CHINA MINSHENG DIT GROUP LIMITED

中民築友智造科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "Directors") of China Minsheng DIT Group Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 with comparative figures for the corresponding period of 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*5*	**288,178**	300,377
Cost of sales	*8*	**(227,536)**	(191,760)
Gross profit		**60,642**	108,617
Other income	*6*	**5,287**	1,408
Other gains — net	*7*	**8,510**	5,322
Selling and distribution expenses	*8*	**(22,504)**	(19,733)
Administrative expenses	*8*	**(44,365)**	(51,150)
Net impairment losses on financial assets		**(1,011)**	(1,697)
Share of losses of associates		**(4,052)**	(12,918)
Operating profit		**2,507**	29,849
Finance costs		**(11,902)**	(2,912)
(Loss)/profit before income tax		**(9,395)**	26,937
Income tax expense	*9*	**(3,712)**	(12,111)
(Loss)/profit for the period		**(13,107)**	14,826
(Loss)/profit for the period, attributable to			
— Owners of the Company		**(11,339)**	19,533
— Non-controlling interests		**(1,768)**	(4,707)
		(13,107)	14,826
(Loss)/earnings per share attributable to owners of the Company			
(expressed in HK cents per share)			
— Basic and diluted	*11*	**(0.10)**	0.17

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
(Loss)/profit for the period		**(13,107)**	14,826
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss:			
— Currency translation differences		**(7,822)**	21,441
Other comprehensive (loss)/income for the period, net of tax		**(7,822)**	21,441
Total comprehensive (loss)/income for the period		**(20,929)**	36,267
Total comprehensive (loss)/income for the period, attributable to			
— Owners of the Company		**(19,404)**	40,895
— Non-controlling interests		**(1,525)**	(4,628)
		(20,929)	36,267

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	**30 June 2019** ***HK$'000*** **(unaudited)**	31 December 2018 *HK$'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,458,872**	1,483,219
Right-of-use assets		**753,904**	–
Land use rights		**–**	732,937
Investment properties		**17,279**	17,348
Intangible assets		**3,938**	4,118
Deferred income tax assets		**37,463**	37,442
Investments in associates		**192,356**	192,697
Financial assets at fair value through profit or loss		**31,376**	23,967
		2,495,188	2,491,728
Current assets			
Inventories		**100,092**	96,095
Trade and other receivables and prepayments	*12*	**541,969**	505,793
Cash and cash equivalents		**37,675**	110,802
Restricted cash		**134,791**	153,588
		814,527	866,278
Total assets		**3,309,715**	3,358,006
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value		**1,120,960**	1,120,960
Reserves		**630,542**	649,946
		1,751,502	1,770,906
Non-controlling interests		**606,194**	607,623
Total equity		**2,357,696**	2,378,529

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AS AT 30 JUNE 2019

	Notes	**30 June 2019** ***HK$'000*** **(unaudited)**	31 December 2018 *HK$'000* (audited)
LIABILITIES			
Non-current liabilities			
Deferred income		**1,421**	1,427
Deferred income tax liabilities		**7,616**	8,010
Borrowings	*14*	**374,292**	340,676
Lease liabilities		**11,838**	–
Obligations under finance lease		**–**	2,880
		395,167	352,993
Current liabilities			
Trade and other payables	*13*	**345,476**	413,813
Contract liabilities		**62,557**	40,545
Current income tax liabilities		**11,501**	14,702
Borrowings	*14*	**119,251**	155,900
Lease liabilities		**18,067**	–
Obligations under finance lease		**–**	1,524
		556,852	626,484
Total liabilities		**952,019**	979,477
Total equity and liabilities		**3,309,715**	3,358,006

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2019 have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and investment properties, which are carried at fair value, and in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

2. SIGNIFICANT 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 2018.

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 2019

- HKFRS 16 Leases ("HKFRS 16")

HKFRS 16 Leases ("HKFRS 16") is effective for the first time for annual period beginning on 1 January 2019. The impact of the adoption HKFRS16 is described in Note 3 below. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The other newly effective standards and amendments 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. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note (b) below.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

3. **CHANGES IN ACCOUNTING POLICIES** *(Continued)*

(a) **Adjustments recognised on adoption of HKFRS 16**

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.68%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**38,243**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	32,414
Add: finance lease liabilities recognised as at 31 December 2018	4,404
(Less): short-term leases recognised on a straight-line basis as expense	(265)
Lease liability recognised as at 1 January 2019	**36,553**
Of which are:	
Current lease liabilities	16,385
Non-current lease liabilities	20,168
	36,553

Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
	HK$'000	*HK$'000*
Buildings	**26,673**	35,818
Equipment	**4,898**	4,904
Land use rights	**722,333**	732,937
Total right-of-use assets	**753,904**	773,659

3. **CHANGES IN ACCOUNTING POLICIES** *(Continued)*

(a) **Adjustments recognised on adoption of HKFRS 16** *(Continued)*

The following tables show the adjustments recognised for each individual item. Line items that were not affected by the changes have not been included. As a result, the sub-total 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 2018 As originally presented *HK$'000*	HKFRS 16 *HK$'000*	**1 January 2019 Restated** ***HK$'000***
Non–current assets			
Property, plant and equipment	1,483,219	(4,904)	**1,478,315**
Right-of-use assets	–	773,659	**773,659**
Land use rights	732,937	(732,937)	**–**
Total non–current assets	2,491,728	35,818	**2,527,546**
Current assets			
Trade and other receivables and prepayments	505,793	(3,669)	**502,124**
Total current assets	866,278	(3,669)	**862,609**
Total assets	3,358,006	32,149	**3,390,155**
Non–current liabilities			
Obligations under finance lease	2,880	(2,880)	**–**
Lease liabilities	–	20,168	**20,168**
Total non–current liabilities	352,993	17,288	**370,281**
Current liabilities			
Obligations under finance lease	1,524	(1,524)	**–**
Lease liabilities	–	16,385	**16,385**
Total current liabilities	626,484	14,861	**641,345**
Total liabilities	979,477	32,149	**1,011,626**
Total equity	2,378,529	–	**2,378,529**

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) The Group's leasing activities and how these are accounted for

The Group leases various land, building and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from sales of prefabricated units	**226,199**	220,976
Revenue from sales of equipment	**38,407**	10,763
Revenue from granting licenses	**16,367**	67,816
Rental income	**7,129**	822
Revenue from consulting service income	**76**	–
	288,178	300,377

6. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income on bank deposits	**3,881**	502
Others	**1,406**	906
	5,287	1,408

7. OTHER GAINS — NET

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Government subsidies	**9,390**	4,177
Gains on disposal of a subsidiary	**3,286**	–
Fair value gain on financial assets at fair value through profit or loss	**821**	2,258
Net exchange gain	**257**	45
Fair value gain on disposal of investment properties	**–**	178
Loss on disposal of property, plant and equipment	**–**	(969)
Others	**(5,244)**	(367)
	8,510	5,322

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	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Raw materials and consumables used	**108,789**	106,527
Changes in inventories of finished goods and work in progress	**487**	(21,799)
Employee benefit expenses	**52,846**	59,968
Depreciation	**39,730**	26,452
Labour outsourcing	**23,185**	12,185
Amortisation of right-of-use assets	**17,541**	–
Transportation	**10,866**	13,885
Legal and professional fees	**6,917**	9,241
Tax surcharges	**6,573**	6,097
Operating lease rentals on buildings	**4,480**	8,919
Entertainment and travelling expenses	**3,571**	4,006
Write down of inventories to net realisable value	**1,094**	1,216
Repairs and maintenance	**881**	2,645
Office and utilities expenses	**345**	4,732
Amortisation of land use rights	**–**	5,425
Others	**17,100**	23,144
Total of cost of sales, selling and distribution expenses and administrative expenses	**294,405**	262,643

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

9. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits in Hong Kong for the six months ended 30 June 2019 (six months ended 30 June 2018: 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	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current income tax — PRC corporate income tax	**4,530**	5,867
Deferred income tax	**(818)**	6,244
Total income tax expense for the period	**3,712**	12,111

10. DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. (LOSS)/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	
	2019	2018
	(unaudited)	(unaudited)
Consolidated (loss)/profit attributable to owners of the Company *(HK$'000)*	**(11,339)**	19,533
Weighted average number of ordinary shares in issue *('000)*	**11,209,603**	11,209,603
Basic (loss)/earnings per share *(HK cents)*	**(0.10)**	0.17

(b) Diluted

No diluted earnings per share has been presented as the Group has no dilutive potential ordinary shares during the period.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2019 *HK$'000* (unaudited)	31 December 2018 *HK$'000* (audited)
Trade receivables — related parties	**102,766**	77,812
Trade receivables — third parties	**257,654**	217,128
Notes receivable	**865**	1,574
Value-added tax recoverable	**57,656**	68,013
Government grant	**–**	5,935
Amounts due from related parties	**54,459**	55,059
Land deposits	**17,052**	46,074
Deposits	**13,493**	12,756
Prepayments	**21,069**	15,441
Others	**21,130**	9,195
Less: Provision for impairment of trade receivables and other receivables	**(4,175)**	(3,194)
	541,969	505,793

The aging of trade receivables as at 30 June 2019 and 31 December 2018 based on the invoice issue date are as follows:

	30 June 2019 *HK$'000* (unaudited)	31 December 2018 *HK$'000* (audited)
Less than 1 year	**277,804**	263,451
1 to 2 years	**80,711**	31,489
Over 2 years	**1,905**	–

The maximum exposure to credit risk as at 30 June 2019 and 31 December 2018 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 2019 and 31 December 2018, 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 2019 *HK$'000* (unaudited)	31 December 2018 *HK$'000* (audited)
Renminbi	**532,968**	495,095
HK dollars	**9,001**	10,698
	541,969	505,793

13. TRADE AND OTHER PAYABLES

	30 June 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Trade payables — related parties	**7,489**	5,135
Trade payables — third parties	**185,131**	124,382
Accrued payroll	**7,372**	6,264
Accrued tax payable	**29,146**	31,940
Accrued payable for property, plant and equipment construction — third parties	**5,646**	40,970
Accrued payable for property, plant and equipment construction — related parties	**66,412**	66,238
Notes payable	**22,217**	114,365
Interest payable	**59**	375
Deposits	**8,293**	8,639
Amounts due to related parties	**1,511**	4,611
Others	**12,200**	10,894
	345,476	413,813

The aging analysis of trade payables as at 30 June 2019 and 31 December 2018 based on the invoice issue date are as follows:

	30 June 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Less than 1 year	**192,620**	129,517

As at 30 June 2019 and 31 December 2018, 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.

14. BORROWINGS

	30 June 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Non-current, secured		
— Bank borrowings	**388,218**	361,790
— Other financial institution borrowings	**15,915**	–
Non-current, unsecured		
— Bank borrowings	**21,599**	–
— Other financial institution borrowings	**–**	22,826
	425,732	384,616
Less: Current portion of non-current borrowings	**(51,440)**	(43,940)
Non-current, total	**374,292**	340,676
Current, secured		
— Bank borrowings	**67,811**	77,721
Current, unsecured		
— Bank borrowings	**–**	34,239
	67,811	111,960
Current portion of non-current borrowings	**51,440**	43,940
Current, total	**119,251**	155,900

notes:

(a) The Group's bank borrowings of HK$ 186 million are secured by property, plant and equipment of the Group, and bank borrowings of HK$ 108 million are secured by restricted cash deposit of the Group.

The Group's bank borrowings of HK$ 162 million are secured by land use rights of the Group, and HK$ 139 million of which are guaranteed by a subsidiary of the Company while HK$ 23 million are guaranteed by a related party China Minsheng Drawin Co., Ltd.

The Group's bank borrowings of HK$ 22 million are guaranteed by a related party China Minsheng Drawin Technology Industry Limited.

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

(c) As at 30 June 2019, the Group's current borrowings included borrowings with principal amounts of HK$59.9 million(31 December 2018: HK$99.2 million) which the Group has breached certain terms and conditions, as set out in the respective borrowing agreements among which HK$44.2 million were originally matured beyond 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

According to the National Bureau of Statistics, the gross output value of the construction industry in the PRC was RMB23.5 trillion in 2018, representing an increase of 9.9% as compared with last year. The "Action Plan for the Thirteenth Five-Year Prefabricated Construction" published by the Ministry of Housing and Urban-Rural Development (MOHURD) required that prefabricated construction areas shall account for certain prescribed proportion of the annual new construction areas by 2020. Assuming an average unit price of prefabricated component per square metre of RMB2,000, this would mean that the market size of the prefabricated construction industry may reach over a trillion, which illustrates the huge market potential in the prefabricated construction industry.

In recent years, the state and local governments have vigorously promoted prefabricated buildings, and various major cities in the PRC have issued relevant policy documents to promote the development of prefabricated buildings, especially for the key promotion regions namely three major city clusters including the Beijing–Tianjin–Hebei, the Yangze River Delta and the Pearl River Delta. The favourable policies laid a solid foundation for the Company to further develop its businesses.

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, we will take the creation of "China Minsheng DIT operating under an asset–light model" as our major strategic direction, and take technical operation and asset operation as our main operating means, so as to enhance our Group's revenue and profit with our highly competitive products in the market.

The major products of our Company include Green Manufacturing of prefabricated construction ("PC") and Intelligent Equipment.

In respect of Green Manufacturing, Green Construction Technology Parks have been officially put into production in over ten cities in the PRC, including Changsha, Shanghai, Nanjing, Hefei, Shenzhen, Foshan, Hengyang, Xiangtan, Jiaozuo, etc. The market orders are adequate, and the quality of our PC component products have been unanimously affirmed by our customers.

In respect of Intelligent Manufacturing, our Company has based on the overall layout of PC factory aiming to continuously improve its process planning, production management, service assurance and other capabilities. We have also developed an accurate and efficient and resource–saving overall solution for PC factory through innovation so as to provide customers with the entire process technical and management supports, and eventually achieve informationalised and intelligent production management of the entire life cycle of the PC components.

As of 30 June 2019, the Group has signed contracts with the third parties for prefabricated components with a total contract amount of approximately RMB1,195 million.

Sales revenue of prefabricated units — by region	**Six months ended 30 June**	
	2019	2018
	HK$'000	*HK$'000*
Nanjing	**72,059**	77,810
Kunshan	**41,543**	53,589
Hefei	**36,232**	9,447
Huizhou	**19,518**	33,618
Foshan	**19,142**	2,358
Changsha	**18,334**	13,868
Hengyang	**15,095**	30,202
Jiaozhou	**2,073**	84
Jiaozuo	**1,592**	–
Xiangtan	**611**	–
	226,199	220,976

Sales revenue of prefabricated units	**Six months ended 30 June**	
	2019	2018
	HK$'000	*HK$'000*
Sales revenue from third parties	**182,236**	150,108
Sales revenue from related parties	**43,963**	70,868
Total	**226,199**	220,976

Technology trademarks and patents obtained by the Group during the first half of 2019

Patents: For the six months ended 30 June 2019, 38 applications for patents have been made, and 19 patents were granted. As at 30 June 2019, there were approximately 966 applications for patents in aggregate, and 580 patents were granted.

Trademarks: For the six months ended 30 June 2019, no application for trademarks was approved. As at 30 June 2019, 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	45	180	61	22,284
Kunshan Plant	45	120	50	18,061
Hefei Plant	60	150	154	22,398
Foshan Plant	40	150	123	36,550
Jiaozuo Plant	30	150	81	19,383
Xiangtan Plant	30	150	100	19,310
Total	450	1,680	1,222	232,305

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
Huai'an Plant	150	120	19,356
Yuxi Plant	150	124	18,191
Haikou Plant	150	90	19,356
Total	600	427	76,242

Disposal of equity interests in subsidiaries without loss of control for the six months ended 30 June 2019

Transferor	Subject company	Transferee	Proportion of transfer	Consideration
China Minsheng Drawin Technology Investment Limited* 中民築友科技投資有限公司	南寧中民築友智造科技有限公司	廣西煒盈建築工程有限公司	49%	HK$0.34 million
China Minsheng Drawin Technology Investment Limited* 中民築友科技投資有限公司	海口中民築友智造科技有限公司	建華建材(中國)有限公司	20%	HK$16.2 million

Disposal of a subsidiary for the six months ended 30 June 2019

Transferor	Subject company	Transferee	Proportion of transfer	Consideration
China Minsheng Drawin Technology Investment Limited* 中民築友科技投資有限公司	杭州臨安中民築友智造科技有限公司	浙江藍綠雙城基礎設施建設有限公司	55%	HK$47.7 million

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 2019

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 (%)
Xiangxi China Minsheng Drawin Technology Limited* 湘西中民築友科技有限責任公司	China, limited liability company	Construction industrialisation	RMB19,600,000	51.02%
Nantong China Minsheng DIT Limited* 南通中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	60.02%

* *For identification purpose only*

Government grants in the first half of the year

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Government grants	**9,390**	4,177

The Group has satisfied and complied with relevant requirements and regulations in the PRC necessary for the grant 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 decreased by approximately HK$12.2 million from approximately HK$300.4 million for the six months ended 30 June 2018 to approximately HK$288.2 million for the six months ended 30 June 2019. The decrease in revenue were mainly attributable to the fact that most of the revenue from granting licenses for this year will be recognised in the next half of 2019, therefore the revenue for the six months ended 30 June 2019 decreased as compared with the six months ended 30 June 2018. The effect of the same is also mitigated by the increase in revenue from sales of prefabricated units, equipment and consulting service income as a result of the increasing number of customers for the six months ended 30 June 2019. As a result, the Group recorded sales revenue for the six months ended 30 June 2019 of prefabricated units of approximately HK$226.2 million (2018: approximately HK$221.0 million), revenue from granting licenses of approximately HK$16.4 million (2018: approximately HK$67.8 million), revenue from sales of equipment of approximately HK$38.4 million (2018: approximately HK$10.8 million), rental income from investment properties of approximately HK$7.1 million (2018: approximately HK$0.8 million) and consulting service income of approximately HK$0.08 million (2018: Nil).

Cost of sales

The Group recorded cost of sales of approximately HK$227.5 million (2018: approximately HK$191.8 million) for the six months ended 30 June 2019. The increase was primarily attributable by the increase in sales of equipment.

Other income

The other income of the Group increased by approximately HK$3.9 million from approximately HK$1.4 million for the six months ended 30 June 2018 to approximately HK$5.3 million for the six months ended 30 June 2019. Other income mainly comprised of (i) interest income arose from bank deposits of approximately HK$3.9 million; and (ii) income from assets exchange of approximately HK$1.4 million.

Other gains — net

For the six months ended 30 June 2019, other gains-net amounting to approximately HK$8.5 million mainly comprised of (i) other income from government subsidies of approximately HK$9.4 million; (ii) gains on disposal of a subsidiary to approximately HK$3.3 million; (iii) net exchange gains amounting to approximately HK$0.3 million; (iv) fair value gain on financial assets at fair value through profit or loss of approximately HK$0.8 million and (v) non-business expenditures of approximately HK$5.2 million.

Selling and distribution expenses

For the six months ended 30 June 2019, the selling and distribution expenses increased by 0.1 times to approximately HK$22.5 million for the six months ended 30 June 2019 from approximately HK$19.7 million for the six months ended 30 June 2018, such expenses are directly related to the sale of prefabricated units.

Administrative expenses

For the six months ended 30 June 2019, the administrative expenses decreased by approximately 13% from approximately HK$51.2 million for the six months ended 30 June 2018 to approximately HK$44.4 million for the six months ended 30 June 2019, which were mainly attributable to the staff costs decreased by 52% to approximately HK$9.0 million for the six months ended 30 June 2019 from approximately HK$18.8 million for the six months ended 30 June 2018 and the remaining decrease is attributable to other general administrative expenses, such as rental expenses, entertainment, travelling expenses and office expenses etc.

Finance costs

For the six months ended 30 June 2019, the finance costs increased by approximately HK$9.0 million from approximately HK$2.9 million for the six months ended 30 June 2018 to approximately HK$11.9 million for the six month ended 30 June 2019 which was mainly attributable to (i) the interest expenses of approximately HK$14.0 million for the bank borrowing; (ii) the interest expenses of approximately HK$1.1 million for the lease liabilities; and (iii) capitalisation of approximately HK$3.2 million interest in plant under development for prefabricated construction business for the year.

Liquidity and Financial Resources

For the six months ended 30 June 2019, the Group's cash and cash equivalents were approximately HK$37.7 million as at 30 June 2019 (31 December 2018: approximately HK$110.8 million).

As at 30 June 2019, the Group had current assets of approximately HK$814.5 million (31 December 2018: approximately HK$866.3 million) and current liabilities of approximately HK$556.9 million (31 December 2018: approximately HK$626.5 million). The current ratio (which is calculated on the basis of current assets without restricted cash over current liabilities) was approximately 1.2 as at 30 June 2019 (31 December 2018: 1.1).

As at 30 June 2019, the Group hold borrowings amounted to approximately HK$493.5 million (31 December 2018: approximately HK$496.6 million) and the gearing ratio (expressed as a percentage of total borrowings over total assets) was 14.9% (31 December 2018: 14.8%).

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 2018.

Event after Reporting Period in relation to certain loan agreements of the Group

Reference is made to the joint announcement dated 22 July 2019 by Joy Bright Investments Limited and the Company, in relation to, amongst others, the Equity Transfer Agreement between China Minsheng Investment Group Corp., Ltd.* (中國民生投資股份有限公司) and Henan Hongdao Business Information Consultancy Co., Ltd.* (河南弘道商務信息咨詢有限公司) ("Hongdao Consultancy"), whereby Mr. Wu Po Sum, through its indirectly wholly-owned subsidiary Hongdao Consultancy, has acquired the entire equity interest in Tianjin China Minsheng Drawin Technology Limited* (天津中民築友科技有限公司), which in turn indirectly owned and controlled approximately 63.5% of the issued shares in the Company (the "Acquisition"). The Acquisition was completed on 10 July 2019.

The Group has certain loan agreements which include restrictive covenants that changes of controlling shareholders might trigger the exercise of the relevant banks' right to require payments on an accelerated basis. This resulted in the Group's borrowings amounted to HK$433 million becoming immediately repayable subsequent to the Acquisition if requested by the banks, of which HK$344 million were non-current liabilities as of 30 June 2019.

On 29 July 2019, the Company conducted a meeting with one of the relevant banks, which had an outstanding borrowing balance amounted to HK$294 million as of 30 June 2019, and the bank acknowledged the aforesaid change of controlling shareholder and did not made nor intended to demand for early repayment.

In light of the bank's response, the Board of Directors considered that the change of Company's controlling shareholders would not constitute an event of default and have no material negative impact to the Group's financial position.

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

For the six months ended 30 June 2019, 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 the code provision A.4.1 of the Code which requires that non-executive directors should be appointed for a specific term, subject to re-election, as 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.

In light of the fact that at each annual general meeting, one-third of the directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. As such, the Company considers that such provision is sufficient to meet the underlying objective of this code provision.

In addition, subsequent to the six months ended 30 June 2019, the Company has not been able to comply with the code provision A.6.7 of the Code which requires Directors to attend the general meetings of the Company. Due to their respective engagements, Mr. Yin Jun, Mr. Yang Hongwei, Mr. Peng Xiongwen and Mr. Ma Lishan were unable to attend the special general meeting of the Company held on 4 July 2019.

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 2019.

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

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

Hong Kong, 9 August 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.