

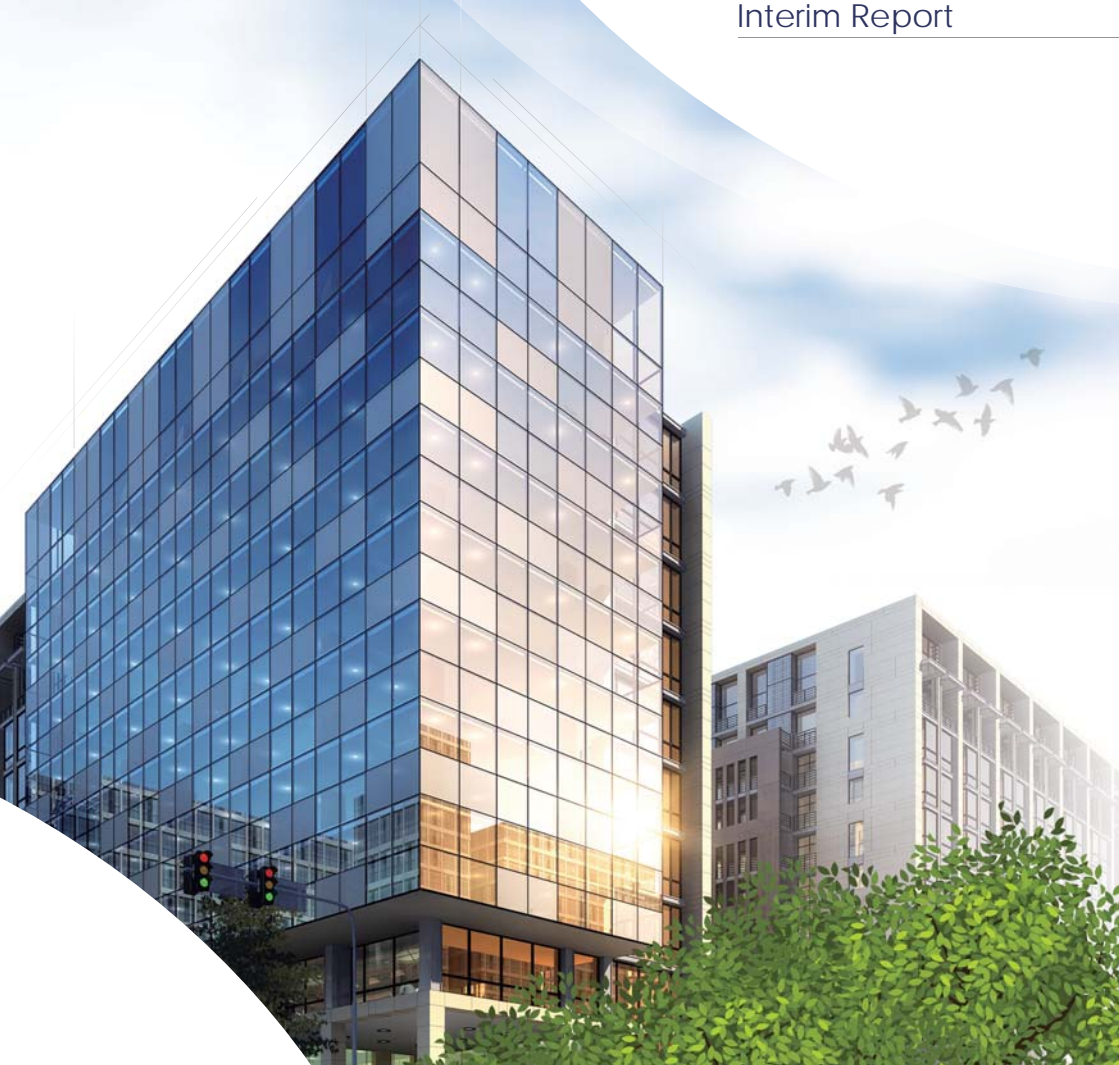
Stock Code: 726



China Minsheng DIT Group Limited
(Formerly known as China Minsheng Drawin Technology Group Limited)
(Incorporated in Bermuda with limited liability)

2018

Interim Report



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CORPORATE INFORMATION

Board of Directors

Executive Directors

YIN Jun (*Chairman*)

YANG Hongwei (*Chief Executive Officer*)

Non-executive Director

PENG Xiongwen

Independent Non-executive Directors

JIANG Hongqing

LEE Chi Ming

MA Lishan

Board Committees

Audit Committee

LEE Chi Ming (*Chairman*)

JIANG Hongqing

MA Lishan

Nomination Committee

YIN Jun (*Chairman*)

JIANG Hongqing

LEE Chi Ming

Remuneration Committee

JIANG Hongqing (*Chairman*)

LEE Chi Ming

MA Lishan

Company Secretary

TSANG Ho Peng

Authorised Representatives

YIN Jun

TSANG Ho Peng

Registered Office

Canon's Court, 22 Victoria Street

Hamilton HM 12, Bermuda

Head Office and Principal Place of Business in Hong Kong

Suites 1001–1004, 10th Floor
One Pacific Place, 88 Queensway,
Hong Kong

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Banker

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:
00726

Website

<http://cmdrawin.todayir.com>

CHAIRMAN'S STATEMENT

Prefabricated construction represents a new round of technological revolution in the construction industry and the direction in which industrial renovation advances. It is a revolutionary change of the transformation and construction mode of the traditional construction industry, as well as a significant measure taken to accelerate the supply-side structural reform. Moreover, it provides solid support for the construction of new-type urbanization.

In June 2018, the State Council issued the Three-Year Action Plan for Winning the Blue Sky Defense Battle (《打贏藍天保衛戰三年行動計劃》), which once again made clear the steady development of prefabricated construction in line with local conditions and the enhancement of promoting green construction. Prefabricated Construction Evaluation Standards (《裝配式建築評價標準》) and other national standards have been promulgated to further enhance and standardize the development of prefabricated construction.

In addition, various provinces and localities continued to unleash policy benefits, providing impetus for the rapid development of prefabricated construction. In the process of developing prefabricated construction, various parts of the country, after taking into account the local industrial base and socioeconomic conditions, have formulated development goals and work priorities in line with local situations. In respect of land transfer, planning, taxation, finance, etc., relevant incentive measures have been put in place and management mechanism has been innovated to facilitate the stable and healthy development of prefabricated construction. 31 provinces (including autonomous regions and municipalities directly under the Central Government) have all issued relevant policy documents to foster the development of prefabricated construction, and the overall industrial development situation has taken shape.

Along the rapid development of the industry, the Company continued to enhance its management standard by establishing a refined and standardized management system in order to run the business in a standardized, legal and effective way. We upheld the principle of “technology commercialization and product commercialization” for our market- and customer-oriented research and development (R&D) with continuous introduction of new technology and new products that adapt to the market. We strived to achieve green manufacturing and refined production with stringent control over production costs and product quality, which significantly enhanced our production efficiency.

Looking forward, China Minsheng DIT Group Limited (the “Company” and together with its subsidiaries, collectively the “Group”) will stay focused on the research, manufacturing and operations of prefabricated construction. Fully capitalizing on the support under national policies and riding on the latest trend, we follow the national strategies to undertake product innovation and industry layout, so as to enhance our Group's revenue and profit with our highly competitive products in the market.

By order of the Board
Yin Jun
Chairman

Hong Kong, 23 August 2018

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 informativised 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 RMB1,020.6 million which are RMB361.2 million already recognised as revenue and RMB659.4 million not yet satisfied the criteria on revenue recognition.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

Sales revenue of prefabricated units — by region	Six months ended 30 June	
	2018 HK\$'000	2017 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 HK\$'000	2017 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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

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)	China Minsheng Drawin Technology (Jiaozhou) Limited* 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%

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

Incorporation of new subsidiaries for the six months ended 30 June 2018 *(continued)*

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 (%)
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%
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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

Government grants received in the first half of the year *(continued)*

	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.

Financial Review *(continued)*

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\$11.6 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.

Financial Review *(continued)*

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 months 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.

Capital structure

As at 30 June 2018, the total number of issued shares of the Company (the "Share(s)") was 11,209,602,920 Shares with a par value of HK\$0.1 each. Based on the closing price of HK\$0.204 per Share as at 30 June 2018, the Company's market value as at 30 June 2018 was approximately HK\$2,286.8 million.

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 (the "Board") 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Human Resources

As at 30 June 2018, the Group had a total of 849 (31 December 2017: 1,013) employees excluding directors of the Company (the "Directors") 843 (31 December 2017: 1,007) of them worked in the PRC and 6 (31 December 2017: 6) of them worked in Hong Kong.

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 Company. In doing so, we create a desirable workplace for our employees to develop and flourish.

Charges on Group Assets

As at 30 June 2018, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group, except for the one as disclosed in the Note 26 to the consolidated financial statements.

Capital Commitments and Contingent Liabilities

As at 30 June 2018, the Group had outstanding capital commitments in the aggregate amount of approximately HK\$413.7 (31 December 2017: HK\$44.2 million) and no material contingent liabilities (31 December 2017: Nil).

Change of Company Name

Subsequent to the passing of the special resolution for the change of company name at the annual general meeting held on 5 June 2018, the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda on 9 July 2018 certifying that the change of the English name of the Company from "China Minsheng Drawin Technology Group Limited" to "China Minsheng DIT Group Limited" and the adoption of the secondary name in Chinese "中民築友智造科技集團有限公司" in place of "中民築友科技集團有限公司" were both registered and took effect on 25 June 2018. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 23 July 2018.

Change of Chief Executive Officer

In order to enhance the corporate governance practices of the Company and to enable the Company to better comply with the code provision A.2.1 in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which provides that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual, with effect from 8 May 2018, Mr. Yin Jun, has stepped down as the chief executive officer of the Group while Mr. Yang Hongwei, currently a vice president of the Company, has been appointed as the chief executive officer of the Group in succession to Mr. Yin. Mr. Yin remains as an executive director and the chairman of the Board, as well as the chairman of the nomination committee of the Company.

Change of Directors

On 8 May 2018, Mr. Chen Donghui, Ms. Gan Ping and Mr. Zhao Xiaodong tendered his/her resignation as a non-executive director of the Company due to his other business commitments with immediate effect.

On 14 June 2018, Mr. Chan Chi Hung tendered his resignation as an independent non-executive director of the Company due to his other business commitments with effect from 1 July 2018.

On 26 June 2018, Mr. Mi Hongjun and Mr. Chen Domingo tendered his resignation as an executive director of the Company with such resignations to take effect from 1 July 2018. The Board understood from the outgoing directors that they would like to focus more time on their other work commitments.

Each of the above outgoing directors has confirmed that there is no disagreement between them and the Board and that there is no matter relating to their resignation that needs to be brought to the attention of the shareholders of the Company or The Stock Exchange of Hong Kong Limited.

On 26 June 2018, Mr. Yang Hongwei and Mr. Peng Xiongwen were appointed as an executive director and a non-executive director respectively of the Company with such appointment to take effect from 1 July 2018.

Save for the above, there has been no other change in Directors' information since 28 March 2018, the date of the annual report of the Company for the year ended 31 December 2017, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE

Corporate Governance Practices

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

For the six months ended 30 June 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.

GENERAL INFORMATION

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

As at 30 June 2018, none of the Directors and chief executives of the Company had or was 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.

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

As at 30 June 2018, 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:

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

Long positions in the Shares and underlying Shares of the Company

Name of Shareholder	Capacity	Number of Shares held	Percentage of the Issued Share Capital (Note 1)
Jiyao Global Investments Limited ("Jiyao")	Beneficial owner	5,880,440,000 (note 2)	52.46%
Jiamin (Holding) Investment Limited	Beneficial owner	320,000,000 (note 2)	2.85%
Jianuo (Holding) Investment Limited	Beneficial owner	310,000,000 (note 2)	2.76%
Jiaxin (Holding) Investment Limited	Beneficial owner	305,000,000 (note 2)	2.72%

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 *(continued)*

Name of Shareholder	Capacity	Number of Shares held	Percentage of the Issued Share Capital (Note 1)
Jiaheng (Holding) Investment Limited	Beneficial owner	300,000,000 (note 2)	2.68%
Jiacheng (Holding) Investment Limited	Beneficial owner	65,000,000 (note 2)	0.58%
Jialing (International) Investment Limited	Interest of controlled corporation	1,300,000,000 (note 2)	11.59%
Jiayao	Interest of controlled corporation	1,300,000,000 (note 2)	11.59%
Jiaye Summit Global Investment Limited	Interest of controlled corporation	7,180,440,000 (note 2)	64.05%
Jiakai Investment (Shanghai) Co., Ltd	Interest of controlled corporation	7,180,440,000 (note 2)	64.05%
Tianjin China Minsheng Drawwin Technology Limited ("TCMDT")	Interest of controlled corporation	7,180,440,000 (note 2)	64.05%
Jiayou (International) Investment Limited ("Jiayou")	Beneficial owner	109,520,000 (note 2)	0.98%
Jiahuang (Holdings) Investment Limited	Interest of controlled corporation	109,520,000 (note 2)	0.98%
Jiaxin Investment (Shanghai) Co., Ltd.	Interest of controlled corporation	109,520,000 (note 2)	0.98%
China Minsheng Jiaye Investment Co., Ltd. ("CMJYI")	Interest of controlled corporation	109,520,000 (note 2)	0.98%
China Minsheng Investment Corp., Ltd.	Interest of controlled corporation	7,289,960,000 (note 2)	65.03%
Zhu Yuehai	Beneficial owner	1,000,000,000	8.92%

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 *(continued)*

Notes:

1. It was based on 11,209,602,920 Shares as at 30 June 2018.
2. Jiayao beneficially owned 5,880,440,000 Shares, representing 52.46% of the issued share capital of the Company. Jiayao's five indirectly wholly-owned subsidiaries, namely Jiamin (Holding) Investment Limited, Jianuo (Holding) Investment Limited, Jiaxin (Holding) Investment Limited, Jiaheng (Holding) Investment Limited and Jiacheng (Holding) Investment Limited, beneficially owned in aggregate 1,300,000,000 Shares, representing 11.59% of the issued share capital of the Company. Jiayou beneficially owned 109,520,000 Shares, representing 0.98% of the issued share capital of the Company. Each of Jiayao and Jiayou is a company indirectly and wholly owned by TCMDT and CMYJI respectively, which in turn is 100% and 69.4% owned by China Minsheng Investment Corp., Ltd.

Save as disclosed above, and as at 30 June 2018, 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

For 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.

Share Options

The share option scheme adopted by the Company on 7 November 2003 (the "Old Scheme") was terminated pursuant to an ordinary resolution passed by the shareholders of the Company on 7 August 2013. A new share option scheme (the "New Scheme") in place of the Old Scheme was adopted pursuant to such resolution with effect from 7 August 2013 which has a term of 10 years.

No share options have been granted, exercised, cancelled or lapsed under the New Scheme since its adoption on 7 August 2013. As at 30 June 2018 and up to the date of this report, there were no outstanding share options that have been granted and remained outstanding and exercisable under both the Old Scheme and the New Scheme.

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.

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, Computershare Hong Kong Investor Services Limited, by post to Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at cmdrawin.ecom@computershare.com.hk.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (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	16	(12,918)	—
Operating profit		29,849	10,315
Finance costs	9	(2,912)	(8,558)
Profit before income tax		26,937	1,757
Income tax expense	10	(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

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

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
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
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	12	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	13	1,186,589	928,708
Land use rights	14	664,724	628,458
Investment properties	15	18,283	18,543
Intangible assets		1,175	782
Deferred income tax assets	24	21,978	20,751
Investments in associates	16	208,281	182,735
Financial assets at fair value through profit or loss	19	6,046	–
		2,107,076	1,779,977
Current assets			
Inventories	18	85,036	78,609
Trade and other receivables and prepayments	17	454,898	402,516
Available for sale financial assets		–	23,926
Financial assets at fair value through profit or loss	19	12,091	–
Cash and cash equivalents	20	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	21	1,120,960	1,120,960
Reserves		764,004	723,517
		1,884,964	1,844,477
Non-controlling interests	22	584,370	560,917
Total equity		2,469,334	2,405,394

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2018

		30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
	Notes		
LIABILITIES			
Non-current liabilities			
Deferred income		23,726	23,475
Deferred income tax liabilities	24	14,897	7,962
Borrowings	26	175,227	101,686
		213,850	133,123
Current liabilities			
Trade and other payables	25	343,961	266,537
Contract liabilities		17,892	–
Advance from customers		–	22,987
Current income tax liabilities		2,268	22,003
Borrowings	26	92,787	17,944
		456,908	329,471
Total liabilities		670,758	462,594
Total equity and liabilities		3,140,092	2,867,988

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Notes	Attributable to owners of the Company										Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Available- for-sale financial assets revaluation reserve HK\$'000	Convertible bond – equity component HK\$'000	Exchange reserve HK\$'000	Contributed surplus reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
Balance at 1 January 2017 (audited)	1,020,960	731,460	(209)	37,600	(43,796)	131,166	–	(505,670)	1,371,511	553,677	1,925,188
Comprehensive income	–	–	–	–	–	–	–	1,451	1,451	(821)	630
Profit/(loss) for the period	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income:											
Fair value losses on available-for-sale financial assets recycled to profit or loss upon redemption or disposal	–	–	209	–	–	–	–	–	209	–	209
Currency translation differences	–	–	–	–	37,740	–	–	–	37,740	11,291	49,031
Total comprehensive income for the period	–	–	209	–	37,740	–	–	1,451	39,400	10,470	49,870
Transactions with owners, recognized directly in equity											
Disposal of ownership interests in subsidiaries without loss of control	27	–	–	–	–	–	24,717	–	24,717	6,388	31,105
Capital contribution from a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	1,037	1,037
Balance at 30 June 2017 (unaudited)	1,020,960	731,460	–	37,600	(6,056)	131,166	24,717	(504,219)	1,435,628	571,572	2,007,200
Balance at 31 December 2017 as originally presented (audited)	1,120,960	859,695	–	–	77,976	131,166	28,631	(373,951)	1,844,477	560,917	2,405,394
Change in accounting policy	3	–	–	–	–	–	–	(1,220)	(1,220)	(53)	(1,273)
Restated total equity at 1 January 2018	1,120,960	859,695	–	–	77,976	131,166	28,631	(375,171)	1,843,257	560,864	2,404,121
Comprehensive income	–	–	–	–	–	–	–	19,533	19,533	(4,707)	14,826
Profit/(loss) for the period	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income:											
Currency translation differences	–	–	–	–	21,362	–	–	–	21,362	79	21,441
Total comprehensive income for the period	–	–	–	–	21,362	–	–	19,533	40,895	(4,628)	36,267
Transactions with owners, recognized directly in equity											
Disposal of ownership interests in subsidiaries without loss of control	27	–	–	–	–	–	1,182	–	1,182	27,764	28,946
Transaction with non-controlling interests in a subsidiary	–	–	–	–	–	–	(370)	–	(370)	370	–
Balance at 30 June 2018 (unaudited)	1,120,960	859,695	–	–	99,338	131,166	29,443	(355,638)	1,884,964	584,370	2,469,334

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Operating activities			
Cash used in operations		(72,291)	(48,514)
PRC income tax paid		(25,602)	(4,477)
Net cash used in operating activities		(97,893)	(52,991)
Investing activities			
Interest received on bank deposits	6	502	862
Proceeds from disposal or redemption of available-for-sale financial assets		–	123,088
Purchases of available-for-sale financial assets		–	(69,131)
Purchase of property, plant and equipment		(285,910)	(183,955)
Purchase of intangible assets		(424)	(51)
Recovery of other receivables		–	46,230
Payments for land use rights	14	(36,362)	–
Proceeds from disposal of investment properties		645	1,538
Proceeds from disposal of property, plant and equipment		771	–
Increase in restricted cash		(8,426)	–
Proceeds from disposal of subsidiaries		166,130	–
Purchases of financial assets at fair value through profit or loss	19	(311,582)	–
Proceeds from disposal of financial assets at fair value through profit or loss	19	319,998	–
Payment for acquisition of an associate		(36,946)	–
Net cash used in investing activities		(191,604)	(81,419)
Financing activities			
Proceeds from bank borrowings	26	118,845	69,131
Proceeds from other borrowings	26	24,183	–
Bank loan interest paid		(5,274)	–
Disposal of equity interests in subsidiaries without loss of control	27	28,947	31,105
Capital contribution from non-controlling interest of a subsidiary		–	1,037
Net cash generated from financing activities		166,701	101,273
Net decrease in cash and cash equivalents		(122,796)	(33,137)
Cash and cash equivalents at beginning of the period		582,511	784,546
Net exchange gain/(loss) on cash and cash equivalents		3,327	(13,297)
Cash and cash equivalents at end of the period		463,042	738,112

Non-cash transaction

The principle non-cash transaction is the acquisition of property, plant and equipment through finance lease arrangement of HK\$6.3 million (Note 26).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. General Information

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.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards of HKFRSs 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 material 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.

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

For the six months ended 30 June 2018

3. Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

3(a) Impact on the financial statements

In accordance with transitional provisions in HKFRS 9, the Group did not restate prior periods for impact of HKFRS 9. In addition, the Group elected to apply modified retrospective approach under HKFRS 15. Accordingly, the comparative figures were not restated.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	31 December 2017			1 January 2018
	As originally presented HK\$'000	HKFRS 9 HK\$'000	HKFRS 15 HK\$'000	Restated HK\$'000
Non-current assets				
Deferred income tax assets	20,751	424	–	21,175
Total non-current assets	1,779,977	424	–	1,780,401
Current assets				
Trade and other receivables and prepayments	402,516	(1,697)	–	400,819
Available-for-sale financial assets	23,926	(23,926)	–	–
Financial assets at fair value through profit or loss	–	23,926	–	23,926
Total current assets	1,088,011	(1,697)	–	1,086,314
Total assets	2,867,988	(1,273)	–	2,866,715
Current liabilities				
Contract liabilities	–	–	22,987	22,987
Advance from customers	22,987	–	(22,987)	–
Total current liabilities	329,471	–	–	329,471
Total non-current liabilities	133,123	–	–	133,123
Equity				
Reserves	723,517	(1,220)	–	722,297
Non-controlling interests	560,917	(53)	–	560,864
Total equity	2,405,394	(1,273)	–	2,404,121

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

For the six months ended 30 June 2018

3. Changes in accounting policies *(continued)*

3(b) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3(c) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's accumulated losses as at 1 January 2018 is as follows:

	Notes	HK\$'000
Closing accumulated losses 31 December 2017 – HKAS 39		
Increase in provision for trade and other receivables	(ii)	(1,626)
Increase in deferred tax assets relating to impairment provisions	(ii)	406
Adjustment to accumulated losses 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.

Financial assets — 1 January 2018	Note	FVOCI (Available-for-sale 2017)	
		FVPL HK\$'000	HK\$'000
Closing balance			
31 December 2017 — HKAS 39*		–	23,926
Reclassify investments from available- for-sale to FVPL	19	23,926	(23,926)
Opening balance			
1 January 2018 — HKFRS 9		23,926	–

(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 under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's accumulated losses is disclosed in the table in Note 3(b) above.

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

For the six months ended 30 June 2018

3. Changes in accounting policies *(continued)*

3(b) HKFRS 9 Financial Instruments – Impact of adoption *(continued)*

(ii) Impairment of financial assets *(continued)*

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

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.

To measure the expected credit losses, trade receivables has been based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 1 January 2018 was determined as follows for both trade receivables:

1 January 2018	Current	Less than 6 months past due	6 months to 1 year past due	More than 1 year past due	Total
Expected loss rate	0.1%	2.5%	3.1%	6.9%	–
Gross carrying amount	80,251	31,751	5,107	–	117,109
Loss allowance	101	800	157	–	1,058

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Trade receivables HK\$'000
At 31 December 2017 — calculated under HKAS 39	–
Amounts restated through opening accumulated losses	1,058
Opening loss allowance as at 1 January 2018 — calculated under HKFRS 9	1,058

The loss allowances increased by a further HK\$1,604,000 to HK\$2,662,000 for trade receivables during the six months to 30 June 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Other receivables

For other receivable already in place at 1 January 2018, 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.

Applying the expected credit risk model resulted in the recognition of a loss allowance of HK\$639,000 on 1 January 2018 (previous loss allowance was nil) and the loss allowances increased by a further HK\$81,000 to HK\$720,000 for the other receivables for the six months ended 30 June 2018.

3. Changes in accounting policies *(continued)*

3(c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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

For the six months ended 30 June 2018

3. Changes in accounting policies *(continued)*

3(c) HKFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018 *(continued)*

Investments and other financial assets (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3(d) 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 material 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).

3(e) HKFRS 15 Revenue from Contracts with Customers — Accounting policies

(i) Sales of prefabricated units

Sales of prefabricated units are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

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.

(ii) Revenue from licensing

Revenue from licensing is recognised in conjunction with related services at one point time when the required training of the licensing is provided to the customers and then the customer can direct the use of, and obtain substantially all of the remaining benefits from a license.

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

For the six months ended 30 June 2018

3. Changes in accounting policies *(continued)*

3(e) HKFRS 15 Revenue from Contracts with Customers – Accounting policies *(continued)*

(iii) Sales of equipment

Sales of equipment are recognised when the control of the equipment has transferred, being when the equipment is delivered to the customer and accepted by the customer in accordance with contract.

(iv) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

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

For the six months ended 30 June 2018

7. Other Gains/(Losses) — net

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (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 (Note 15)	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 HK\$'000 (unaudited)	2017 HK\$'000 (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.

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

For the six months ended 30 June 2018

9. Finance Costs

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest expenses on bank borrowings	5,274	915
Interest expenses on convertible bond (Note 23)	–	7,643
	5,274	8,558
Less: Interest expenses have been capitalized to the plants under development (Note 13)	(2,362)	–
	2,912	8,558

10. 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 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current income tax — PRC corporate income tax	5,867	3,783
Deferred income tax (Note 24)	6,244	(2,656)
Total income tax expense for the period	12,111	1,127

11. Dividend

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

12. 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 (unaudited)	2017 (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

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

For the six months ended 30 June 2018

12. Earnings Per Share *(continued)*

(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 23). 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.

13. Property, Plant and Equipment

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Balance as at 1 January (audited)	928,708	718,420
Additions	275,626	151,336
Disposals	(1,741)	–
Depreciation charge	(26,452)	(17,643)
Currency translation differences	10,448	44,511
Balance as at 30 June (unaudited)	1,186,589	896,624

As at 30 June 2018, property, plant and equipment with a total carrying amount of HK\$206.1million, net book value of HK\$198.3 million (31 December 2017: carrying amount HK\$103.9 million, net book value of HK\$102.0 million) was pledged for bank borrowings (Note 26).

For the six months ended 30 June 2018, depreciation of property, plant and equipment of approximately HK\$26.3 million (six months ended 30 June 2017: HK\$17.4 million) has been charged to cost of sales and administrative expenses in profit or loss and of approximately HK\$145,000 (six months ended 30 June 2017: HK\$269,000) has been capitalized to plants under development for prefabricated construction business.

For the six months ended 30 June 2018, interest expenses on bank borrowing of approximately HK\$2.4 million (six months ended 30 June 2017: Nil) have been capitalized to plants under development for prefabricated construction business (Note 9).

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

For the six months ended 30 June 2018

14. Land Use Rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Balance as at 1 January (audited)	628,458	534,960
Additions	36,362	–
Amortisation	(6,947)	(5,577)
Currency translation differences	6,851	16,301
Balance as at 30 June (unaudited)	664,724	545,684

As at 30 June 2018, land use right with a total carrying amount of HK\$240.5 million, net book value of HK\$232 million (31 December 2017: carrying amount HK\$196.9 million, net book value of HK\$191.2 million) was pledged for bank borrowings (Note 26).

For the six months ended 30 June 2018, amortization of land use rights of approximately HK\$5.4 million (six months ended 30 June 2017: HK\$1.1 million) has been charged to cost of sales and administrative expenses in profit or loss and approximately HK\$1.5 million (six months ended 30 June 2017: HK\$4.5 million) has been capitalized to plants under development for prefabricated construction business.

15. Investment Properties

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Balance as at 1 January (audited)	18,543	35,662
Disposals	(645)	(1,538)
Net gain/(loss) on disposal of investment properties (Note 7)	178	(1,791)
Currency translation differences	207	1,061
Balance as at 30 June (unaudited)	18,283	33,394

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

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

For the six months ended 30 June 2018

16. Interests in associates

The carrying amount of equity accounted investments has changed as follows for the six months ended 30 June 2018:

	Six months ending 30 June 2018 HK\$'000
Balance as at 1 January (audited)	
— Investment in Zhejiang China Minsheng Drawin Technology Company Limited ("Zhejiang China Minsheng")	182,735
Additions	
— Investment in YMCI China Minsheng Kunming Technology Construction Limited ("YMCI China Minsheng") (note (a))	36,273
Share of losses of associates	
— Zhejiang China Minsheng	(1,080)
— YMCI China Minsheng	(11,838)
	(12,918)
Currency translation differences	2,191
Balance as at 30 June (unaudited)	208,281

note:

- (a) In 2018, the Group acquired 30% interest in YMCI China Minsheng at a consideration of HK\$36.3 million (RMB30.0 million).

17. 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

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

For the six months ended 30 June 2018

17. Trade and Other Receivables and Prepayments *(continued)*

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

18. Inventories

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Raw materials	23,159	38,548
Finished goods	57,393	38,226
Low value articles	171	153
Work in progress	3,170	728
Goods in transit	1,143	954
	85,036	78,609

For the six months ended 30 June 2018, the cost of inventories recognised as expense and included in 'Cost of sales' amounted to approximately HK\$191.8 million (six months ended 30 June 2017: HK\$37.0 million).

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

For the six months ended 30 June 2018

19. Financial Assets at Fair Value through Profit or Loss

	HK\$'000
Balance as at 1 January 2018 (restated (note 3))	23,926
Acquisitions	311,582
Disposals	(319,998)
Net realised gain/(loss) on financial assets at fair value through profit or loss (Note 7)	2,258
Currency translation differences	369
Balance as at 30 June 2018 (unaudited)	18,137
Current — Structured deposits (note (a))	12,091
Non current — Debt instrument (note (b))	6,046
	18,137
	HK\$'000
Balance as at 1 January 2017 (audited)	44,968
Disposals	(44,555)
Currency translation differences	(413)
Balance as at 30 June 2017 (unaudited)	—

notes:

- (a) The structured deposits represent short-term deposit products maintained by the Group for generating interest income on a rolling basis. These structured deposits mainly invest in bonds or monetary market instruments with higher credit ratings and higher liquidity in the inter-bank market, including but not limited to assets such as treasury bonds, central banks bills, financial bonds, bond repurchases and inter-bank deposits. However, they do not have any conversion feature which converts any part of the structure deposits into any of the underlying assets or other equity or debt securities or instruments.
- (b) The balance is related to an investment in an unlisted company in Mainland China which was measured at fair value.

20. Cash and Cash Equivalents

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Cash at bank and on hand		
— Denominated in HKD	270,226	291,576
— Denominated in RMB	181,660	279,780
— Denominated in USD	11,156	11,155
	463,042	582,511

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

For the six months ended 30 June 2018

21. Share Capital

Authorised shares

	Number of authorised shares
As at 1 January 2017, 30 June 2017, 31 December 2017 and 30 June 2018	25,000,000,000

Issued shares

	Number of issued shares (at HK\$0.1 each)	Ordinary shares (nominal value) HK\$'000
As at 1 January 2017	10,209,620,920	1,020,960
Exercising of convertible bond (note (a))	1,000,000,000	100,000
As at 31 December 2017 and 30 June 2018	11,209,620,920	1,120,960

note (a): On 6 November 2017, 1,000,000,000 new shares were issued to Mr. Zhu Yue Hai at the price of HK\$0.2 per share in result of exercise of a convertible bond.

All the shares issued rank pari passu in all respects.

22. Non-controlling Interests

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Changsha China Minsheng Drawin Intelligent Technology Company Limited (formerly known as China Minsheng Drawin (Changsha) Green Construction Technology Limited)	542,371	547,355
China Minsheng Drawin Technology (Jiaozhou) Limited	27,977	–
China Minsheng Drawin Technology (Pingdingshan) Limited	9,239	9,310
China Minsheng Drawin Technology (Jiangsu) Limited	4,783	4,252
	584,370	560,917

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

For the six months ended 30 June 2018

23. 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.

24. 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	2017
	HK\$'000	HK\$'000
Opening balance at 1 January (audited)	7,962	17,014
Debit to profit or loss (Note 10)	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	2017
	HK\$'000	HK\$'000
Opening balance at 1 January (restated (Note 3))	21,175	594
Credited to profit or loss (Note 10)	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

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

For the six months ended 30 June 2018

25. 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.

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

For the six months ended 30 June 2018

26. Borrowings

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
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 (Note 13), land use rights (Note 14) 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 (中民藥友科技(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 中民藥友科技投資有限公司.

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

For the six months ended 30 June 2018

26. Borrowings *(continued)*

notes: *(continued)*

- (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\$6.2 million with a third party.

27. Disposed of Ownership Interests in Subsidiaries Without Loss of Control

In May 2018, the Group disposed 49% equity interest in one of its subsidiaries 中民築友科技(膠州)有限公司 to a third party at a consideration of approximately HK\$28.9 million. The carrying amount of the disposed equity interests in 中民築友科技(膠州)有限公司 on the date of disposal was approximately HK\$27.8 million. The Group recognised an increase in non-controlling interests of approximately HK\$27.8 million and an increase in equity attributable to owners of the Company of approximately HK\$1.2 million.

In June 2017, the Group disposed 2% equity interest in one of its subsidiaries 浙江中民築友科技有限公司 to a third party at a consideration of approximately HK\$13.8 million. The carrying amount of the disposed equity interests in 浙江中民築友科技有限公司 on the date of disposal was approximately HK\$2.0 million. The Group recognised an increase in non-controlling interests of approximately HK\$2.0 million and an increase in equity attributable to owners of the Company of approximately HK\$11.8 million. Also in June 2017, the Group disposed 3% equity interest in one of its subsidiaries 中民築友科技(江蘇)有限公司 at a consideration of approximately HK\$17.3 million. The carrying amount of the disposed equity interests in 中民築友科技(江蘇)有限公司 on the date of disposal was approximately HK\$4.4 million. The Group recognised an increase in non-controlling interests of approximately HK\$4.4 million and an increase in equity attributable to owners of the Company of approximately HK\$12.9 million.

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

For the six months ended 30 June 2018

27. Disposed of Ownership Interests in Subsidiaries Without Loss of Control *(continued)*

The effect of changes in the non-controlling interests of above subsidiaries on the equity attributable to owners of the Company during the six months period 30 June 2017 and 30 June 2018 are summarised as follows:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Carrying amounts of equity interests disposed of	(27,765)	(6,388)
Consideration received from non-controlling interests	28,947	31,105
Gains on disposal recognised within equity	1,182	24,717

28. Capital commitments

As at 30 June 2018 and 31 December 2017, capital expenditure contracted for but not yet incurred is as follows:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
	Property, plant and equipment	406,278
Land use rights	7,388	–
	413,666	44,220

29. Operating lease arrangements

(a) Operating lease commitments

As at 30 June 2018 and 31 December 2017, the future aggregate minimum rental expenses in respect of certain office buildings held under non-cancellable operating leases are payable in the following periods:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within 1 year	6,564	7,510
2-5 years	11,971	18,284
Over 5 years	–	–
	18,535	25,794

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

For the six months ended 30 June 2018

29. Operating lease arrangements *(continued)*

(b) Operating lease rentals receivable

As at 30 June 2018 and 31 December 2017, the future aggregate minimum rental receipts under non-cancellable operating leases in respect of land and buildings are receivable in the following periods:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within 1 year	314	347
2-5 years	1,257	1,388
Over 5 years	4,245	4,211
	5,816	5,946

30. Related-Party Transactions

(a) Name and relationship with related parties

Name	Relationship
China Minsheng Drawin Co., Ltd	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)
China Minsheng Drawin Construction Technology Group Co., Ltd (formerly known as China Minsheng Drawin Construction Co., Ltd)	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)
Zhejiang China Minsheng Drawin Technology Company Limited	An associate company of the Group
YMCI China Minsheng Kunming Technology Construction Limited	An associate company of the Group
China Minsheng Drawin Building Technology Group Company Limited (formerly known as China Minsheng Drawin Building Technology Company Limited)	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)
Tianjin China Minsheng Drawin Technology Limited	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)
China Minsheng Drawin Architectural Design Limited	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)
Hunan China Minsheng Drawin Green Construction Investment Limited	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)
China Minsheng Drawin New Material Company Limited	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)

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

For the six months ended 30 June 2018

30. Related-Party Transactions *(continued)*

(b) Transactions with related parties

During the six months ended 30 June 2018 and the six months ended 30 June 2017, the Group has the following related party transactions:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Paid on behalf of the Group by		
China Minsheng Drawin Construction Technology Group Co., Ltd.	585	376
China Minsheng Drawin Building Technology Group Company Limited	50	–
	635	376
Payment made by the Group on behalf of		
China Minsheng Drawin Construction Technology Group Co., Ltd.	25,519	2,690
China Minsheng Drawin Architectural Design Limited	37	–
China Minsheng Drawin Co., Ltd.	35	20
	25,591	2,710
Supply of prefabricated construction components by the Group		
China Minsheng Drawin Construction Technology Group Co., Ltd.	63,596	13,649
China Minsheng Drawin Building Technology Group Company Limited	7,272	–
	70,868	13,649
Sales of equipment		
Zhejiang China Minsheng Drawin Technology Company Limited	10,678	–
Grant Licensing to		
YMCI China Minsheng Kunming Technology Construction Limited	38,341	–
Rental Income from		
China Minsheng Drawin New Material Company Limited	155	–
EPC general contracting services for PP&E provided by the related parties		
China Minsheng Drawin Construction Technology Group Co., Ltd.	165,911	15,570
China Minsheng Drawin Architectural Design Limited	2,359	–
	168,270	15,570
Guarantee for bank borrowings provided by the related party		
China Minsheng Drawin Co., Ltd.	48,364	–
Guarantee provided by the Group to		
Zhejiang China Minsheng Drawn Technology Company Limited	49,174	–

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

For the six months ended 30 June 2018

30. Related-Party Transactions *(continued)*

(c) Related-party balances

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Amount due from related parties		
Tianjin China Minsheng Drawin Technology Limited	–	62,232
China Minsheng Drawin Co., Ltd.	34	–
China Minsheng Drawin New Material Company Limited	188	–
China Minsheng Drawin Construction Technology Group Co., Ltd	101,410	46,228
China Minsheng Drawin Building Technology Group Company Limited	22,137	29,136
China Minsheng Drawin Architectural Design Limited	1,451	1,436
Zhejiang China Minsheng Drawin Technology Company Limited	13,005	–
Hunan China Minsheng Drawin Green Construction Investment Limited	1,123	1,096
YMCI China Minsheng Kunming Technology Construction Limited	3,627	–
	142,975	140,128
Amount due to related parties		
China Minsheng Drawin Construction Technology Group Co., Ltd	93,874	24,484
Zhejiang China Minsheng Drawin Technology Company Limited	4,881	8,465
China Minsheng Drawin Co., Ltd	289	275
China Minsheng Drawin Building Technology Group Company Limited	67	–
	99,111	33,224
Contract liabilities		
China Minsheng Drawin Construction Technology Group Co., Ltd	122	–

Except for certain amounts due from China Minsheng Drawin Building Technology Group Company Limited of HK\$12,091,021 as of 30 June 2018 which are subject to interest bearing with fixed repayment terms, the amounts due from and due to related parties are unsecured, bear no interest and are repayable on demand.

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

For the six months ended 30 June 2018

30. Related-Party Transactions *(continued)*

(d) Key management compensation

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	4,315	4,414
Employer's contribution to pension scheme	12	46
	4,327	4,460