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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the “Directors”) of China Minsheng DIT Group Limited (the “Company”) is pleased to present the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>Notes</i>	Year ended 31 December 2018 <i>HK\$'000</i>	Year ended 31 December 2017 <i>HK\$'000</i>
Revenue	3	530,232	216,587
Cost of sales	6	(372,107)	(207,619)
Gross profit		158,125	8,968
Gains on disposal of subsidiaries		–	212,334
Government subsidies		14,029	62,789
Other income	4	3,510	7,008
Other gains — net	5	7,151	15,288
Selling and distribution expenses	6	(34,745)	(17,408)
Administrative expenses	6	(109,710)	(159,110)
Net impairment losses on financial assets		(1,633)	–
Share of losses of associates		(1,329)	–

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*
For the year ended 31 December 2018

	<i>Notes</i>	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Operating profit		35,398	129,869
Finance costs	7	<u>(9,155)</u>	<u>(17,272)</u>
Profit before income tax		26,243	112,597
Income tax (expense)/credit	8	<u>(6,903)</u>	<u>11,224</u>
Profit for the year		<u>19,340</u>	<u>123,821</u>
Profit/(loss) for the year, attributable to			
— Owners of the Company		27,427	131,719
— Non-controlling interests		<u>(8,087)</u>	<u>(7,898)</u>
		<u>19,340</u>	<u>123,821</u>
Earnings per share attributable to owners of the Company (expressed in HK\$ cents per share)			
— Basic and diluted	10	<u>0.24</u>	<u>1.27</u>
Other comprehensive (loss)/income, which may be reclassified subsequently to profit or loss			
— Changes in fair value of available-for-sale financial assets		—	209
— Currency translation differences		<u>(105,416)</u>	<u>122,141</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(105,416)</u>	<u>122,350</u>
Total comprehensive (loss)/income for the year		<u>(86,076)</u>	<u>246,171</u>
Total comprehensive (loss)/income for the year, attributable to			
— Owners of the Company		(76,811)	253,700
— Non-controlling interests		<u>(9,265)</u>	<u>(7,529)</u>
		<u>(86,076)</u>	<u>246,171</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,483,219	928,708
Land use rights	12	732,937	628,458
Investment properties	13	17,348	18,543
Intangible assets		4,118	782
Deferred income tax assets	17	37,442	20,751
Investment in associates	14	192,697	182,735
Financial assets at fair value through profit or loss	15	23,967	–
		<u>2,491,728</u>	<u>1,779,977</u>
Current assets			
Inventories		96,095	78,609
Trade and other receivables and prepayments	16	505,793	402,516
Available-for-sale financial assets		–	23,926
Cash and cash equivalents		110,802	582,511
Restricted cash		153,588	449
		<u>866,278</u>	<u>1,088,011</u>
Total assets		<u>3,358,006</u>	<u>2,867,988</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital (nominal value)		1,120,960	1,120,960
Reserves		649,946	723,517
		<u>1,770,906</u>	<u>1,844,477</u>
Non-controlling interests		<u>607,623</u>	<u>560,917</u>
Total equity		<u>2,378,529</u>	<u>2,405,394</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2018*

		As at 31 December 2018	As at 31 December 2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income		1,427	23,475
Deferred income tax liabilities	17	8,010	7,962
Borrowings	19	340,676	101,686
Obligations under finance lease	20	2,880	–
		<u>352,993</u>	<u>133,123</u>
Current liabilities			
Trade and other payables	18	413,813	266,537
Advance from customers		–	22,987
Contract liabilities		40,545	–
Current income tax liabilities		14,702	22,003
Borrowings	19	155,900	17,944
Obligations under finance lease	20	1,524	–
		<u>626,484</u>	<u>329,471</u>
Total liabilities		<u>979,477</u>	<u>462,594</u>
Total equity and liabilities		<u>3,358,006</u>	<u>2,867,988</u>

NOTES:

1 GENERAL INFORMATION

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

The address of the registered office of the Company is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is Suites 1001-1004, Level 10, One Pacific Place, 88 Queensway, Admiralty, Hong Kong.

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

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

The ultimate parent company of the Company is China Minsheng Investment Corp. Ltd., a company incorporated in the People’s Republic of China.

The annual results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2018 but are extracted from those financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

New amendments of HKFRSs adopted by the Group in 2018

The Group has applied the following standards, amendments and interpretations for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property — Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

Except for HKFRS 9 and HKFRS 15, the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3 REVENUE

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Revenue from sales of prefabricated units	423,640	173,565
Revenue from granting licenses	84,895	32,711
Revenue from sales of equipment	18,586	5,815
Rental income	1,919	1,586
Revenue from consulting service income	1,192	2,910
	<hr/> 530,232 <hr/>	<hr/> 216,587 <hr/>

4 OTHER INCOME

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Interest income on bank deposits	2,359	2,081
Others	1,151	4,927
	<hr/> 3,510 <hr/>	<hr/> 7,008 <hr/>

5 OTHER GAINS — NET

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Net exchange gains/(losses)	4,537	(1,272)
Net gains on financial assets at fair value through profit or loss	2,789	(413)
Fair value gains/(losses) on investment properties	367	(18,337)
Losses on disposal of equipments	(930)	—
Recovery of trade and other receivables	—	30,488
Net gains on redemption of available-for-sale financial assets	—	5,820
Gain on recovery of other receivables		
— interest charged on late settlement	—	1,420
Provision for onerous contract	—	(1,857)
Others	388	(561)
	<u>7,151</u>	<u>15,288</u>

6 EXPENSES BY NATURE

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

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Raw materials and consumables used	186,309	104,000
Change in inventories of finished goods and work in progress	(9,249)	(34,934)
Employee benefits expenses (<i>note (a)</i>)	106,263	117,536
Depreciation	50,360	42,357
Labour outsourcing	32,915	33,208
Transportation	23,626	8,091
Operating lease rentals on buildings	18,202	21,677
Land use tax and value-added tax surcharges	13,333	9,786
Legal and professional fees	13,181	10,788
Entertainment and travelling expenses	10,322	16,543
Amortisation of land use rights and intangible assets	10,508	12,772
Utilities	8,136	6,153
Auditors' remuneration		
— audit services	1,890	1,750
— non-audit services	—	67
Provision for inventories impairment	1,324	4,998
Bank charges	1,009	1,904
Office expenses	832	3,724
Registration expenses	565	1,403
Others	47,036	22,314
	<u>516,562</u>	<u>384,137</u>
Total of cost of sales, selling and distribution expenses and administrative expenses	<u>516,562</u>	<u>384,137</u>

6 EXPENSES BY NATURE (Continued)

Note:

(a) Employee benefit expenses (including directors' and chief executive's emoluments)

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Wages and salaries	96,509	106,747
Pensions	4,234	4,683
Other welfare benefit expenses	5,520	6,106
	<hr/>	<hr/>
Charged to statement of profit or loss and other comprehensive income	106,263	117,536
	<hr/>	<hr/>

7 FINANCE COSTS

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Interest expenses on convertible bond	–	13,209
Interest expenses on borrowings	13,739	4,063
Less: Interest capitalised (Note 11)	(4,584)	–
	<hr/>	<hr/>
	9,155	17,272
	<hr/>	<hr/>

8 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Current income tax		
— PRC corporate income tax	24,715	23,080
— Hong Kong profits tax	—	151
	<u>24,715</u>	<u>23,231</u>
Deferred income tax (<i>Note 17</i>)	(17,812)	(34,455)
Total income tax expense/(credit) for the year	<u>6,903</u>	<u>(11,224)</u>

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

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Profit before income tax	<u>26,243</u>	<u>112,597</u>
Income tax calculated at respective statutory rates	8,476	16,227
Preferential income tax rate	(5,066)	(3,870)
Previously unrecognised tax losses recognised in current year as deferred tax assets	(5,032)	(4,289)
Adjustment of previously recognised deferred tax liabilities due to conversion of convertible bond	—	(1,545)
Non-deductible expenses	2,458	2,243
Non-taxable income	(66)	(17,244)
Research and development expenditure additional deduction	(392)	(2,093)
Utilisation of previously unrecognised tax losses	(971)	(3,089)
Utilisation of previously unrecognised temporary differences	—	(5,270)
Tax losses and temporary differences not recognised as deferred tax assets	6,834	7,555
Prior year's tax filing differences	<u>662</u>	<u>151</u>
Total income tax expense/ (credit) for the year	<u>6,903</u>	<u>(11,224)</u>

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% (year ended 31 December 2017: 16.5%) on the estimated assessable profit derived in Hong Kong for the year.

8 INCOME TAX EXPENSE/(CREDIT) (Continued)

PRC corporate income tax

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

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Company’s mainland China subsidiaries did not have plan for distributing dividend to the Company for the year ended 31 December 2018, thus no such withholding tax was accrued (31 December 2017: Nil).

9 DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the year ended 31 December 2018 (year ended 31 December 2017: Nil).

10 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December 2018	Year ended 31 December 2017
Consolidated earnings attributable to owners of the Company (HK\$'000)	<u>27,427</u>	<u>131,719</u>
Weighted average number of ordinary shares in issue ('000)	<u>11,209,603</u>	<u>10,360,288</u>
Basic earnings per share (HK cents)	<u>0.24</u>	<u>1.27</u>

(b) Diluted

In 2017, the convertible bond was assumed to have been converted into ordinary shares from the beginning of the year, and the earnings attributable to owners of the Company was adjusted to eliminate the interest expense less the tax effect before the conversion. Given the impact of conversion of convertible bond on earnings per share was anti-dilutive for the year ended 31 December 2017, diluted earnings per share therefore equal to basic earnings per share. For the year ended 31 December 2018, diluted earnings per share were equal to the basic earnings per share as the Group does not have any dilutive shares.

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 convertible bond issued by the Company in previous year was fully exercised by the bond owner in exchange of 1 billion ordinary shares at HK\$0.2 per share on 6 November 2017.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture & fixtures <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Plant under development for prefabricated construction business <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018								
Cost	615,190	4,629	10,426	13,072	194,962	17,847	113,047	969,173
Accumulated depreciation	(13,320)	(1,116)	(1,661)	(1,843)	(16,091)	(6,434)	–	(40,465)
Net book amount	<u>601,870</u>	<u>3,513</u>	<u>8,765</u>	<u>11,229</u>	<u>178,871</u>	<u>11,413</u>	<u>113,047</u>	<u>928,708</u>
Year ended 31 December 2018								
Opening net book amount	601,870	3,513	8,765	11,229	178,871	11,413	113,047	928,708
Additions	3,722	1,401	1,052	13,905	4,743	8,666	620,199	653,688
Transfers upon completion	111,859	–	–	–	53,424	–	(165,283)	–
Disposals	–	(634)	(784)	(1,371)	(3,014)	–	–	(5,803)
Depreciation charge	(21,287)	(1,000)	(1,844)	(3,172)	(19,194)	(3,863)	–	(50,360)
Currency translation differences	(27,478)	(237)	(223)	(400)	(6,948)	(2,529)	(5,199)	(43,014)
Closing net book amount	<u>668,686</u>	<u>3,043</u>	<u>6,966</u>	<u>20,191</u>	<u>207,882</u>	<u>13,687</u>	<u>562,764</u>	<u>1,483,219</u>
At 31 December 2018								
Cost	701,906	4,482	9,047	23,553	240,721	25,880	562,764	1,568,353
Accumulated depreciation	(33,220)	(1,439)	(2,081)	(3,362)	(32,839)	(12,193)	–	(85,134)
Net book amount	<u>668,686</u>	<u>3,043</u>	<u>6,966</u>	<u>20,191</u>	<u>207,882</u>	<u>13,687</u>	<u>562,764</u>	<u>1,483,219</u>

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Furniture & fixtures Equipment HK\$'000	Equipment HK\$'000	Leasehold improvements HK\$'000	Plant under development for prefabricated construction business HK\$'000	Total HK\$'000
At 1 January 2017								
Cost	215,688	3,568	8,484	4,536	145,034	11,122	333,525	721,957
Accumulated depreciation	–	(292)	(283)	(92)	(611)	(2,259)	–	(3,537)
Net book amount	<u>215,688</u>	<u>3,276</u>	<u>8,201</u>	<u>4,444</u>	<u>144,423</u>	<u>8,863</u>	<u>333,525</u>	<u>718,420</u>
Year ended 31 December 2017								
Opening net book amount	215,688	3,276	8,201	4,444	144,423	8,863	333,525	718,420
Additions	70,155	1,511	7,082	8,944	9,127	5,956	299,230	402,005
Transfers upon completion	409,559	–	–	–	91,410	–	(500,969)	–
Disposals	(93,964)	(722)	(5,394)	(596)	(55,957)	(203)	(38,522)	(195,358)
Depreciation charge	(14,191)	(875)	(1,944)	(1,810)	(19,448)	(4,089)	–	(42,357)
Currency translation differences	14,623	323	820	247	9,316	886	19,783	45,998
Closing net book amount	<u>601,870</u>	<u>3,513</u>	<u>8,765</u>	<u>11,229</u>	<u>178,871</u>	<u>11,413</u>	<u>113,047</u>	<u>928,708</u>
At 31 December 2017								
Cost	615,190	4,629	10,426	13,072	194,962	17,847	113,047	969,173
Accumulated depreciation	(13,320)	(1,116)	(1,661)	(1,843)	(16,091)	(6,434)	–	(40,465)
Net book amount	<u>601,870</u>	<u>3,513</u>	<u>8,765</u>	<u>11,229</u>	<u>178,871</u>	<u>11,413</u>	<u>113,047</u>	<u>928,708</u>

Depreciation of property, plant and equipment of HK\$50.4 million (year ended 31 December 2017: HK\$42.4 million) has all been charged to administrative expenses and cost of sales in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2018, property, plant and equipment with a net book value of HK\$380 million were pledged as collateral for the Group's borrowings HK\$146.0 million. Among the collateral, property ownership certificate of the Group's building with a net book value HK\$290.0 million (31 December 2017: HK\$333.0 million) is under China Minsheng Drawin Co., Ltd. These buildings were pledged as collateral for two bank borrowings of HK\$134.0 million which was guaranteed by China Minsheng Drawin Co., Ltd.

Interest expenses of HK\$4.5 million were capitalised in plant under development for prefabricated construction business for the year ended 31 December 2018 (year ended 31 December 2017: Nil).

At 31 December 2018, property, plant and equipment with net book value of HK\$4.9 million is obligations under finance lease from 合肥中民築友智造科技有限公司.

12 LAND USE RIGHTS

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Beginning balance	628,458	534,960
Additions	147,194	154,306
Amortisation	(10,107)	(12,314)
Capitalised to plant under development	(4,232)	(623)
Disposals	–	(84,921)
Currency transaction differences	(28,376)	37,050
Ending balance	732,937	628,458

At 31 December 2018, one of the Group's subsidiaries' (南京中民築友智造科技有限公司) land use right with a net book value of approximately HK\$68.2 million (year ended December 2017: HK\$71.8 million) had been pledged as collateral for its bank borrowings HK\$18.9 million.

At 31 December 2018, one of the Group's subsidiaries' (衡陽中民築友智造科技有限公司) land use right with a net book value of approximately HK\$56.2 million (year ended 31 December 2017: HK\$59.8 million) had been pledged as collateral for its bank borrowings HK\$39.9 million.

At 31 December 2018, one of the Group's subsidiaries' (合肥中民築友智造科技有限公司) land use right with a net book value of approximately HK\$38.1 million (year ended 31 December 2017: HK\$40.7 million) had been pledged as collateral for its bank borrowings HK\$46.0 million.

At 31 December 2018, one of the Group's subsidiaries' (中民築友科技(佛山)有限公司) land use right with a net book value of approximately HK\$56.1 million (year ended December 2017: HK\$61.0 million) had been pledged as collateral for its bank borrowings HK\$79.9 million.

During the year ended 31 December 2018, amortisation of land use rights of HK\$10.1 million (year ended 31 December 2017: HK\$12.3 million) has been charged to cost of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income and amortisation of HK\$4.2 million (year ended 31 December 2017: HK\$0.6 million) has been capitalised to plant under development for prefabricated construction business.

13 INVESTMENT PROPERTIES

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Beginning balance	18,543	35,662
Disposals	(722)	(2,052)
Net gain/(loss) from fair value adjustments	367	(18,337)
Currency translation differences	(840)	3,270
Ending balance	17,348	18,543

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

13 INVESTMENT PROPERTIES (Continued)

All investment properties were revalued as at 31 December 2018 and 2017 by Grant Sherman Appraisal Limited, an independent professional qualified valuer. The revaluation gains or losses are included in ‘Other gains — net’ in the consolidated statement of profit or loss and other comprehensive income (Note 5).

As at 31 December 2018 and 2017, the fair value of investment properties which was determined using income approach by reference to the value of income, cash flow or cost savings generated by the asset.

The Group’s policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. The investment properties are within level 3 of fair value hierarchy as of 31 December 2018 and 2017. There were no transfer among Level 1, Level 2 and Level 3 during the year.

As at 31 December 2018 and 2017, the Group’s aggregate future minimum lease payments receivable under non-cancellable operating leases is not material.

14 INVESTMENT IN ASSOCIATES

	Year ended 31 December 2018 HK\$’000	Year ended 31 December 2017 HK\$’000
Share of net assets	192,697	182,735
Less: Provision for impairment	—	—
	192,697	182,735

As at 31 December 2018, the Company had indirect interests in the following associate:

Name	Place of incorporation and operation	Proportion of ownership interest		Issued Share capital	Principal activities
		Held by the Company	Indirectly held		
Zhejiang China Minsheng Drawin Technology Company Limited	China	—	47%	HK\$200,000,000	Construction industrialisation
YMCI China Minsheng Kunming Technology Construction Limited	China	—	30%	RMB100,000,000	Construction industrialisation

(a) The Group disposed 2% and 51% of its equity interest in Zhejiang China Minsheng Drawin Technology Company Limited (“Zhejiang China Minsheng”) in June 2017 and December 2017 respectively. Zhejiang China Minsheng become an associate of the Group after the transaction completed. This associate has then been accounted for using the equity method and was remeasured to its fair value at the initial recognition, with the change in the carrying amount recognised in gains on disposal of subsidiaries.

(b) On 31 October 2017, the Group and two third-parties entered into an agreement to set up YMCI China Minsheng Kunming Technology Construction Limited (“YMCI China Minsheng”). The Group holds 30% equity interest in YMCI China Minsheng. As at 31 December 2018, the Group and the third-parties have injected paid-in capital of RMB30 million and RMB40 million respectively.

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

There are no contingent liabilities relating to the Group’s interests in the associates.

14 INVESTMENT IN ASSOCIATES (Continued)

Summarised financial information for an associate

The tables below provide summarised financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of Zhejiang China Minsheng and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Zhejiang China Minsheng

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Summarised statement of financial position		
Current assets		
Cash and cash equivalents	17,142	7,433
Other current assets	174,790	78,187
Total current assets	191,932	85,620
Non-current assets	231,746	237,734
Current liabilities		
Financial liabilities (excluding trade payables)	94,727	35,889
Other current liabilities	131,466	80,516
Total current liabilities	226,193	116,405
Non-current liabilities	3,948	4,223
Net assets	193,537	202,726
Group's share in %	47%	47%
Group's share in HK\$	90,962	95,281
Goodwill	83,394	87,454
Carrying amount	174,356	182,735
Revenue	137,319	37,385
Profit/(loss) before income tax	303	(7,737)
Income tax credit	–	1,934
Other comprehensive income	–	–
Total comprehensive profit/(loss)	303	(5,803)

The Group recognised investment loss HK\$1,354,061 from YMCI China Minsheng using the equity method.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Non Current-Equity Instruments (<i>note (a)</i>)	<u>23,967</u>	<u>–</u>

note:

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

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
Trade receivables — related parties	77,812	38,344
Trade receivables — third parties	217,128	78,765
Notes receivable	1,574	–
Value-added tax recoverable	68,013	46,258
Amounts due from related parties	55,059	39,552
Land deposits	46,074	–
Prepayments	15,441	11,575
Deposits	12,756	6,128
Government grant	5,935	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	–	9,570
Others	9,195	4,724
	<u>508,987</u>	<u>402,516</u>
Less: Provision for impairment of trade receivables and other receivables	<u>(3,194)</u>	<u>–</u>
	<u>505,793</u>	<u>402,516</u>

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

	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
Less than 1 year	263,451	117,109
1 to 2 years	31,489	–

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

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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

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

	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
HK dollar	10,698	3,192
Renminbi	495,095	399,324
	<u>505,793</u>	<u>402,516</u>

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

17 DEFERRED INCOME TAX

	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
Deferred tax assets		
— to be recovered after more than 12 months	11,521	20,751
— to be recovered within 12 months	25,921	—
	<u>37,442</u>	<u>20,751</u>
Deferred tax liabilities		
— to be settled after more than 12 months	(651)	(7,962)
— to be settled within 12 months	(7,359)	—
	<u>(8,010)</u>	<u>(7,962)</u>
Deferred tax assets — net	<u>29,432</u>	<u>12,789</u>

17 DEFERRED INCOME TAX (Continued)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
At beginning of the year	(12,789)	16,420
Credited to profit or loss (Note 8)	(17,812)	(34,455)
Disposal of subsidiary	–	5,434
Currency translation differences	1,169	(188)
	<hr/>	<hr/>
At the end of the year	(29,432)	(12,789)

The movement in deferred income tax assets and liabilities for the years ended 31 December 2018 and 2017, without taking into consideration the offsetting of balance within the same tax jurisdiction are as follows:

Deferred income tax liabilities

	Fair value gains arising from investment properties HK\$'000	Convertible bond HK\$'000	Government Grant HK\$'000	Depreciation of fixed assets HK\$'000	Total HK\$'000
At 1 January 2018	–	–	7,962	–	7,962
Charged to profit or loss	–	–	153	1,300	1,453
Currency translation differences	–	–	(1,358)	(47)	(1,405)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	–	–	6,757	1,253	8,010
At 1 January 2017	3,932	3,725	9,357	–	17,014
Credited to profit or loss	(4,066)	(3,725)	(1,981)	–	(9,772)
Currency translation differences	134	–	586	–	720
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	–	–	7,962	–	7,962

17 DEFERRED INCOME TAX (Continued)

Deferred income tax assets

Movements	Tax losses <i>HK\$'000</i>	Elimination of intra-group unrealised profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	17,092	3,659	20,751
Credited to profit or loss	7,276	11,989	19,265
Currency translation differences	(1,969)	(605)	(2,574)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	22,399	15,043	37,442
	<hr/>	<hr/>	<hr/>
At 1 January 2017	–	594	594
Credited to profit or loss	21,762	2,921	24,683
Currency translation differences	763	144	907
Disposal of subsidiary	(5,433)	–	(5,433)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	17,092	3,659	20,751
	<hr/>	<hr/>	<hr/>

Deferred tax assets arising from the unused tax losses have been recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised this year in the consolidated financial statements.

The Group did not recognise deferred tax assets relating to unused tax losses of approximately HK\$140.0 million on 31 December 2018 (31 December 2017: approximately HK\$205.8 million). Among such tax losses, HK\$113.2 million (31 December 2017: HK\$117.8 million) have no expiry dates and the remaining will expire within five years.

18 TRADE AND OTHER PAYABLES

	As at 31 December 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Trade payables — related parties	5,135	8,740
Trade payables — third parties	124,382	77,281
Notes payable	114,365	2,299
Accrued payable for property, plant and equipment construction — third parties	40,970	105,068
Accrued payable for property, plant and equipment construction — related parties	66,238	24,484
Accrued tax payable	31,940	1,671
Deposits	8,639	3,076
Accrued payroll	6,264	18,927
Amounts due to related parties	4,611	–
Interest payable	375	–
Others	10,894	24,991
	<hr/>	<hr/>
	413,813	266,537
	<hr/>	<hr/>

18 TRADE AND OTHER PAYABLES (Continued)

The aging analysis of trade payables as at 31 December 2018 and 2017 based on the invoice issue date is as follows:

	As at 31 December 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Less than 1 year	<u>129,517</u>	<u>86,021</u>

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

As at 31 December 2018 and 2017, the carrying amounts of trade and other payables are primarily denominated in Renminbi.

19 BORROWINGS

	As at 31 December 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Non-current, secured:		
— Bank borrowings	361,790	119,630
Non-current, unsecured:		
— Other financial institution borrowings	<u>22,826</u>	<u>—</u>
	384,616	119,630
Less: Current portion of non-current borrowings	<u>(43,940)</u>	<u>(17,944)</u>
Non-current, total	<u>340,676</u>	<u>101,686</u>
Current, secured:		
— Bank borrowings	77,721	—
Current, unsecured:		
— Bank borrowings	<u>34,239</u>	<u>—</u>
	111,960	—
Current portion of non-current borrowings	<u>43,940</u>	17,944
Current, total	<u>155,900</u>	<u>17,944</u>

19 BORROWINGS (Continued)

note a: These bank borrowings of the Group are secured by property, plant and equipment (Note 11), land use rights (Note 12) and restricted cash deposit of the Group and/or guaranteed by a subsidiary of the Company or a related party.

note b: The borrowings are all denominated in RMB and their fair values approximate their carrying amounts.

note c: As at 31 December 2018, the Group's current borrowings included borrowings with principal amounts of HK\$99,178,000 (31 December 2017: nil) which the Group has breached certain terms and conditions, as set out in the respective borrowing agreements among which HK\$53,926,000 were originally matured beyond 31 December 2019.

note d: As at 31 December 2018 and 2017, the Group's borrowings were repayable as follows:

	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
Within 1 year	155,900	17,944
Later than 1 year but within 2 years	283,897	35,889
Later than 2 years but within 5 years	56,779	65,797
	<u>496,576</u>	<u>119,630</u>

note e: The weighted average effective interest rates as at 31 December 2018 and 2017 were as follows:

	As at 31 December 2018	As at 31 December 2017
Bank borrowings	4.98%	5.09%
Other financial institution borrowings	4.40%	–
	<u>4.40%</u>	<u>–</u>

20 OBLIGATIONS UNDER FINANCE LEASE

	As at 31 December 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Obligations under finance lease	4,404	–
Less: Current portion of obligations under finance lease	<u>(1,524)</u>	<u>–</u>
Non-current, total	<u>2,880</u>	<u>–</u>

As at 31 December 2018, the Group had certain equipments under finance lease with net carrying amounts of HK\$4.9 million (2017: Nil), and the future minimum lease payments (including interest), and the present values of the minimum lease payments under finance lease were as follows:

	Minimum lease payments 2018 <i>HK\$'000</i>	Present values of minimum lease payments 2018 <i>HK\$'000</i>
Within 1 year	2,075	1,524
In the second year	2,952	2,827
In the third to fifth years, inclusive	<u>53</u>	<u>53</u>
Total	<u>5,080</u>	<u>4,404</u>
Less: amounts repayable within one year	<u>(2,075)</u>	<u>(1,524)</u>
Long-term portion	<u>3,005</u>	<u>2,880</u>

21 SEGMENT REPORTING

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Prefabricated Construction Has Entered an Era of Mature and Stable Development

In 2018, our country seized the opportunity of the new industrial revolution. New concept of development was implemented. The transition and conversion of momentum sped up. The development of new industry has been taken to a much higher level. Actual strength is the key of prefabricated construction industry in this new era. Supportive policies have been published to stimulate the development of the industry throughout the country. New enterprises of the industry mushroomed. Cost control, application of digital technologies and engineering procurement construction have become the focus of the development of the industry. Prefabricated construction market is changing from rapid growth period to an era that focuses on premium quality, technology and management abilities.

Our Country Devotes Major Efforts to Support Prefabricated Construction

Two major goals have been proposed in the Action Plan for the Thirteenth Five-Year Prefabricated Construction published by the Ministry of Housing and Urban-Rural Development (MOHURD). The prefabricated buildings to new buildings ratio in 2020 will be over 15%. The implementation ratios of prefabricated construction in first-, second- and third-tier areas will be over 20%, 15% and 10% respectively. In terms of exemplary cities, over 50 exemplary cities, over 200 industrial bases, over 500 exemplary projects and over 30 technology innovation bases will be established up to 2020, aiming to bring their exemplary and leading roles into full blossom. According to the said goals, 31 provinces/municipalities have unveiled their goals and relevant supportive policies one after another, and a well-rounded trend of development has formed.

Speeding Up an In-depth Arrangement in Several Provinces

The Company has signed eight investment agreements for the following cities: Dongli (Tianjing), Wuxi (Jiangsu), Bengbu (Anhui), Xuzhou (Jiangsu), Wen'an (Hebei), Weishi (Henan), Jinhua (Zhejiang) and Changde (Hunan). Eight lands in the following cities have been delisted: Mujiang (Chongqing), Huai'an (Jiangsu), Xiangtan (Hunan), Jiaozuo (Henan), Jiangxia Wuhan (Hubei), Dongli (Tianjing), Lin'an Hangzhou (Zhejiang) and Haikou (Hainan). The direct investment arrangement of Green construction technology parks over 22 provinces and 48 cities has been basically completed.

Green Development Concept

The Company formulates its standards and rules with energy conservation and environmental protection in mind. New technologies (in terms of renewable energy, water recycling, anti-fog maintenance and low noise), new materials and new equipment have been used for the following purposes: (i) cutting cost and improving efficiency; (ii) increasing production; (iii) realising green construction of factories, (iv) green manufacturing; and (v) establishing a “zero emission” technology park. The construction of six new technology parks began in 2018, and they are located in Haikou, Jiaozuo, Jiaozhou, Huai'an, Xiangtan and Yuxi. Four technology parks went into production, and they are located in Hefei, Foshan, Jiaozuo and Xiangtan.

The Company will develop its critical technologies for all the aspects of its system with the strategic goal of “Green Development” (as proposed by the State) in mind. These technologies consensus improvements with material selection, structural design, a high degree of recyclability, modular design, energy-saving design and so forth. Both the upstream and downstream of industry chain and product life cycle were taken into consideration when developing such green critical technologies. In terms of green manufacturing, the Company is devoted to taking clean production and energy conservation technologies to the next level. We treasure the reduction, the environmental treatment and the recycling of “Three Wastes” (waste gas, waste water and residue) and relevant comprehensive utilisation technologies. Clean manufacturing with inspection of carbon footprint has been implemented according to ISO14064. Our plan covers technology R&D (for automatic assembly, intelligent alignment and control), improving welding, maintenance and other processes with a high degree of energy consumption, the R&D of highly efficient and intelligent equipment and production lines for energy conservation, analysing limiting and banning the use of harmful substance and the management requirements of chemicals, proposing how to improve our techniques and coming up with a complete set of manufacturing solutions that produce no toxic material and waste.

EMPC Full Industry Chain

By planning the coverage of the whole cycle of projects, fully coordinating engineering, manufacture, procurement and construction, we aim to eradicate common failings in the quality of conventional construction and improve any fragmented management for engineering, procurement and construction are the major methods for the followings purposes: (i) making the most out of engineering to improve quality and cut costs; (ii) minimising consumption for every link in our production chain; and (iii) achieving the goal of “Super Quality, Amazing Speed and Competitive Cost”.

The Company’s EMPC industry chain system has won the bidding of the Greenland Intercity Space Station Project located in Changsha, Hunan Province. It is the first high-rise prefabricated building with a height of 130 metres in Hunan Province, and it is also the highest commercial residential building in China. It took only six months from the start of the construction of the Incubator of Cultural and Creative Industries in Malanshan, Changsha to its decoration. The “Malanshan Speed” and “Drawin Speed” have been established and well-received by our industry.

Achievements in Intelligent Equipment

The Company now is able to manufacture the complete set of equipment for our prestressed composite slab production lines by itself, leading to a massive increase in production efficiency. We have made some technological breakthrough in machines for processing cloth, moulding and so forth. Eight sets of 62 pieces of equipment were made by ourselves in 2018, and the general assembly of the equipment was completed as well. The general assembly and testing of seven new products were completed in the same year. We are able to mass-produce these new products, thanks to which our R&D cycle is 50% shorter than that of our competitors.

Our Technological Innovations Were Recognised by the State For Multiple Times

The Company was awarded the 2018 Hunan Innovative and Pioneering Technology Investment Project, Hunan Five Top-100 Technological Innovation Project, Cellular Network Development Provincial Project, Enterprise Technologically Innovative and Pioneering Team Provincial Project and Intellectual Property Rights Registration for Innovation Provincial Project. The Company was also awarded the following three municipal scientific research projects: 2018 Changsha Great Technological Project, Municipal Mobile Internet Industrial Project and Municipal Patent-intensive Enterprise Project. The Company focuses on our competitive area of prefabricated construction design, and a product system that composed mainly of construction project design and technological design consultation has been formed. Our business will make use of digitalized technological platform, and a digitalized system featuring BIM design platform, mobile App and PC digital centre E-Hub is taking shape.

The Company is the only enterprise being conferred with the title of “Intellectual Property Advantageous Enterprise” by the State Intellectual Property Office. Our intelligent equipment company’s management system is certified to ISO 9001, ISO 18001 and ISO 14001, and the intelligent equipment company was awarded “Quality Credit AAA Grade Enterprise of Hunan Province”, namely, the enterprise with the highest level quality credit. Hangzhou Green Construction Technology Park was elected one of the first batch of the construction industry demonstration bases in Zhejiang Province. Yuxi Green Construction Technology Park was elected a prefabricated construction industry base in Yunnan Province.

Business Prospects

On 28 February, 2019, the Group’s prefabricated component subcontractor sales amount to RMB1,808.1 million, among which RMB564.1 million has been recorded as revenue, while RMB1,244.0 million has not yet satisfied the requirement for revenue recognition.

The growth of construction industry in 2019 is expected to continue to decline. Propelled by the State, the growth of facility construction will be high, while the growth rate and the percentage of housing construction will drop further. However, the Group believes that the prefabricated construction market will expand, the scale of which will reach RMB 500 billion in 2019 with a growth rate of over 30%. The prefabricated construction has officially entered the era of large scale production.

The competition in prefabricated construction industry will become even more fierce. The earliest competitors entered the industry will go into operation next year, and their management is improving. The Company will make full use of our mature products, sound management system and cutting-edge technologies for the following purposes: (i) establishing a close customer relationship; (ii) increasing the market share of our products; and (iii) raising the revenue scale of the areas that have gone into operation.

In 2019, the Company will focus on intelligent construction to explore and establish an ecosystem that combines modern information technologies with buildings in a widespread and profound fashion. Our mature technologies will go on the market. State-of-the-art technologies will stimulate development. By establishing a high-tech group whose core business is providing an integrated solution for intelligent construction, creating an excellent industrial and technological ecosystem and building Drawin cloud computing and cloud serving, we offer environmentally friendly, energy-saving and intelligent high-rise apartments with excellent quality and competitive price. We are dedicated to managing the critical businesses of our core business ecological chain. The management structure of our enterprise's ecological chain will be taken to the next level. All of these measures will realize a smooth operation.

FINANCIAL REVIEW

Review of Results

The Group was principally engaged in the research and development, design, manufacture and sale of assembled building prefabricated units, licensing and property investment in the People's Republic of China (the "PRC").

Revenue

The revenue of the Group increased by approximately 1.45 times from approximately HK\$216.6 million for the year ended 31 December 2017 to approximately HK\$530.2 million for the year ended 31 December 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 continuously increased during the year and (ii) the revenue generated from granting licenses has significantly increased in result of increasing number of customers during the year. As a result, the Group recorded sales revenue for year ended 31 December 2018 of prefabricated units of approximately HK\$423.6 million (2017: approximately HK\$173.6 million), licensing of approximately HK\$84.9 million (2017: approximately HK\$32.7 million), sales of equipment of approximately HK\$18.6 million (2017: approximately HK\$5.8 million), consulting service income of approximately HK\$1.2 million (2017: approximately HK\$2.9 million) and rental income from investment properties of approximately HK\$1.9 million (2017: approximately HK\$1.6 million).

Cost of sales

The Group recorded cost of sales of approximately HK\$372.1 million (2017: approximately HK\$207.6 million) for the year ended 31 December 2018. The increase was primarily attributable by the increase in sales of prefabricated units.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately HK\$149.1 million from approximately HK\$9.0 million for the year ended 31 December 2017 to approximately HK\$158.1 million for the year ended 31 December 2018. The gross profit margin increased to 29.8% in 2018 from 4.1% in 2017, which was mainly attributable to (i) the significant reduction in cost due to the increase in scale of production in the year and (ii) the revenue generated from granting licenses significantly increased by 1.6 times from approximately HK\$32.7 million for the year ended 31 December 2017 to approximately HK\$84.9 million for the year ended 31 December 2018.

Other income

Other income for the year ended 31 December 2018 decreased from approximately HK\$7.0 million for the year ended 31 December 2017 to approximately HK\$3.5 million. Other income mainly comprised of (i) interest income arose from bank deposits of approximately HK\$2.4 million and (ii) others arose from surcharges return approximately HK\$1.2 million.

Other gains — net

For the year ended 31 December 2018, other gains — net amounting to approximately HK\$7.2 million mainly comprised of (i) net exchange gains amounting to approximately HK\$4.5 million; and (ii) net gains on financial assets at fair value through profit or loss amounting to approximately HK\$2.8 million.

Selling and distribution expenses

Selling and distribution expenses amounting to approximately HK\$34.7 million (2017: approximately HK\$17.4 million) for the year ended 31 December 2018, such expenses are directly related to the sale of prefabricated units and such increase was in line with the increase in sales revenue.

Administrative expenses

During the year ended 31 December 2018, the administrative expenses decreased by 31.0% to approximately HK\$109.7 million from approximately HK\$159.1 million in 2017, which was mainly attributable to the staff costs decreased by 60% to approximately HK\$33.4 million in 2018 from approximately HK\$83.9 million in 2017 and the remaining decrease is attributable to other general administrative expenses, such as rental expenses, entertainment, travelling expenses and office expenses etc.

Finance costs

Finance costs of approximately HK\$9.2 million for the year ended 31 December 2018 represented (i) the interest expenses of approximately HK\$13.7 million for the bank borrowings; and (ii) capitalisation of HK\$4.5 million interest in plant under development for prefabricated construction business for the year.

Liquidity and Financial Resources

As at 31 December 2018, the cash and bank balances of the Group amounted to approximately HK\$110.8 million (2017: approximately HK\$582.5 million) and the current ratio of the Group is 1.1 (2017: 3.3).

As at 31 December 2018, the borrowings of the Group amounted to approximately HK\$496.6 million (31 December 2017: HK\$119.6 million) and the gearing ratio (expressed as a percentage of total borrowings over total assets) is 14.8% (2017: 4.2%).

FINAL DIVIDEND

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

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

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices as the Board considers that good and effective corporate governance is essential for enhancing accountability and transparency of a company to the investing public and other stakeholders. During the year ended 31 December 2018, the Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to 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.4.1 of the Code in relation to the non-executive director for a specific term;

- (c) 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. Yin Jun, Mr. Mi Hongjun and Mr. Lee Chi Ming were unable to attend the special general meeting of the Company held on 21 June 2018. Due to their respective engagements, Mr. Chan Chi Hung, Mr. Jiang Hongqing and Mr. Ma Lishan were unable to attend the annual general meeting of the Company held on 5 June 2018

Mr. Yin Jun, being the chief executive officer of the Company, was appointed as chairman of the Board on 3 October 2016. In view of the current rapid development of the Group, the Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision of the Board which comprised two executive Directors, one non-executive Director, and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

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 provision A.4.1 of the Code requires that non-executive director should be appointed for a specific term, subject to re-election. Mr. Peng Xiongwen is not appointed for a specific term, but is subject to retirement from office by rotation and re-election in accordance with the provisions of the Company's bye-laws.

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 have fully complied with the required standard as set out in the Model Code throughout the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF THE RESULTS

The audit committee of the Company has reviewed with the management and the independent auditor of the Company the annual results and the consolidated financial statements of the Group for the year ended 31 December 2018.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

This final results announcement is also published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://cmdrawin.todayir.com>). The annual report containing all information required by the Listing Rules will be dispatched to the Shareholders and will be available on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 March 2019

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.