

Stock Code: 726

CMIG
Drawin

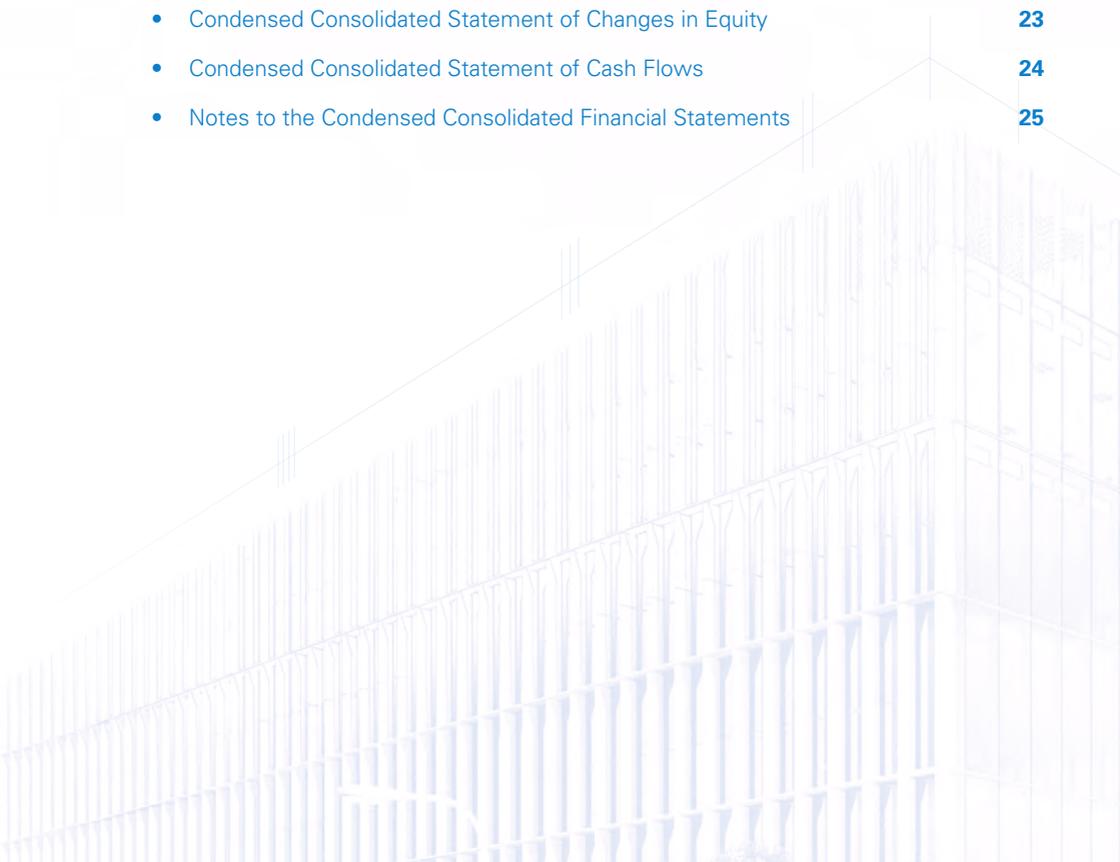
China Minsheng DIT Group Limited
(Incorporated in Bermuda with limited liability)

Interim Report
2019



Contents

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance	12
General Information	13
Condensed Consolidated Financial Statements	
• Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
• Condensed Consolidated Statement of Financial Position	21
• Condensed Consolidated Statement of Changes in Equity	23
• Condensed Consolidated Statement of Cash Flows	24
• Notes to the Condensed Consolidated Financial Statements	25



CORPORATE INFORMATION

Board of Directors

Executive Directors

YIN Jun (*Chairman*)

YANG Hongwei (*Chief Executive Officer*)

Non-executive Director

PENG Xiongwen

Independent Non-executive Directors

JIANG Hongqing

LEE Chi Ming

MA Lishan

Board Committees

Audit Committee

LEE Chi Ming (*Chairman*)

JIANG Hongqing

MA Lishan

Nomination Committee

YIN Jun (*Chairman*)

JIANG Hongqing

LEE Chi Ming

Remuneration Committee

JIANG Hongqing (*Chairman*)

LEE Chi Ming

MA Lishan

Company Secretary

TSANG Ho Peng

Authorised Representatives

YIN Jun

TSANG Ho Peng

Registered Office

Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10, Bermuda

Head Office and Principal Place of Business in Hong Kong

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

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Banker

The Bank of China Limited

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke, HM08
Bermuda

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services
Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited:
00726

Website

<http://cmdrawin.todayir.com>

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

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 HK\$'000	2018 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	—
Total	226,199	220,976

Sales revenue of prefabricated units	Six months ended 30 June	
	2019 HK\$'000	2018 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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

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	廣西焯盈建築工程 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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

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 HK\$'000	2018 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).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(continued)*

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 for the lease liabilities; and (iii) capitalisation of 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 net cash used in operating activities was approximately HK\$14.2 million (six months ended 30 June 2018: net cash used in operating activities was approximately HK\$97.9 million) and 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.

Capital structure

As at 30 June 2019, the total number of issued shares of the Company (the "Share(s)") was 11,209,602,920 Shares with a par value of HK\$0.1 each. Based on the closing price of HK\$0.094 per Share as at 30 June 2019, the Company's market value as at 30 June 2019 was approximately HK\$1,053.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(continued)*

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.* (河南弘道商務信息諮詢有限公司) (“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.

Exposures to exchange rates

Presently, most of the Group’s business transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The board of directors of the Company (the “Board”) is of the view that the Group’s exposure to currency risk is minimal and hence the Group does not have any currency hedging policy and has not entered into any hedging or other instruments to reduce currency risk. However, the management will closely monitor the Group’s exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Human Resources

As at 30 June 2019, the Group had a total of 576 (31 December 2018: 784) employees excluding directors of the Company (the “Directors”) 570 (31 December 2018: 778) of them worked in the PRC and 6 (31 December 2018: 6) of them worked in Hong Kong.

Employees are basically remunerated based on the nature of their job and their performance as well as the prevailing market trend. Other employee benefits include mandatory provident fund, medical benefits and year end discretionary bonus. Following a people-oriented approach, we implement a systematic recruitment, training and incentive platform, providing internal fuel for the growth of the Company. In doing so, we create a desirable workplace for our employees to develop and flourish.

Charges on Group Assets

As at 30 June 2019, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group, except for the one as disclosed in the Note 27 to the consolidated financial statements.

Capital Commitments and Contingent Liabilities

As at 30 June 2019, the Group had outstanding capital commitments in the aggregate amount of approximately HK\$92.7 million (31 December 2018: HK\$83.3 million) and no material contingent liabilities (31 December 2018: Nil).

Issue of Equity Securities for Cash by the Group

During the six-months ended 30 June 2019, the Group has not issued for cash any equity securities (including securities convertible into equity securities).

CORPORATE GOVERNANCE

Corporate Governance Practices

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

For the six months ended 30 June 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.

GENERAL INFORMATION

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

As at 30 June 2019, none of the Directors and chief executives of the Company had or was deemed to have interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code to the Listing Rules.

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

As at 30 June 2019, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares and underlying Shares of the Company as at 30 June 2019

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Jiayao Global Investments Limited ("Jiayao")	Beneficial owner	5,880,440,000	52.46%
Jiamin (Holding) Investment Limited	Beneficial owner	320,000,000	2.85%
Jianuo (Holding) Investment Limited	Beneficial owner	310,000,000	2.77%
Jiaxin (Holding) Investment Limited	Beneficial owner	274,000,000	2.44%
Jiaheng (Holding) Investment Limited	Beneficial owner	269,000,000	2.40%

GENERAL INFORMATION *(Continued)***Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares** *(continued)***Long positions in the Shares and underlying Shares of the Company as at 30 June 2019**
(continued)

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Jiacheng (Holding) Investment Limited	Beneficial owner	65,000,000	0.58%
Jialing (International) Investment Limited	Interest of controlled corporation	1,238,000,000	11.04%
Jiayao	Interest of controlled corporation	1,238,000,000	11.04%
Jiaye Summit Global Investment Limited	Interest of controlled corporation	7,118,440,000	63.50%
China Minsheng Drawin Technology Industry Limited	Interest of controlled corporation	7,118,440,000	63.50%
Tianjin China Minsheng Drawin Technology Limited ("TCMDT")	Interest of controlled corporation	7,118,440,000	63.50%
Jiayou (International) Investment Limited ("Jiayou")	Beneficial owner	40,960,000	0.37%
Jiahuang (Holdings) Investment Limited	Interest of controlled corporation	40,960,000	0.37%
Jiaxin Investment (Shanghai) Co., Ltd.	Interest of controlled corporation	40,960,000	0.37%
China Minsheng Jiaye Investment Co., Ltd. ("CMJYI")	Interest of controlled corporation	40,960,000	0.37%
China Minsheng Investment Corp., Ltd.	Interest of controlled corporation	7,159,400,000	63.87%
Zhu Yuehai	Beneficial owner	1,000,000,000	8.92%

GENERAL INFORMATION *(Continued)***Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares** *(continued)***Long positions in the Shares and underlying Shares of the Company as at 30 June 2019**
(continued)

Notes:

1. It was based on 11,209,602,920 Shares as at 30 June 2019.
2. As at 30 June 2019, Jiayao beneficially owned 5,880,440,000 Shares, representing 52.46% of the issued share capital of the Company. Jiayao's five indirect wholly-owned subsidiaries, namely Jiamin (Holding) Investment Limited, Jianuo (Holding) Investment Limited, Jiaxin (Holding) Investment Limited, Jiaheng (Holding) Investment Limited and Jiacheng (Holding) Investment Limited, beneficially owned in aggregate 1,238,000,000 Shares, representing 11.04% of the issued share capital of the Company. Jiayou beneficially owned 40,960,000 Shares, representing 0.37% of the issued share capital of the Company. Each of Jiayao and Jiayou is a company indirectly and wholly owned by TCMDT and CMYJI respectively, which in turn is 100% and 69.4% owned by China Minsheng Investment Corp., Ltd.

Save as disclosed above, and as at 30 June 2019, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Further, reference is made to the joint announcement made by the Company and Joy Bright Investments Limited dated 22 July 2019 (the "Joint Announcement"), in respect of, inter alia, the sale and purchase of shares in Tianjin China Minsheng Drawin Technology Limited* (天津中民築友科技有限公司) (the "Transfer"). As a result of the Transfer, as at the date of the Joint Announcement, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and the underlying Shares of the Company which would fall to be disclosed in the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

GENERAL INFORMATION *(Continued)***Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares** *(continued)***Long positions in the Shares and underlying Shares of the Company as at the date of the Joint Announcement**

Name of Shareholder	Capacity	Number of Shares held	Percentage of the Issued Share Capital (Note 1)
Wu Po Sum	Interests in controlled corporation	7,118,440,000 (note 2)	63.50%
Jianye Holdings Limited	Interests in controlled corporation	7,118,440,000 (note 2)	63.50%
Construction Housing Group Company Limited	Interests in controlled corporation	7,118,440,000 (note 2)	63.50%
Construction Development (H.K.) Company Limited	Interests in controlled corporation	7,118,440,000 (note 2)	63.50%
Henan Hongdao Business Information Consultancy Company Limited	Interests in controlled corporation	7,118,440,000 (note 2)	63.50%
Tianjin China Minsheng Drawin Technology Limited ("TCMDT")	Interests in controlled corporation	7,118,440,000 (note 2)	63.50%
China Minsheng Drawin Technology Industry Limited	Interests in controlled corporation	7,118,440,000 (note 2)	63.50%
Jiaye Summit Global Investments Limited	Interests in controlled corporation	7,118,440,000 (note 2)	63.50%
Jiayao Global Investments Limited ("Jiayao")	Beneficial Owner	5,880,440,000 (note 2)	52.46%
Jiayao	Interests in controlled corporation	1,238,000,000 (note 2)	11.04%
Jialing (International) Investment Limited	Interests in controlled corporation	1,238,000,000 (note 2)	11.04%
Jiaheng (Holding) Investment Limited	Beneficial Owner	269,000,000 (note 2)	2.40%

GENERAL INFORMATION *(Continued)***Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares** *(continued)***Long positions in the Shares and underlying Shares of the Company as at the date of the Joint Announcement** *(continued)*

Name of Shareholder	Capacity	Number of Shares held	Percentage of the Issued Share Capital (Note 1)
Jiaxin (Holding) Investment Limited	Beneficial Owner	274,000,000 (note 2)	2.44%
Jianuo (Holding) Investment Limited	Beneficial Owner	310,000,000 (note 2)	2.77%
Jiamin (Holding) Investment Limited	Beneficial Owner	320,000,000 (note 2)	2.85%
Jiacheng (Holding) Investment Limited	Beneficial Owner	65,000,000 (note 2)	0.58%
Zhu Yuehai	Beneficial owner	1,000,000,000	8.92%

Notes:

1. It was based on 11,209,602,920 Shares as at the date of the Joint Announcement.
2. As at the date of the Joint Announcement, Mr. Wu Po Sum is interested in 7,118,440,000 Shares. Jianye Holdings Limited, Construction Housing Group Company Limited, Construction Development (H.K.) Company Limited, Henan Hongdao Business Information Consultancy Company Limited, TCMĐT, China Minsheng Drawin Technology Industry Limited, Jiaye Summit Global Investments Limited, Jiayao, Jialing (International) Investment Limited, Jiaheng (Holding) Investment Limited, Jiaxin (Holding) Investment Limited, Jianuo (Holding) Investment Limited, Jiamin (Holding) Investment Limited and Jiacheng (Holding) Investment Limited (collectively, "Wu's Companies") are directly or indirectly wholly-owned by Mr. Wu Po Sum. Mr. Wu Po Sum is deemed to be interested in the Shares in which the Wu's Companies are interested in under the SFO.

GENERAL INFORMATION *(Continued)*

Purchase, Sale or Redemption of Securities

For 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.

Share Options

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

No share options have been granted, exercised, cancelled or lapsed under the New Scheme since its adoption on 7 August 2013. As at 30 June 2019 and up to the date of this report, there were no outstanding share options that have been granted and remained outstanding and exercisable under both the Old Scheme and the New Scheme.

Review of Interim Results

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

Choice of Languages or Means of Receiving Corporate Communications

This interim report is now available in printed form in English and in Chinese, and on the website of the Company and on the website of the Stock Exchange.

If (i) shareholders, who have received or chosen to receive or are deemed to have consented to receive the Company’s corporate communications by electronic means, wish to receive printed copies or vice versa; or (ii) shareholders for any reason have difficulty in receiving or gaining access to the Company’s corporate communications, they may obtain printed copies free of charge by sending a request to the Company c/o the Share Registrar, Computershare Hong Kong Investor Services Limited, by post to Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong or by email at cmdrawin.ecom@computershare.com.hk.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (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	9	(11,902)	(2,912)
(Loss)/profit before income tax		(9,395)	26,937
Income tax expense	10	(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	12	(0.10)	0.17

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

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (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	13	1,458,872	1,483,219
Right-of-use assets	14	753,904	–
Land use rights	15	–	732,937
Investment properties	16	17,279	17,348
Intangible assets		3,938	4,118
Deferred income tax assets	25	37,463	37,442
Investments in associates	17	192,356	192,697
Financial assets at fair value through profit or loss	20	31,376	23,967
		2,495,188	2,491,728
Current assets			
Inventories	19	100,092	96,095
Trade and other receivables and prepayments	18	541,969	505,793
Cash and cash equivalents	21	37,675	110,802
Restricted cash	22	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	23	1,120,960	1,120,960
Reserves		630,542	649,946
Non-controlling interests	24	1,751,502	1,770,906
		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	25	7,616	8,010
Borrowings	27	374,292	340,676
Lease liabilities		11,838	–
Obligations under finance lease		–	2,880
		395,167	352,993
Current liabilities			
Trade and other payables	26	345,476	413,813
Contract liabilities		62,557	40,545
Current income tax liabilities		11,501	14,702
Borrowings	27	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Contributed surplus reserve	Other reserve	Accumulated losses	Total		
Notes	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 31 December 2017									
as originally presented	1,120,960	859,695	77,976	131,166	28,631	(373,951)	1,844,477	560,917	2,405,394
Change in accounting policy	-	-	-	-	-	(1,220)	(1,220)	(53)	(1,273)
At 1 January 2018 (Restated)	1,120,960	859,695	77,976	131,166	28,631	(375,171)	1,843,257	560,864	2,404,121
Profit/(loss) for the period	-	-	-	-	-	19,533	19,533	(4,707)	14,826
Other comprehensive income:									
Currency translation differences	-	-	21,362	-	-	-	21,362	79	21,441
Total comprehensive income for the period	-	-	21,362	-	-	19,533	40,895	(4,628)	36,267
Transactions with owners, recognized directly in equity									
Disposal of ownership interests in subsidiaries without loss of control	-	-	-	-	1,182	-	1,182	27,764	28,946
Transaction with non-controlling interests in a subsidiary	-	-	-	-	(370)	-	(370)	370	-
Balance at 30 June 2018 (unaudited)	1,120,960	859,695	99,338	131,166	29,443	(355,638)	1,884,964	584,370	2,469,334
Balance at 1 January 2019	1,120,960	863,347	(26,262)	131,166	29,439	(347,744)	1,770,906	607,623	2,378,529
Loss for the period	-	-	-	-	-	(11,339)	(11,339)	(1,768)	(13,107)
Other comprehensive income:									
Currency translation differences	-	-	(8,065)	-	-	-	(8,065)	243	(7,822)
Total comprehensive income for the period	-	-	(8,065)	-	-	(11,339)	(19,404)	(1,525)	(20,929)
Transactions with owners									
Disposal of a subsidiary	-	-	-	-	-	-	-	(34,658)	(34,658)
Disposal of ownership interests in subsidiaries without loss of control	-	-	-	-	-	-	-	13,616	13,616
Transactions with NCI									
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	21,138	21,138
Total transactions with owners	-	-	-	-	-	-	-	96	96
Balance at 30 June 2019 (unaudited)	1,120,960	863,347	(34,327)	131,166	29,439	(359,083)	1,751,502	606,194	2,357,696

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
Notes	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
Cash used in operations	(6,430)	(72,291)
Income tax paid	(7,732)	(25,602)
Net cash used in operating activities	(14,162)	(97,893)
Investing activities		
Purchase of properties, plants and equipments	(102,813)	(285,910)
Purchase of land use rights	(8,519)	(36,362)
Purchase of intangible assets	(19,647)	(424)
Purchase of financial assets at fair value through profit or loss	(3,297)	(311,582)
Payment for establishment of an associate	–	(36,946)
Proceeds from disposal of equipments	16,097	771
Proceeds from disposal of investment properties	–	645
Proceeds from disposal of a subsidiary	47,711	166,130
Proceeds from redemption of financial assets at fair value through profit or loss	–	319,998
Interest received	2,263	502
Increase in restricted cash	–	(8,426)
Net cash used in investing activities	(68,205)	(191,604)
Financing activities		
Proceeds from bank borrowings	77,494	143,028
Repayment of bank borrowings	(78,593)	–
Interest paid	(13,501)	(5,274)
Payment of lease liabilities	(7,606)	–
Proceeds from partial disposal of equity interests in subsidiaries without loss of control	13,616	28,947
Capital contributions by non-controlling interests	21,138	–
Net cash generated from financing activities	12,548	166,701
Net decrease in cash and cash equivalents	(69,819)	(122,796)
Cash and cash equivalents at beginning of the period	110,802	582,511
Net exchange (losses)/gains on cash and cash equivalents	(3,308)	3,327
Cash and cash equivalents at end of the period	37,675	463,042

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 of HKFRS 16 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.

(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%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

3. Changes in accounting policies (continued)**(a) Adjustments recognised on adoption of HKFRS 16** (continued)

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

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 financial position 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

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.

Financial position (extract)	31 December 2018	HKFRS 16 HK\$'000	1 January 2019
	As originally presented HK\$'000		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*.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

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 (note a)	3,286	–
Fair value gains on financial assets at fair value through profit or loss	821	2,258
Net exchange gains	257	45
Fair value gains on investment properties	–	178
Losses on disposal of property, plant and equipment	–	(969)
Others	(5,244)	(367)
	8,510	5,322

note a: As at 31 December 2018, the Group held 60% equity interests in Hangzhou Linan China Minsheng DIT Limited ("CM Hangzhou Linan"). During the six months ended 30 June 2019, the Group disposed 55% equity interests in CM Hangzhou Linan to a third party with a consideration of approximately HK\$47.7 million. After the disposal, the Group lost control in CM Hangzhou Linan, and then recorded the remaining 5% interest retained in CM Hangzhou Linan as financial asset at fair value through profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

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 (Note 13)	39,730	26,452
Labour outsourcing	23,185	12,185
Amortisation of right-of-use assets (Note 14)	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. Finance Costs

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on lease liabilities	1,126	–
Interest expenses on bank borrowings	13,997	5,274
Less: Interest capitalised (Note 13)	(3,221)	(2,362)
	11,902	2,912

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)**For the six months ended 30 June 2019***10. Income Tax Expense**

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits in Hong Kong for the six months ended 30 June 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 (Note 25)	(818)	6,244
Total income tax expense for the period	3,712	12,111

11. 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).

12. (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 (loss)/earnings per share has been presented as the Group has no dilutive potential ordinary shares during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

13. Property, Plant and Equipment

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Balance as at 31 December (audited)	1,483,219	928,708
Change in accounting policies	(4,904)	–
Balance as at 1 January	1,478,315	928,708
Additions	73,884	275,626
Disposals	(48,755)	(1,741)
Depreciation charge	(39,730)	(26,452)
Currency translation differences	(4,842)	10,448
Balance as at 30 June (unaudited)	1,458,872	1,186,589

As at 30 June 2019, property, plant and equipments with net book value of HK\$374 million (31 December 2018: net book value of HK\$380 million) were pledged as collateral for the Group's borrowings HK\$186 million (Note 27). Among the collateral, property ownership certificate of the Group's building with a net book value HK\$284 million (31 December 2018: HK\$290 million) is under China Minsheng Drawin Co., Ltd. These buildings were pledged as collateral for two bank borrowings of HK\$159 million.

For the six months ended 30 June 2019, depreciation of property, plant and equipment of approximately HK\$39.7 million (six months ended 30 June 2018: HK\$26.4 million) has been charged to cost of sales and administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income (Note 8).

For the six months ended 30 June 2019, interest expenses on bank borrowings of approximately HK\$3.2 million (six months ended 30 June 2018: HK\$2.4 million) have been capitalized to plants under development for prefabricated construction business (Note 9).

14. Right-of-use assets

	Six months
	ended 30 June
	2019
	HK\$'000
Balance as at 1 January	773,659
Additions	33,481
Disposals	(33,065)
Amortisation	(17,541)
Currency translation differences	(2,630)
Balance as at 30 June (unaudited)	753,904

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)**For the six months ended 30 June 2019***15. Land Use Rights**

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

	Six months ended 30 June 2018 HK\$'000
Balance as at 1 January	628,458
Additions	36,362
Disposals	–
Amortisation	(6,947)
Currency translation differences	6,851
Balance as at 30 June (unaudited)	664,724

16. Investment Properties

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Balance as at 1 January (audited)	17,348	18,543
Disposals	–	(645)
Net gain from fair value adjustments	–	178
Currency translation differences	(69)	207
Balance as at 30 June (unaudited)	17,279	18,283

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

17. Investment in associates

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Share of net assets	192,356	192,697
Less: Provision for impairment	–	–
	192,356	192,697

As at 30 June 2019, the Group had indirect interests in the following associates:

Name	Place of incorporation and operation	Proportion of ownership interest		Issued Share capital	Principal activities
		Held by the Company	Indirectly held		
Zhejiang China Minsheng Drawin Technology Company Limited	China	–	47%	HK\$200,000,000	Construction industrialisation
YMCI China Minsheng Kunming Technology Construction	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 30 June 2019, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

18. Trade and Other Receivables and Prepayments

	As at 30 June 2019 HK\$'000 (unaudited)	As at 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
	546,144	508,987
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:

	As at 30 June 2019 HK\$'000 (unaudited)	As at 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	—
	360,420	294,940

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

18. Trade and Other Receivables and Prepayments (continued)

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

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Renminbi	532,968	495,095
HK dollar	9,001	10,698
	541,969	505,793

19. Inventories

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Raw materials	48,853	42,264
Finished goods	51,957	53,198
Work in progress	279	2
Low value articles	129	107
Goods in transit	118	1,967
Inventory provision	(1,244)	(1,443)
	100,092	96,095

For the six months ended 30 June 2019, the cost of inventories recognised as expense and included in 'Cost of sales' amounted to approximately HK\$109.3 million (six months ended 30 June 2018: HK\$191.8 million).

20. Financial Assets at Fair Value through Profit or Loss

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

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Unlisted equity Instruments (note (a))	31,376	23,967

note:

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

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

For the six months ended 30 June 2019

21. Cash and Cash Equivalents

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Cash at bank and on hand		
— Denominated in RMB	36,636	85,535
— Denominated in HKD	1,039	14,050
— Denominated in USD	-	11,217
	37,675	110,802

22. Restricted Cash

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Restricted Cash		
— Deposit for bank borrowing (note (a))	130,000	130,000
— Deposit for bank notes	4,791	23,558
	134,791	153,588

note:

- (a) As at 30 June 2019, certificate of deposit of HK\$130,000,000 (31 December 2018: HK\$130,000,000) was pledged as collateral of the Group's borrowings HK\$107,996,000 (31 December 2018: HK\$108,423,000).

23. Share Capital**Authorised shares**

	Number of authorised shares
As at 1 January 2018, 31 December 2018 and 30 June 2019	25,000,000,000

Issued shares

	Number of issued shares (at HK\$0.1 each)	Ordinary shares (nominal value) HK\$'000
As at 1 January 2018, 31 December 2018 and 30 June 2019	11,209,602,920	1,120,960

All the shares issued rank pari passu in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

24. Non-controlling Interests

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

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Changsha China Minsheng DIT Limited ("CM Changsha")	540,421	542,250
China Minsheng Drawin Technology (Jiaozhou) Limited ("CM Jiaozhou")	37,635	26,115
Haikou China Minsheng DIT Limited ("CM Haikou")	13,226	–
Nanning China Minsheng DIT Limited ("CM Nanning")	9,601	–
Nanjing China Minsheng DIT Limited ("CM Nanjing")	5,311	5,032
CM Hangzhou Linan	–	34,226
	606,194	607,623

25. Deferred Income Tax

The gross movement in deferred income tax assets and liabilities for the six months ended 30 June 2019 and six months ended 30 June 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Opening balance at 1 January (audited)	37,442	21,175
Credited to profit or loss (Note 10)	499	1,615
Set-off of deferred tax liabilities pursuant to set off provisions	–	(1,010)
Currency translation differences	(478)	198
Closing balance at 30 June (unaudited)	37,463	21,978

Deferred income tax liabilities

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Opening balance at 1 January (audited)	8,010	7,962
Debit to profit or loss (Note 10)	(319)	7,859
Set-off of deferred tax assets pursuant to set off provisions	–	(1,010)
Currency translation differences	(75)	86
Closing balance at 30 June (unaudited)	7,616	14,897

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

26. Trade and Other Payables

	As at 30 June 2019 HK\$'000 (unaudited)	As at 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:

	As at 30 June 2019 HK\$'000 (unaudited)	As at 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

27. Borrowings

	As at 30 June 2019 HK\$'000 (unaudited)	As at 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 (Note 13) of the Group, and bank borrowings of HK\$ 108 million are secured by restricted cash deposit (Note 22) 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 (Note 29).
- The Group's bank borrowings of HK\$ 22 million are guaranteed by a related party China Minsheng Drawin Technology Industry Limited (Note 29).
- (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)**For the six months ended 30 June 2019***28. Capital commitments**

As at 30 June 2019 and 31 December 2018, capital expenditure contracted for but not yet incurred is as follows:

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Property, plant and equipment	92,677	83,300

29. Related-Party Transactions**(a) Name and relationship with related parties**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

29. Related-Party Transactions (continued)**(b) Transactions with related parties**

During the six months ended 30 June 2019 and the six months ended 30 June 2018, the Group has the following related party transactions:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Payment on behalf of the Group by related parties		
China Minsheng Drawin Construction Technology Group Co., Ltd.	478	585
China Minsheng Drawin Building Technology Group Company Limited	–	50
	478	635
Payment on behalf of related parties by the Group		
China Minsheng Drawin Co., Ltd	1,995	35
China Minsheng Drawin Construction Technology Group Co., Ltd	44	25,519
China Minsheng Drawin New Material Company Limited	16	–
China Minsheng Drawin Architectural Design Limited	–	37
	2,055	25,591
Supply of prefabricated construction components and products by the Group		
China Minsheng Drawin Construction Technology Group Co., Ltd	38,236	63,596
Zhejiang China Minsheng Drawin Technology Company Limited	5,700	–
China Minsheng Drawin Co., Ltd	27	–
China Minsheng Drawin Building Technology Group Company Limited	–	7,272
	43,963	70,868
Sales of equipment		
Zhejiang China Minsheng Drawin Technology Company Limited	–	10,678
Revenue from granting licenses to related party		
YMCI China Minsheng Kunming Technology Construction Limited	–	38,341

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

29. Related-Party Transactions (continued)

(b) Transactions with related parties (continued)

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Rental Income from		
SRE Group Limited	2,610	–
China Minsheng Drawin Architectural Design Limited	1,341	–
China Minsheng Drawin New Material Company Limited	1,135	155
China Minsheng Drawin Construction Technology Group Co., Ltd	1,098	–
China Minsheng Drawin Technology Industry Limited	395	–
China Minsheng Drawin Culture Co., Ltd	201	–
	6,780	155
EPC general contracting services for property, plant and equipment provided by the related parties		
China Minsheng Drawin Construction Technology Group Co., Ltd	41,515	165,911
China Minsheng Drawin Architectural Design Limited	–	2,359
	41,515	168,270
Design services provided by the related party		
China Minsheng Drawin Architectural Design Limited	315	–
Guarantee for bank borrowings provided by the related parties		
China Minsheng Drawin Co., Ltd	22,736	48,364
China Minsheng Drawin Technology Industry Limited	21,599	–
	44,335	48,364
Guarantee provided by the Group to		
Zhejiang China Minsheng Drawin Technology Company Limited	–	49,174

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2019

29. Related-Party Transactions (continued)

(c) Related-party balances

	As at 30 June 2019 HK\$'000 (unaudited)	As at 31 December 2018 HK\$'000 (audited)
Amount due from related parties		
China Minsheng Drawin Construction Technology Group Co., Limited	112,722	83,674
Zhejiang China Minsheng Drawin Technology Company Limited	11,915	9,080
China Minsheng Drawin Technology Industry Limited	10,604	1,141
China Minsheng Drawin New Material Company Limited	5,206	3,666
Jiacheng (Holding) Investment Limited	5,000	5,000
YMCI China Mingsheng Kunming Technology Construction Limited	3,800	5,705
China Minsheng Drawin Architectural Design Limited	3,580	1,934
China Minsheng Drawin Co., Ltd.	3,023	955
Hunan China Minsheng Drawin Green Construction Investment Limited	1,055	1,059
China Minsheng Drawin Culture Co., Ltd.	285	36
China Minsheng Drawin Building Technology Group Company Limited	34	20,561
SRE Group Limited	1	1
Tianjin China Minsheng Drawin Technology Limited	-	59
	157,225	132,871
Amount due to related parties		
China Minsheng Drawin Construction Technology Group Co., Limited	68,755	70,498
Zhejiang China Minsheng Drawin Technology Company Limited	4,592	2,430
China Minsheng Drawin Architectural Design Limited	1,452	2,327
China Minsheng Drawin Co., Ltd	613	615
China Minsheng Drawin Building Technology Group Company Limited	-	114
	75,412	75,984

The amounts due from and due to related parties are unsecured, bear no interest and are repayable on demand.

(d) Key management compensation

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

	Six months ended 30 June 2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Salaries and other short-term employee benefits	1,494	4,315
Employer's contribution to pension scheme	-	12
	1,494	4,327