROWINGS

	30 June 2018 HK$'000	31 December 2017 HK$'000
Non-current, secured:		
— Bank loans *(note (a))*	**187,773**	119,630
Non-current, unsecured:		
— Third party loans	**24,183**	—
— Finance lease liabilities	**6,243**	—
	218,199	119,630
Less: Current portion of long-term borrowings	**(42,972)**	(17,944)
	175,227	101,686
Current, secured:		
— Bank loans *(note (a))*	**49,815**	—
Current portion of long-term borrowings	**42,972**	17,944
	92,787	17,944

note (a): These bank loans of the Group are secured by property, plant and equipment, land use rights of the Group and/or guaranteed by subsidiaries of the Company or related party.

Movements in borrowings are analysed as follows:

	Six months ended 30 June 2018 HK$'000	2017 HK'000
Balance as at 1 January (audited)	**119,630**	42,727
Proceeds of new borrowings		
— Banks *(note (a) to (c))*	**118,845**	69,131
— Third party *(note (d))*	**24,183**	–
— Leasing liabilities *(note (e))*	**6,243**	–
Currency translation differences	**(887)**	1,309
Balance as at 30 June (unaudited)	**268,014**	113,167

Notes:

(a) One of the Group's subsidiaries (中民築友科技(佛山)有限公司) borrowed a 60-month long-term loan of HK$36.9 million from a third party bank with a floating interest rate special for fixed assets construction. The long term borrowing has a maximum credit line of HK$84.8 million with a credit line of HK$47.9 million had used during the year of 2017 which was pledged by the subsidiary's land use right with a net book value of approximately HK$59.5 million and was guaranteed by 中民築友科技投資有限公司.

(b) One of the Group's subsidiaries (合肥中民築友智造科技有限公司(前稱:中民築友科技(合肥)有限公司)) borrowed a 60-month long-term loan of HK$31.2 million from a third party bank with a floating interest rate special for fixed assets construction. The long term borrowing was pledged by the subsidiary's land use right with a net book value of approximately HK$40.7 million and was guaranteed by 中民築友科技投資有限公司. In addition, the subsidiary further borrowed a 12-month short-term loan of HK$36.9 million from another third party bank with a floating interest rate. The short term borrowing was guaranteed by 中民築友科技投資有限公司.

(c) One of the Group's subsidiaries (中民築友科技投資有限公司) borrowed a 12-month short-term loan of HK$13.8 million from a third party bank with a floating interest rate. The short term borrowing were pledged by plant of Group's another subsidiary (深圳中民築友智造科技有限公司(前稱:廣東中民築友科技有限公司)) with a net book value of approximately HK$89.9 million.

(d) One of the Group's subsidiaries (住優建築科技(上海)有限公司) borrowed a 36-month loan of HK$24.2 million from a third party with a fixed interest rate 4.4% per annual in a legal form of sale and lease-back agreement with option to buy back the assets at RMB100 by the end of the leasing period.

(e) One of the Group's subsidiaries (中民築友科技(合肥)有限公司) entered into an 36-month lease contract for equipment of HK$ 6.6million with a third party.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The major products of our Group include Green Manufacturing of prefabricated construction ("PC") unit and Intelligent Equipment. Meanwhile, the Group adopted licensing cooperation with PC factories for technology export and operation, achieving the commercialization of PC intelligent factories.

In respect of Green Manufacturing, our Group adheres to the principle of "Zero Emission" in developing Green Construction Technology Parks. Also, our Group uses renewable energy and applies technologies such as water recycling techniques, fog cannon maintenance system and low noise techniques, in order to achieve zero pollution throughout the production process. Currently, Green Construction Technology Parks have been established in over ten cities in the PRC, including Changsha, Shanghai, Nanjing, Shenzhen, Hengyang, Heifei, Foshan, and have been addressed and recognised by the local government.

In respect of Intelligent Manufacturing, our Group has developed an intelligent production system on our own, targeting on intelligent PC plant. The system is comprised of production system, logistics system and finished products storage system, and it applies technologies such as perception technology, big data analysis, Internet of Things, cloud computing and mobile application. Through the real-time connection between Building Information Modeling ("BIM") and Manufacturing Execution Systems ("MES"), the system enables immediate data exchange during the major processes of production and transforms relevant data into production orders, and eventually achieve informationalised and intelligent production management of the entire life cycle of the PC components.

Regarding domestic expansion, our Group has completed the layout in major developed regions in 19 provinces, municipalities and autonomous regions of the PRC. Our goal is to achieve full coverage in all capital cities, national central cities and most economically robust cities within the targeted region.

The benefits of industrial policies of the prefabricated construction gradually unleash market demand, and it is expected that the market demand for the coming five to ten years will be very encouraging. A number of enterprises enter the market as they have confidence in its prospect, which leads to flourishing development in the industry. Facing favourable prospects in the market, our Group will continue to fortify its presence in the field of prefabricated construction. Adhering to the strategy of "Lead with high-technology", our Group intends to accelerate the rapid growth of the prefabricated construction industry in full gear through the innovation of high-end technology and the operation of advanced technology.

As of 31 July 2018, our Group has contracted an aggregate of third party sales of prefabricated units approximately RMB1,020.60 million which are RMB361.2 million already recognised as revenue and RMB659.4 million not yet satisfied the criteria on revenue recognition.

Sales revenue of prefabricated units — by region	**Six months ended 30 June**	
	2018	2017
	HK$'000	*HK$'000*
Nanjing	**77,810**	3,256
Kunshan	**53,589**	14,477
Huizhou	**33,618**	1,610
Hengyang	**30,202**	–
Changsha	**13,868**	14,329
Hefei	**9,447**	46
Foshan	**2,358**	–
Jiaozhou	**84**	–
Hangzhou	**–**	2,510
Total	**220,976**	36,228

Sales revenue of prefabricated units	**Six months ended 30 June**	
	2018	2017
	HK$'000	*HK$'000*
Sales revenue from third parties	**150,108**	22,579
Sales revenue from related parties	**70,868**	13,649
Total	**220,976**	36,228

Technology trademarks and patents obtained by the Group during the first half of 2018

Patents: For the six months ended 30 June 2018, 49 applications for patents have been made, and 85 patents were granted. As at 30 June 2018, there were approximately 816 applications for patents in aggregate, and 508 patents were granted.

Trademarks: For the six months ended 30 June 2018, no application for trademarks was approved. As at 30 June 2018, there were 21 successful trademark applications in aggregate.

Plants in operations

Regions	**Utilized capacity** (approximate '000 cubic metre)	**Estimated capacity** (approximate '000 cubic metre)	**Area** (approximate mu)	**Area of plants** (approximate square metre)
Changsha Plant	60	300	352	33,433
Nanjing Plant	80	300	151	35,981
Hengyang Plant	60	180	150	24,905
Huizhou Plant	30	70	61	22,284
Kunshan Plant	45	120	50	18,061
Hefei Plant	60	150	154	22,398
Foshan Plant	40	150	123	36,550
Total	375	1,270	1,041	193,612

Plants under construction

Regions	**Estimated capacity** (approximate '000 cubic metre)	**Area** (approximate mu)	**Area of plants** (approximate square metre)
Jiaozhou Plant	150	93	19,339
Jiaozuo Plant	150	81	19,383
Xiangtan Plant	150	100	19,310
Huai'an Plant	150	120	19,356
Yuxi Plant	150	124	18,191
Haikou Plant	150	90	19,356
Total	900	608	114,935

Disposal of equity interests in a subsidiary without loss of control for the six months ended 30 June 2018

Transferor	Subject company	Transferee	Proportion of transfer	Consideration
China Minsheng Drawin Technology Investment Co., Ltd.* (中民築友科技投資有限公司)	中民築友科技（膠州）有限公司	青島膠州膠東和平投資發展有限公司	49%	RMB23.5 million

* For identification purpose only

The Group strives to build up itself as a hi-tech company operated with light assets. Disposal of equity allows strengthening of the cooperation with conventional enterprises. By alliance between industry giants, it promotes the transformation and upgrade of the industry, and accelerate the contracted projects with mutual benefits.

Incorporation of new subsidiaries for the six months ended 30 June 2018

Name	Place of incorporation and operation and kind of legal entity	Principal activities	Particulars of authorised share capital	Proportion of ordinary shares held by the Group (%)
Wuxi China Minsheng Drawin Intelligence Technology Limited* 無錫中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	100%
Shijiazhuang China Minsheng Drawin Intelligence Technology Limited* 石家莊中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	100%
Chengdu Dayi China Minsheng Drawin Technology Limited* 成都大邑中民築友科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	100%
Wuhan China Minsheng Drawin Intelligence Technology Limited* 武漢中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	100%

Name	Place of incorporation and operation and kind of legal entity	Principal activities	Particulars of authorised share capital	Proportion of ordinary shares held by the Group (%)
Chengdu China Minsheng Drawin Intelligence Technology Limited* 成都中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB70,000,000	100%
Tianjin China Minsheng Drawin Intelligence Technology Limited* 天津中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB150,000,000	100%
Nanning China Minsheng Drawin Intelligence Technology Limited* 南寧中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	100%
Xi'an China Minsheng Drawin Intelligence Technology Limited* 西安中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB150,000,000	100%

* For identification purpose only

Government grants received in the first half of the year

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Government grants received	**4,177**	26,657

The Group has satisfied and complied with relevant requirements and regulations in the PRC to receive the above government grants.

FINANCIAL REVIEW

Review of results

The Group was principally engaged in the research and development, design, manufacture and sale of assembled building prefabricated units, granting licenses and property investment in the PRC.

Revenue

The revenue of the Group increased by approximately 7.9 times from approximately HK$38.1 million for the six months ended 30 June 2017 to approximately HK$300.4 million for the six months ended 30 June 2018. The significant increase in revenue were mainly attributable to (i) the utilized capacity of Technology Parks for the manufacturing and sale of prefabricated units continually enhanced during the period and (ii) the revenue generated from granting licenses of approximately HK$67.8 million and revenue from sales of equipment of approximately HK$10.8 million for the six months ended 30 June 2018 which were new revenue streams as compared with the six months ended 30 June 2017. As a result, the Group recorded sales revenue for the six months ended 30 June 2018 of prefabricated units of approximately HK$221.0 million (2017: approximately HK$36.2 million), revenue from granting licenses of approximately HK$67.8 million (2017: Nil), sales of equipment of approximately HK$10.8 million (2017: Nil) and rental income from investment properties of approximately HK$0.8 million (2017: HK$0.2 million).

Cost of sales

The Group recorded cost of sales of approximately HK$191.8 million (2017: approximately HK$37.0 million) for the six months ended 30 June 2018. The increase was primarily attributable by the sales increase of prefabricated units.

Recovery of other receivables — reversal of impairment provision

The recovery of other receivables — reversal of impairment provision amounting to HK$30 million for the six months ended 30 June 2017 mainly comprised of (i) impairment loss previously recognised of HK$21 million for the refundable earnest money and (ii) impairment loss previously recognised of HK$9 million for the private fund from Quantum Enhanced Fund which were reversed for the six months ended 30 June 2017.

Other gains/(losses) — net

For the six months ended 30 June 2018, other gains/(losses)-net amounting to approximately HK$1.1 million mainly comprised of (i) the net realized gain on financial assets at fair value through profit or loss amounting to approximately HK$2.3 million; (ii) net gain on disposal of investment properties amounting to approximately HK$0.2 million and (iii) net loss on disposal of property, plant and equipment amounting to approximately HK$1.0 million.

Selling and distribution expenses

For the six months ended 30 June 2018, the selling and distribution expenses increased by 5.4 times to approximately HK$19.7 million for the six months ended 30 June 2018 from approximately HK$3.6 million for the six months ended 30 June 2017, which were mainly attributable to (i) the transportation increased by 6.3 times to approximately HK$13.9 million for the six months ended 30 June 2018 from approximately HK$2.2 million for the six months ended 30 June 2017 and (ii) professional fees for the preparation of sales contract increased by HK$3.0 million to approximately HK$3.1 million for the six months ended 30 June 2018 from approximately HK$0.1 million for the six months ended 30 June 2017 and such increase were in line with the increase in sales revenue.

Administrative expenses

For the six months ended 30 June 2018, the administrative expenses increased by 1.1 times from approximately HK$45.3 million for the six months ended 30 June 2017 to approximately HK$51.2 million for the six months ended 30 June 2018, which were mainly attributable to (i) the depreciation and amortization increased by 3.0 times to approximately HK$11.55 million for the six months ended 30 June 2018 from approximately HK$3.9 million for the six months ended 30 June 2017 and (ii) the rental fee decreased by 1.5 times to approximately HK$3.2 million for the six months ended 30 June 2018 from approximately HK$4.9 million for the six months ended 30 June 2017 and such decrease were due to the decline of office buildings renting. As some of office buildings were set up already in the current period the amount of renting office buildings became less than that of last period.

Finance costs

For the six months ended 30 June 2018, the finance costs decreased by HK$5.7 million from approximately HK$8.6 million for the six months ended 30 June 2017 to approximately HK$2.9 million for the six month ended 30 June 2018 which was mainly attributable to the convertible bond was fully exercised on 6 November 2017 in result of there has no interest expenses on convertible bond for the six months ended 30 June 2018.

Liquidity and Financial Resources

For the six months ended 30 June 2018, the Group's net cash used in operating activities was approximately HK$97.9 million (six months ended 30 June 2017: net cash used in operating activities was approximately HK$53.0 million) and the Group's cash and cash equivalents were approximately HK$463.0 million as at 30 June 2018 (31 December 2017: HK$582.5 million).

As at 30 June 2018, the Group had current assets of approximately HK$1,033.0 million (31 December 2017: HK$1,088.0 million) and current liabilities of approximately HK$456.9 million (31 December 2017: HK$329.5 million). The current ratio (which is calculated on the basis of current assets without restricted cash over current liabilities) was approximately 2.2 as at 30 June 2018 (31 December 2017: 3.3).

As at 30 June 2018, the Group hold borrowings amounted to approximately HK$268.0 million (31 December 2017: HK$119.6 million) and the gearing ratio (expressed as a percentage of total borrowings over total assets) was 8.5% (31 December 2017: 4.2%).

Other than the matters above, there has been no material change from the information published in the report and accounts for the year ended 31 December 2017.

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

For the six months ended 30 June 2018, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for:

(a) code provision A.2.1 of the Code in relation to the separation of roles of chairman and chief executive officer, as both of the roles are currently undertaken by the Chairman of the Board;

(b) code provision A.6.7 of the Code in relation to Directors should attend the general meetings of the Company. Due to their respective engagements, Mr. Chan Chi Hung (Resigned on 14 June 2018), Mr. Jiang Hongqing and Mr. Ma Lishan were unable to attend the annual general meeting of the Company held on 5 June 2018.

On 8 May 2018, Mr. Yin Jun, stepped down as the chief executive officer of the Group while Mr. Yang Hongwei, currently a vice president of the Company, was appointed as the chief executive officer of the Group in succession to Mr. Yin. As such, the Company has fully complied with such code provision A.2.1 after the appointment of the new chief executive officer.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to the specific enquiry made by the Company, all the Directors confirmed that they fully complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2018.

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018.

By order of the Board of
China Minsheng DIT Group Limited
Yin Jun
Chairman and Executive Director

Hong Kong, 23 August 2018

As at the date of this announcement, the Board comprises Mr. Yin Jun (Chairman) and Mr. Yang Hongwei as executive directors; Mr. Peng Xiongwen as non-executive director; Mr. Jiang Hongqing, Mr. Lee Chi Ming, and Mr. Ma Lishan as independent non-executive directors.