China Minsheng Drawin Technology Group Limited

中民築友科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Directors") of China Minsheng Drawin Technology 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 2016 with comparative figures for the corresponding period of 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*4*	**257**	249
Cost of sales	*7*	**(45)**	(44)
Gross profit		**212**	205
Other income	*5*	**1,856**	646
Other (losses)/gains – net	*6*	**(48,130)**	43,551
Administrative expenses	*7*	**(25,040)**	(12,054)
Impairment losses on available-for-sale financial assets		**(17,750)**	(27)
Operating (loss)/profit		**(88,852)**	32,321
Finance costs		**(7,013)**	(1,333)
(Loss)/profit before income tax		**(95,865)**	30,988
Income tax credit	*8*	**1,157**	2
(Loss)/profit for the period, all attributable to owners of the Company		**(94,708)**	30,990
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss:			
– Changes in fair value of available-for-sale financial assets		**457**	(90)
– Currency translation differences		**(9,991)**	1,027
Item recycled to profit or loss:			
– Fair value losses on available-for-sale financial assets recycled to profit or loss upon disposal and included in other losses		**9,289**	–
Other comprehensive (loss)/income for the period, net of tax		**(245)**	937
Total comprehensive (loss)/income for the period, all attributable to owners of the Company		**(94,953)**	31,927
(Loss)/earnings per share attributable to owners of the Company (expressed in HK$ cents per share)			
– Basic	*10*	**(0.93)**	0.63
– Diluted	*10*	**(0.93)**	0.63

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**182,293**	81,398
Land use rights		**168,287**	–
Intangible assets		**74**	41
Investment properties		**37,089**	37,723
Available-for-sale financial assets		**38,032**	102,423
Other non-current assets		**14,011**	48,349
		439,786	269,934
Current assets			
Inventories		**441**	–
Trade and other receivables and prepayments	*11*	**78,019**	35,045
Financial assets at fair value through profit or loss		**71,245**	90,169
Available-for-sale financial assets		**57,330**	92,820
Cash and cash equivalents		**998,415**	1,184,598
		1,205,450	1,402,632
Total assets		**1,645,236**	1,672,566
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,020,960**	1,020,960
Reserves		**352,654**	447,607
Total equity		**1,373,614**	1,468,567
LIABILITIES			
Non-current liabilities			
Convertible bond	*12*	**169,789**	162,776
Deferred government grants		**48,532**	–
Deferred income tax liabilities	*13*	**9,043**	10,269
		227,364	173,045
Current liabilities			
Trade and other payables	*14*	**44,096**	30,716
Advances from customers		**162**	238
		44,258	30,954
Total liabilities		**271,622**	203,999
Total equity and liabilities		**1,645,236**	1,672,566

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2016 have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value, and in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements of the Company for the nine months ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The Company had changed its financial year end from 31 March to 31 December in 2015. This is the first set of published interim condensed consolidated financial information prepared after the change of financial year end and therefore covers the six months to 30 June 2016 with comparative figures aligned to such new interim period, while the previous 2015 published interim condensed consolidated financial information covered the six months to 30 September 2015.

2. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those used for and described in the consolidated financial statements of the Company for the nine months ended 31 December 2015.

New standard, amendments and improvements of HKFRSs adopted by the Group in the first half of 2016

- HKFRS 14 "Regulatory Deferral Accounts";
- Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations;
- Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation;
- Amendment to HKAS 27 on equity method in separate financial statements;
- Annual improvements 2014, affecting the following 4 standards: HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", HKFRS 7 "Financial Instruments: Disclosures", HKAS 19 "Employee Benefits" and HKAS 34 "Interim Financial Reporting";
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 on investment entities: applying the consolidation exception;
- Amendments to HKAS 1 on disclosure initiative.

The adoption of the above new standard, amendments and improvements starting from 1 January 2016 did not give rise to any significant impact on the Group's results of operations and financial position for the six months ended 30 June 2016.

The Group has not early adopted any new accounting and financial reporting standards, amendments and improvements to existing standards which have been issued but are not yet effective for the financial year ending on 31 December 2016.

3. 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 (the "Board") 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.

4. REVENUE

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Rental income from investment properties	**257**	249

5. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income on bank deposits	**1,692**	236
Dividend income from available-for-sale financial assets	**–**	330
Sundry income	**164**	80
	1,856	646

6. OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net exchange gain/(loss)	**834**	(4)
Net realised (loss)/gain on disposal of financial assets at fair value through profit or loss	**(8,473)**	11,675
Net unrealised fair value (loss)/gain on financial assets at fair value through profit or loss	**(10,295)**	28,625
Net realised (loss)/gain on disposal of available-for-sale financial assets	**(30,197)**	1,394
Fair value gains on investment properties	**–**	1,861
Gain on disposal of property, plant and equipment	**1**	–
	(48,130)	43,551

7. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Auditors' remuneration	**350**	346
Depreciation and amortisation	**1,645**	21
Employee benefit expenses	**11,938**	4,465
Legal and professional fees	**1,699**	1,227
Operating lease rentals on office buildings	**2,600**	2,463
Research and development expenses	**2,261**	–

8. INCOME TAX CREDIT

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 2016 (six months ended 30 June 2015: Nil). Taxation on PRC profits has been calculated on the estimated assessable profits for the periods at the rates of taxation prevailing in the PRC.

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current income tax – PRC corporate income tax	**–**	218
Deferred income tax *(Note 13)*	**(1,157)**	(220)
Total income tax credit for the period	**(1,157)**	(2)

9. DIVIDEND

The Board did not recommend any payment of dividend in respect of the six months ended 30 June 2016 (six months ended 30 September 2015: Nil).

10. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share for the periods is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
(Loss)/profit attributable to owners of the Company *(HK$'000)*	**(94,708)**	30,990
Weighted average number of ordinary shares in issue *('000)*	**10,209,603**	4,930,597
Basic (loss)/earnings per share *(HK cent)*	**(0.93)**	0.63

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares for both the six months ended 30 June 2016 and 30 June 2015, which is the convertible bond *(Note 12)*. The convertible bond is assumed to have been converted into ordinary shares, and the (loss)/profit attributable to owners of the Company is adjusted to eliminate the interest expense less the tax effect. For the six months ended 30 June 2016, the Group incurred a loss, the impact of conversion of convertible bond on loss per share is anti-dilutive and diluted loss per share therefore is equal to basic loss per share. For the six months ended 30 June 2015, the diluted earnings per share is calculated as follows:

	Six months ended 30 June 2015 (unaudited)
Profit attributable to owners of the Company *(HKD'000)*	30,990
Interest expense on convertible debt (net of tax)	1,113
	32,103
Weighted average number of ordinary shares in issue *('000)*	4,930,597
Adjust for:	
– Assumed conversion of convertible bond *('000)*	187,845
Weighted average number of ordinary shares for diluted earnings per share *('000)*	5,118,442
Diluted earnings per share (HK cent)	0.63

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Trade receivables	**521**	579
Less: Provision for impairment of trade receivables	**(521)**	(579)
Trade receivables, net	**–**	–
Earnest money for acquisition of certain properties located in Shenzhen *(note (a))*	**72,000**	72,000
Earnest money for acquisition of a Shanghai property company *(note (b))*	**28,000**	28,000
Proceeds receivable from redemption of private funds	**26,190**	–
Value-added tax recoverable	**9,372**	–
Rental and other deposits	**5,148**	3,516
Prepayments	**2,894**	2,329
Others	**6,415**	1,200
	150,019	107,045
Less: Provision for impairment of other receivables	**(72,000)**	(72,000)
	78,019	35,045

The aging of trade receivables as at 30 June 2016 and 31 December 2015 based on the invoice issue date are as follows:

	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
More than 2 years	**521**	579

The maximum exposure to credit risk as at 30 June 2016 and 31 December 2015 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 2016 and 31 December 2015, the fair value of other receivables approximate their carrying amounts.

As at 30 June 2016 and 31 December 2015, the carrying amounts of trade and other receivables and prepayments are primarily denominated in Hong Kong dollars.

Notes:

(a) On 26 February 2014, the Group (as purchaser) entered into a non-legally binding framework agreement (as supplemented by four supplemental framework agreements dated 23 May 2014, 22 August 2014, 25 November 2014 and 30 December 2014) with Mr. Liu Shu (as vendor) relating to a possible acquisition of certain properties in Shenzhen, the PRC by the Group at a consideration to be determined with reference to the finalised market value of such properties, which shall be satisfied in the combination of cash, consideration shares, promissory notes and/or convertible notes of the Group; and the cash portion of which shall not be less than HK$300 million. Subsequently, a total of HK$72 million was paid to the vendor as earnest money. As no formal agreement was entered into by the long stop date on 25 February 2015, the framework agreement (as supplemented by the four supplemented framework agreements as mentioned above) lapsed on 25 February 2015. The Group had made full provision for bad debt of the refund of the abovementioned earnest money owed to the Group by Mr. Liu Shu after unsuccessful claim for such refund for an extended period of time.

(b) On 24 December 2014, the Group entered into a non-legally binding framework agreement relating to a possible acquisition of the entire equity interest of Jinhong Property Development Limited (金鴻置業有限公司) by the Group. On 8 March 2016, the Group had decided not to proceed with the possible acquisition and the framework agreement had lapsed pursuant to its terms. Considering the current discussion with the seller, the Directors are of the view that the Group is likely to collect the refund of substantial part of the earnest money in due course and hence no provision was made.

12. CONVERTIBLE BOND

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

The convertible bond recognised in the balance sheet is calculated as follows:

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Nominal value of the convertible bond	**200,000**	200,000
Less: Equity component	**(45,118)**	(45,118)
	154,882	154,882
Interest expenses	**15,353**	8,340
Professional fees	**(446)**	(446)
Liability component	**(169,789)**	(162,776)
Analysed for reporting purposes as non-current liabilities	**(169,789)**	(162,776)

The fair value of the liability component of the convertible bond as at 30 June 2016 approximates its book value. The fair value is calculated using cash flows discounted at a rate based on borrowing rate of 8.9% and are within level 2 of the fair value hierarchy.

13. DEFERRED INCOME TAX LIABILITIES

The gross movements in deferred income tax liabilities for the six months ended 30 June 2016 and 30 June 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Fair value gains arising on investment properties *HK$'000*	**Convertible bond** *HK$'000*	**Total** *HK$'000*
At 1 January 2016 (audited)	**4,127**	**6,142**	**10,269**
Credited to profit or loss *(Note 8)*	**–**	**(1,157)**	**(1,157)**
Currency translation differences	**(69)**	**–**	**(69)**
At 30 June 2016 (unaudited)	**4,058**	**4,985**	**9,043**
At 1 January 2015 (unaudited)	3,834	–	3,834
Credited to profit or loss *(Note 8)*	–	(220)	(220)
Deferred income tax liabilities arising from the issuance of convertible bond	–	7,518	7,518
At 30 June 2015 (unaudited)	3,834	7,298	11,132

14. TRADE AND OTHER PAYABLES

	30 June 2016 ***HK$'000*** **(unaudited)**	31 December 2015 *HK$'000* (audited)
Trade payables *(note (a))*	**310**	1,030
Amounts due to related parties	**15,254**	12,614
Construction deposits and payables	**11,494**	–
Payable related to acquisition of Guangzhou plant	**10,031**	10,974
Technology transfer contract fee	**5,850**	–
Accrued payroll	**–**	5,701
Others	**1,157**	397
	44,096	30,716

Note:

(a) The aging analysis of trade payables as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016 ***HK$'000*** **(unaudited)**	31 December 2015 *HK$'000* (audited)
Less than 1 year	**310**	1,030

As 30 June 2016 and 31 December 2015, the fair value of trade and other payables approximate their carrying amounts.

As at 30 June 2016 and 31 December 2015, the carrying amounts of trade and other payables are primarily denominated in Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Strong Market Potential under China's "New Economy"

The global economy is still full of volatility. Factors including geopolitics, expectations of a US rate hike, low commodity prices and slow foreign trade growth have further depressed China's export and GDP growth. Despite the slowing economic growth, the quality of economic development in China has improved as the government continues to deepen its economic structural reform, particularly seeking a greater role for supply-side economics. The Chinese government is also making efforts to seek progress and to achieve an appropriate expansion of aggregate demand to encourage sustainable development. China's GDP grew 6.7% year on year in the first half of 2016 and the national economy showed moderate but steady growth. With Japan and Brexit invoking more financial stimulus and the diminishing US rate hike expectation, the global economy is looking forward to a better second half in 2016.

In the first half of the year, the property market in China showed signs of recovery and attracted market liquidity. The national policies of inventory clearance and monetary easing are continuing to show effects. The national total floor area sold for commodity housing during the first half of 2016 increased 27.9% year-on-year, while national sales amount of commodity housing increased 42.1% year-on-year. National property sales significantly accelerated, leading to an increase of real estate development investment compared with the same period last year. On the other hand, Construction PMI and the New Orders Index reached 62.0% and 58.8% respectively in June 2016, both of which hit record highs this year, indicating demand for construction had increased significantly. The Central Politburo of the CPC, the State Council and the National Development and Reform Commission have emphasized the need for "the reduction of property inventory and the promotion of sustainable development within the property industry" when commenting on the property market, which indicated that the Chinese government will continue to support the healthy and orderly development of the property market.

As an important national sector, the construction industry represents a huge market, which saw an annual output of RMB18 trillion in 2015, nearly 27% of China's GDP. So far, the market is still dominated by traditional construction methods while the development of industrialized construction is still at the preliminary stage. However, the Group believes that with the government's leadership and the support of enterprises, the grounds for optimism in industrialized construction are solid. Most of the Group's production sites will start operations from the second half of 2016, with that, the Group is positive for stronger growth in the near to medium term.

Favorable Policies in Support of Industrialized Construction

Green development, green planning and a low-carbon economy are part of the National 13th Five-Year Plan. The government has promoted prefabricated buildings and the application of industrialized construction technologies in the construction of buildings in recent years. According to "The Opinions and Guidelines on Further Strengthening Urban Planning and Development Management" released by the State Council in February 2016, construction techniques that generate less waste and use fewer resources, such as the use of prefabricated building units and materials, are encouraged by the government. In addition, the government will strive to ensure that 30% of new buildings are constructed using prefabricated units within the next 10 years. Currently, nearly 40 to 50 cities and provinces in China, including Beijing, Shanghai, Shenzhen, Jiangsu Province, Hunan Province, Fujian Province and Zhejiang Province, have issued favorable polices which support the development of prefabricated construction, including support by way of finance and taxation, funding subsidies, supplements of special funds and the granting of land use rights.

The Company will continue to invest in the upstream property development sector as part of its expansion strategy. The Group is committed to strengthening its industrialized and prefabricated construction capabilities in line with the market trends and the national policy.

Becoming a Competitive Player in the Industrialized Construction Industry

The Company focuses on technological innovation and advocates the combination of advanced technology with traditional construction methods. With the desire to promote the transformation of the construction industry, it is aiming to become a pioneer and competitive player in the industrialized construction industry. With green construction taking precedent as a national guiding principle and through the use of modern technology and information management, the quality of construction and labor productivity will be improved. At the same time, the Group is adopting this principle and striving to ensure energy is saved, carbon emissions are reduced and development is sustainable. During the six months ended 30 June 2016 (the "Period under Review"), the Group made notable progress in terms of the reform of operations, construction of Green Technology Parks (the "Technology Park(s)"), technology research and development and operational management.

Fully Integrated EMPC Model to Change the Direction of the Industry's Transformation

Currently, the EPC model (Engineering, Procure, Construct) still remains at the heart of most Chinese construction companies' operations. The Company instead puts forward the EMPC model, which includes the addition of an important concept, "Manufacture". The EMPC model implies fully integrated value chains which links up entire industry cycles from research and development to design, manufacturing, logistics, assembly and information technology management. It provides a unified integration platform which can reduce the Group's reliance on external service providers and suppliers, lower operational costs and improve operational efficiency. This will ensure that the Group will have better control over the quality of its products. Currently, the Group is able to handle research and development, design, and manufacturing and logistics, and shall apply the EMPC model in the future to promote the upgrade and transformation of the construction industry.

Investment on Technology Parks – The Advantage of Scale

Industrialized construction needs to dilute costs and increase profit margins through the scale effect. The Technology Parks will provide a one-stop construction solution, including research and development, design, manufacturing and sales of intelligent and green building construction technology and modules for prefabricated construction. The Group has made investment in Technology Parks in Hangzhou, Hengyang, Huizhou, Kunshan and Nanjing, and will strive hard to have their operations to commence as soon as possible.

In addition, a resolution in relation to the establishment of a joint venture (the "JV") of the Group with a non-wholly owned subsidiary of China Minsheng Jiaye Investment Co., Ltd, (the "JV Partner"), was passed at a special general meeting held on 13 June 2016 (please refer to the announcements dated 3 March 2016, 25 May 2016 and 13 June 2016). The formation of the JV is an important step forward for the Company as it seeks to further build up its capabilities in the prefabricated construction business. The Group will join hands with the JV Partner to develop an industrial park in Changsha (the "Changsha Industrial Park"). Currently, construction of phase one of the Changsha Industrial Park has been completed and the relevant equipment and facilities are currently being tested for trial operations and is expected to commence commercial operations in the second half of 2016. Phase two is scheduled to be constructed during late 2016 to 2017, which will include the construction of facilities for manufacturing prefabricated units for buildings with specific purposes, such as full bathroom suites, country villas, color panels and other "green construction".

Meanwhile, the Group will continue to explore opportunities for developing additional Technology Parks, including joint ventures and other alliances. The Group favors investments in provincial cities where economies are vibrant, market potential is large, the level of acceptability for prefabricated construction or support from local governments is high, and infrastructure and logistics are good.

Establishing Industry Leadership through Technology Innovation and Information Management

Industrialized construction is a high-technology based industry, featuring modern science technology, information management, industrialized production and standardized product designs. The Group has a research academy and a research and development team to improve and develop innovative industrialized construction technology. As of now, the Group has developed a preliminary industrialized construction technology system that covers different sections of the industrial chains. In terms of patent technology, the Group had filed for more than 200 patent applications during the Period under Review, including patents for inventions, patents for utility and design. In terms of information management, the Group has developed the original iDrawin 5MAC system, which incorporates information technology throughout operational processes, and helps to control and adjust operations more effectively. The Group believes that strong technology and information management can enhance the quality of products, increase productivity and lower operational costs, and are conducive to establishing competitive advantages and industry leadership.

In addition, the Group will also learn from successful overseas experiences and explore opportunities to create alliances or work with famous universities or leading industrial enterprises on research related to industrialized construction technology.

Business Prospects

It is the Group's near-term goal to establish approximately five Technology Parks expected to start operation or have their construction completed by around the end of 2016. As these Technology Parks and Changsha Industrial Park start operation, together with favorable policies in support of industrialized construction, the Group will be able to broaden its revenue stream and enhance its position rapidly.

The Group also plans to pursue other activities that relate to its property development and other investment-related businesses, and is exploring business opportunities to get involved in both public and private property development projects. On the one hand, given the trends in urbanization, the Group plans to build government-sponsored housing projects, commodity housing and urban infrastructure projects that feature a high degree of standardization, such as underground utility tunnels. On the other hand, since there is strong potential to develop in China's countryside, the Group is keen to expand the rural townhouse development market due to a strong interest for investment in new agricultural and rural developments in China. In addition, the Group is actively exploring possibilities for cooperation with leading property developers in China, and will consider outsourcing industrialized construction platforms and related technologies to traditional contractors, thereby assisting these contractors in their attempt to reform while allowing the Group to gain a bigger market share.

Looking forward, the Group will strive hard to grow its business and improve its financial and operating performance, and in doing so, will enable the Company's shareholders to benefit from the growth.

FINANCIAL REVIEW

Review of Results

The Group was principally engaged in the business of property investment and prefabricated construction work in the People's Republic of China (the "PRC").

Revenue represented the rental income of commercial properties located in Zouping, Shandong, the PRC with a gross floor area of approximately 7,845 square metres. During the Period under Review, the Group recorded revenue of approximately HK$257,000 (six months ended 30 June 2015: HK$249,000) and a gross profit of approximately HK$212,000 (six months ended 30 June 2015: HK$205,000). The modest increase in rental income was attributed to the increase in occupancy rate for the rentable area. The direct costs were mainly fixed rate turnover taxes, thus the gross profit margin for the six months ended 30 June 2016 maintained approximately at the same level when compared with the last corresponding period.

Other income for the Period under Review significantly increased from approximately HK$646,000 for the last corresponding period to HK$1.9 million which was mainly due to the increase in interest income generated from bank deposits.

During the Period under Review, other losses amounting to HK$48.1 million comprised (i) the realised losses on disposal of investments in two private funds amounting to HK$30.2 million; (ii) the net unrealised fair value loss on financial assets at fair value through profit or loss amounting to HK$10.3 million; and (iii) the net realised loss on disposal of financial assets at fair value through profit or loss amounting to HK$8.4 million; and (iv) the net exchange gain of HK$0.8 million. In addition, the Group provided further impairment losses on available-for-sale financial assets amounting to HK$17.8 million. All of the above mentioned losses were primarily due to the weak market in securities and funds trading in the first half of 2016.

During the Period under Review, administrative expenses increased by HK$12.9 million from HK$12.1 million for the last corresponding period to HK$25.0 million. The more than doubled increase was mainly due to (i) the significant grow in headcount of the Group, the total staff costs dramatically increased by HK$7.5 million; (ii) the occurance of HK$2.3 million research and development expenses during the Period under Review; and (iii) the increase in other general administrative expenses along with the Group's expansion.

Finance costs solely represented the effective interest amortised on the zero coupon convertible bond with outstanding principal amount of HK$200 million issued on 27 May 2015. The effective interest rate applied on the liability component of approximately HK$169.8 million is 8.9% per annum. The residual amount of approximately HK$45.1 million is assigned in the equity component of the convertible bond and is included in shareholders' equity.

Liquidity and Financial Resources

The liquidity and financial position of the Group as at 30 June 2016 remained healthy, with cash and bank balances amounting to HK$998.4 million (31 December 2015: HK$1,184.6 million) and a current ratio of 27.2 (31 December 2015: 45.3).

As at 30 June 2016, other than the convertible bond issued on 27 May 2015, the Group had no bank and other borrowings. Therefore, the gearing ratio (expressed as a percentage of total borrowings over total assets) was 10.3% (31 December 2015: 9.7%).

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

During the Period under Review, 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 of Hong Kong Limited (the "Stock Exchange"), except for:

(a) code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term, subject to re-election. One of the non-executive Directors, Mr. Zhou Feng, 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. 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; and

(b) code provision A.6.7 of the Code which provides that independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Due to their respective engagements, Mr. Zhou Feng, and Mr. Jiang Hongqing were unable to attend the annual general meeting and special general meeting of the Company held on 13 June 2016.

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 Period under Review.

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

During the Period under Review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 Period under Review.

By order of the Board of
China Minsheng Drawin Technology Group Limited
Mi Hongjun
Chairman and Executive Director

Hong Kong, 30 August 2016

As at the date of this announcement, the Board comprises Mr. Mi Hongjun (Chairman), Mr. Yin Jun (Deputy Chairman) and Mr. Chen Domingo as executive directors; Mr. Chen Donghui, Ms. Gan Ping, Mr. Zhao Xiaodong and Mr. Zhou Feng as non-executive directors; Mr. Chan Chi Hung, Mr. Jiang Hongqing, Mr. Lee Chi Ming, and Mr. Ma Lishan as independent non-executive directors.