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 2017

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 2017 with comparative figures for the corresponding period of 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*4*	**38,072**	257
Cost of sales	*7*	**(36,970)**	(45)
Gross profit		**1,102**	212
Other income	*5*	**28,938**	1,856
Other gains/(losses) – net	*6*	**29,231**	(48,130)
Selling and distribution expenses	*7*	**(3,622)**	–
Administrative expenses	*7*	**(45,334)**	(25,040)
Impairment loss on available-for-sale financial assets		**–**	(17,750)
Operating profit/(loss)		**10,315**	(88,852)
Finance costs		**(8,558)**	(7,013)
Profit/(loss) before income tax		**1,757**	(95,865)
Income tax (expense)/credit	*8*	**(1,127)**	1,157
Profit/(loss) for the period		**630**	(94,708)
Profit/(loss) for the period, attributable to			
– Owners of the Company		**1,451**	(94,708)
– Non-controlling interests		**(821)**	–
		630	(94,708)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
– Changes in fair value of available-for-sale financial assets		**–**	457
– Currency translation differences		**49,031**	(9,991)
Item recycled to profit or loss:			
– Fair value losses on available-for-sale financial assets recycled to profit or loss upon redemption or disposal and included in other losses		**209**	9,289

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(unaudited)
Other comprehensive income/(loss) for the period, net of tax		**49,240**	(245)
Total comprehensive income/(loss) for the period		**49,870**	(94,953)
Total comprehensive income/(loss) for the period, attributable to			
– Owners of the Company		**39,400**	(94,953)
– Non-controlling interests		**10,470**	–
		49,870	(94,953)
Earnings/(loss) per share attributable to owners of the Company (expressed in HK$ cents per share)			
– Basic and diluted	*10*	**0.01**	(0.93)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	**30 June 2017** ***HK$'000*** **(unaudited)**	31 December 2016 *HK$'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**896,624**	718,420
Land use rights		**545,684**	534,960
Investment properties		**33,394**	35,662
Intangible assets		**946**	886
Deferred income tax assets	*13*	**1,989**	594
		1,478,637	1,290,522
Current assets			
Inventories		**67,842**	16,467
Trade and other receivables and prepayments	*11*	**170,078**	120,525
Available-for-sale financial assets		**69,131**	121,252
Financial assets at fair value through profit or loss		**–**	44,968
Cash and cash equivalents		**738,112**	784,546
Restricted cash		**48,392**	46,953
		1,093,555	1,134,711
Total assets		**2,572,192**	2,425,233
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value		**1,020,960**	1,020,960
Reserves		**414,668**	350,551
		1,435,628	1,371,511
Non-controlling interests		**571,572**	553,677
Total equity		**2,007,200**	1,925,188

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AS AT 30 JUNE 2017

	Notes	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
LIABILITIES			
Non-current liabilities			
Convertible bond	12	**–**	177,426
Deferred income tax liabilities	13	**16,161**	17,014
Borrowings		**46,087**	–
		62,248	194,440
Current liabilities			
Convertible bond	12	**185,069**	–
Trade and other payables	14	**230,190**	256,830
Advances from customers		**17,681**	1,844
Current income tax liabilities		**2,724**	4,204
Borrowings		**67,080**	42,727
		502,744	305,605
Total liabilities		**564,992**	500,045
Total equity and liabilities		**2,572,192**	2,425,233

NOTES:

1 BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value, and in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

2 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those used for and described in the consolidated financial statements of the Company for the year ended 31 December 2016.

New amendments of HKFRSs adopted by the Group in the first half of 2017

- HKFRS 12 (Amendments) — Amendments to "Disclosure of Interests in Other Entities" on clarifying that the disclosure requirement of the standard is applicable to interests in entities classified as held for sale except for summarised financial information
- HKAS 12 (Amendments) — Amendments to "Income Taxes" on how to account for deferred tax assets related to debt instruments measured at fair value
- HKAS 7 (Amendments) — Amendments to "Statement of Cash Flows" regarding additional disclosure on changes in liabilities arising from financing activities

The adoption of the above new amendments starting from 1 January 2017 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 2017.

The Group has not early adopted any new accounting and financial reporting standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial year ending on 31 December 2017.

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 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	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from sales of prefabricated units	**36,228**	–
Consulting service income	**1,615**	–
Rental income from investment properties	**229**	257
	38,072	257

5 OTHER INCOME

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Government subsidies *(note (a))*	**22,963**	–
Tax and government surcharges refund	**3,694**	–
Interest income on bank deposits	**862**	1,692
Sundry income	**1,419**	164
	28,938	1,856

note:

(a) Government subsidies of approximately HK$22,963,000 were received by four PRC subsidiaries of the Group during the six months ended 30 June 2017.

6 OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net realised gain/(loss) on redemption or disposal of available-for-sale financial assets	**947**	(30,197)
Net fair value loss on financial assets at fair value through profit or loss	**(413)**	(18,768)
Recovery of other receivables		
– reversal of impairment provision	**30,000**	–
– interest charged on late settlement	**1,420**	–
Net exchange (loss)/gain	**(1,737)**	834
Net loss on disposal of investment properties	**(1,791)**	–
Others	**805**	1
	29,231	(48,130)

7 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	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Employee benefit expenses	**46,905**	11,938
Raw materials and consumables used	**16,037**	–
Changes in inventories of finished goods and work in progress	**(24,321)**	–
Depreciation	**17,374**	959
Amortisation of land use rights	**1,063**	686
Operating lease rentals on buildings	**9,437**	2,600
Entertainment and travelling expenses	**6,027**	2,720
Office and utilities expenses	**4,694**	536
Legal and professional fees	**2,574**	1,699
Research and development expenses	**1,252**	2,261
Value-added tax surcharges	**1,222**	449
Others	**3,662**	1,237
Total of cost of sales, selling and distribution expenses and administrative expenses	**85,926**	25,085

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, value-added tax surcharges, depreciation and amortisation of land use rights relating to production and other manufacturing overheads.

8 INCOME TAX EXPENSE/(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 2017 (six months ended 30 June 2016: 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	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current income tax – PRC corporate income tax	**3,783**	–
Deferred income tax *(Note 13)*	**(2,656)**	(1,157)
Total income tax expense/(credit) for the period	**1,127**	(1,157)

9 DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

10 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share for the period is calculated by dividing the consolidated profit/(loss) 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	
	2017	2016
	(unaudited)	(unaudited)
Consolidated profit/(loss) attributable to owners of the Company *(HK$'000)*	**1,451**	(94,708)
Weighted average number of ordinary shares in issue *('000)*	**10,209,603**	10,209,603
Basic earnings/(loss) per share *(HK cents)*	**0.01**	(0.93)

(b) Diluted

Diluted earnings/(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 2017 and 2016, which is the convertible bond *(Note 12)*. The convertible bond is assumed to have been converted into ordinary shares, and the profit/(loss) attributable to owners of the Company is adjusted to eliminate the interest expense less the tax effect. For the six months ended 30 June 2017 and 2016, the impact of conversion of convertible bond on earnings/(loss) per share is anti-dilutive since the conversion of convertible bond to ordinary shares would increase earnings per share or decrease loss per share. Diluted earnings/(loss) per share therefore is equal to basic earnings/(loss) per share.

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables from third parties	**33,873**	35,124
Notes receivable	**230**	4,099
Less: Provision for impairment of trade receivables	**(487)**	(472)
Total receivables, net	**33,616**	38,751
Earnest money for acquisition of a Shanghai property company *(note (a))*	**–**	28,000
Other receivables in relation to redemption of private funds *(note (b))*	**–**	23,795
Value-added tax recoverable	**73,317**	44,362
Amounts due from related parties	**19,187**	2,207
Deposits	**28,149**	4,625
Prepayments	**9,235**	4,274
Others	**6,574**	4,511
	170,078	150,525
Less: Provision for impairment of other receivables *(notes (a)&(b))*	**–**	(30,000)
	170,078	120,525

The aging of trade receivables as at 30 June 2017 and 31 December 2016 based on the invoice issue date are as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Less than 1 year	**33,386**	34,652
1 to 2 years	**–**	–
More than 2 years	**487**	472

The maximum exposure to credit risk as at 30 June 2017 and 31 December 2016 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 2017 and 31 December 2016, the fair value of trade and other receivables approximate their carrying amounts.

notes:

(a) On 24 December 2014, the Group entered into a non-legally binding frame work agreement with Greenland Holding Group Company Limited ("Greenland") relating to a possible acquisition of the entire interest of Jinhong Property Development Limited by the Group. Subsequently, a total HK$28 million was paid to Greenland as refundable earnest money. 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. In 2016, the Group recognised HK$21 million impairment for the above earnest money after unsuccessful claim for such refund for an extended period of time. On February 2017, the Group filed lawsuits against Greenland. On 22 May 2017, a court mediation letter which required Greenland to refund the earnest money to the Group was issued. On 31 May 2017, the entire earnest money of HK$28 million was recovered by the Group and the impairment loss of HK$21 million previously recognised was reversed in 2017 accordingly.

(b) This refers to outstanding redemption proceeds as of 31 December 2016 in relation to a private fund due from Quantum Enhanced Fund ("QEF"). On 24 November 2016, the Group filed a lawsuit against QEF to recover the outstanding principal and its related costs and interests. In 2016, the Group recognised a HK$9 million impairment loss for the principal amount redeemable from QEF due to the unfavourable response after repeated requests. On 13 February 2017, a court judgement was entered against QEF in favour of the Group. However, as QEF has not responded to the statutory demands and the court judgement, the Group took further legal action by filing a petition for winding up QEF on 31 March 2017. After above continuous efforts of the Group to collect the receivables, the full amount of HK$18.2 million and approximately HK$1.4 million related interest income were subsequently recovered by the Group in June 2017. Accordingly, the impairment loss previously recognised of HK$9 million was reversed in 2017.

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 six months from the date of the issue and up to ten business days prior to the maturity date at the conversion price of HK$0.2 per conversion share. The value of the liability component and the equity conversion component were determined at issuance of the bond.

The convertible bond recognised in the consolidated statement of financial position is calculated as follows:

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'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	**30,633**	22,990
Professional fees	**(446)**	(446)
Liability component	**185,069**	177,426
Analysed for reporting purpose as:		
Current liabilities	**185,069**	–
Non-current liabilities	**–**	177,426
Liability component	**185,069**	177,426

The fair value of the liability component of the convertible bond as at 30 June 2017 and 31 December 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

The gross movement in deferred income tax assets and liabilities for the six months ended 30 June 2017 and six months ended 30 June 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Opening balance at 1 January (audited)	**17,014**	10,269
Credited to profit or loss *(Note 8)*	**(1,262)**	(1,157)
Currency translation differences	**409**	(69)
Closing balance at 30 June (unaudited)	**16,161**	9,043

Deferred income tax assets

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Opening balance at 1 January (audited)	**(594)**	–
Credited to profit or loss *(Note 8)*	**(1,394)**	–
Currency translation differences	**(1)**	–
Closing balance at 30 June (unaudited)	**(1,989)**	–

14 TRADE AND OTHER PAYABLES

	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade and notes payables	**27,597**	9,015
Payable related to acquisition of Guangzhou plant *(note (a))*	**6,360**	6,171
Accrued payroll	**2,326**	14,055
Accrued tax payable *(note (b))*	**28,523**	24,995
Accrued payable for property, plant and equipment construction	**100,027**	137,429
Technology transfer contract fee *(note (c))*	**36,941**	38,144
Amounts due to related parties	**21,972**	21,030
Interest payable	**1,009**	294
Others	**5,435**	5,697
	230,190	256,830

notes:

(a) In 2015, the Group acquired a plant, together with certain equipment in Guangzhou. Total consideration is HK$77,880,000, of which HK$6,360,000 has not yet been paid as of 30 June 2017 (31 December 2016: HK$6,171,000).

(b) As of 30 June 2017 and 31 December 2016, accrued tax payable mainly referred to tax accrued for the formation of a joint venture named as China Minsheng Drawin (Changsha) Green Construction Technology Co. Ltd. ("CM Changsha") in 2016.

(c) During the year ended 31 December 2016, the Group entered into license agreements with certain third parties to transfer technology related to prefabricated construction. As of 30 June 2017, the Company still retain further obligation according to the transfer contract, therefore the Group recognize the amount received in other payable amount.

The aging analysis of trade payables and notes payable as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Less than 1 year	**27,597**	9,015

As at 30 June 2017 and 31 December 2016, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

There has been an increase in global economic activity since the second half of 2016. The overall market sentiment remain on a solid footing whilst the US Federal Reserve raised its fund target interest rate by 25bps in June 2017. With US on a rate hiking cycle, the two central banks, Japan and Europe have taken on the responsibility of keeping quantitative easing going, which keeps stock and real estate moving higher and rates moving lower or stable. In considering inflation trends in the US and Eurozone remain subdued, and with a more positive economic outlook, these factors greatly support consumer spending and corporate investment. In July 2017, China reported a better than expected GDP growth rate. Despite China continued tight financial and property policies, it is expected that business activity growth in China should remain resilient in the near term. With the US, Eurozone and Japan invoking more sustainable development and merger and acquisition activities, we expect the global economic growth momentum will continue in the second half of 2017.

Looking forward, China Minsheng Drawin Technology Group Limited ("Our Company") will stay focused on the research and operations of the full industry chain of fabricated construction work. Fully capitalizing the support under national policies, we follow the national strategies to undertake products innovation and industry layout, so as to enhance our Group revenues and profits with our highly competitive products in the market.

At present, the development of fabricated construction work industry is highly regarded in the PRC. The model of, and objectives for, the development of fabricated construction work industry has been expressly stated in many occasions by the Chinese government. Moreover, the EMPC Model (Engineering, Manufacturing, Procurement and Construction) (general contracting of fabricated construction work) as initiated and implemented by our Company is the development direction as clearly mentioned by the National Policy of Modernization on Construction Industry, as such development policy features a much larger capacity in the market, and entails a favourable industry prospects in the future.

In addition, relying on advanced fabricated construction technology, our Company aims at innovative application towards the national strategic directions of new materials, new rural constructions and intelligent manufacturing.

In respect of new materials, our Company focuses on the integrated-insulation-and-decoration boards for fabricated exterior walls which gain overwhelming support under national policies. Decoration Board (彩力板), an innovative technological product by the Group's independent research and development, has achieved the integration of those functions such as wallboard decoration, thermal insulation and dedusting, which will be roll into market soon. This product is in line with the national policy in relation to the promotion of new wallboard material, which has a larger market capacity. In respect of new rural development, our Company proactively responds to the national strategy of construction of beautiful rural villages to develop new rural housing with energy-saving and environmental features suitable for rural markets in the PRC. We also develop specialized products such as public service platform at village level by integrating policies such as targeted poverty alleviation and bringing culture to rural regions, so as to fully enhance the rural construction quality in China. Such products have gathered notable attention from the market. In respect of intelligent manufacturing, "Made in China 2025" is the highly-emphasized industry direction of China. With the absence of specialized enterprises in respect of intelligent manufacturing, the construction industry has enormous market opportunities. Our Company has conducted independent research and development on advanced intelligent equipment and informatization technology. Satisfactory results have been obtained after completion of preliminary pilot operations at the self-owned technology park. Upon introduction to the market, such advanced intelligent equipment and information technology will substantially enhance the intelligence standard of fabricated construction work industry in China.

Regarding domestic expansion, our Company has completed the fundamental layout in major developed regions in the middle-east of the PRC. However, our Company shall continue its expansion, striving to completing the layout in most provincial cities and other cities at vice-provincial level in China within two years. At the same time, through the radiation effects of core cities, targeted investments will be undertaken in second- and third-tier cities to extend the industry chain of the Company.

While continuing its domestic layout, our Company plans to set up operation centers in regions such as Africa and Southeast Asia to give proactive response to the "Belt and Road" initiative of China, to strengthen the cooperation with renowned scientific research institutions and enterprises across the globe, creating an advanced research and development platform for global technologies, jointly exploring the markets across the globe, and shouldering up the responsibility to lead the second march of construction work industry in China.

Facing favourable prospects in the market, our Company will continue to explore the area of fabricated construction. Adhering to the strategy of "Lead with technology. Excel by scale", our Company continues to enhance the research and development of high-end technologies in the industry to launch products with better quality and lower cost as early as possible. With its own efforts, our Company wishes to accelerate the development and growth of the industry in full gear.

For the seventh months period up to 31 July 2017, the Group has contracted an aggregate of third party sales of prefabricated units approximately RMB357.6 million not yet recognised as revenue.

Sales revenue of prefabricated units – by region	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Kunshan	**14,477**	–
Changsha	**14,329**	–
Nanjing	**3,256**	–
Hangzhou	**2,510**	–
Huiyang	**1,610**	–
Hefei	**46**	–
Total	**36,228**	–

Sales revenue of prefabricated units	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Sales revenue from third parties	**22,579**	–
Sales revenue from related parties	**13,649**	–
Total	**36,228**	–

The Group proactively seeks development opportunities

To develop prefabricated energy-saving constructions, promote the upgrade in industry structure, a series of development policies have been initiated in China in recent years, of which, the State Council has expressly stated in the "Certain Opinions on further strengthening management on City Planning Construction" (《關於進一步加強城市規劃建設管理工作的若干意見》) that prefabricated constructions has to be greatly promoted, such that the ratio of prefabricated constructions to new constructions will reach 30% in 10 years.

Being the first company with full industry chain operations within the industry and has good results, the Group positions itself as an advanced technology manufacturing company in the area of prefabricated energy-saving constructions, focusing on research, manufacturing and operations on construction industrialization of full industry chain. We have established a leading core technology system on the industrialization of the Five Major Construction Categories (五大類建築) with fully self-owned intellectual property rights in China. With our solid technology capability, we are top-ranked in respect of the number of patent applications for two consecutive years across the entire industry. Having a top of the class technology team and professionals in the industry, we have participated in the compilation of a number of industry standards at state and local levels. We have confidence in equipping our Company with the best manufacturing capability in the industry, and building an unparalleled cost advantages and production capacity advantages.

Technology trademarks and patents obtained by the Group during the first half of 2017

Patents: During the first half of the year, 136 applications for patents have been made, and 158 patents were granted. As at the end of June 2017, there were approximately 644 accumulated application for patents, and 242 patents were granted.

Trademarks: During the first half of the year, no application for trademarks was approved. As at the end of June 2017, there were 21 accumulated successful trademark applications.

Plants in operations

Regions	Utilized capacity *(approximate'000 cubic metre)*	Estimated capacity *(approximate'000 cubic metre)*	Park area *(approximate mu)*	Area of plants *(approximate square metre)*
Changsha Plant	15	300	325	33,841
Hangzhou Plant	18	300	176	35,958
Nanjing Plant	18	300	151	35,981
Hengyang Plant	22	250	150	24,905
Huiyang Plant	13	200	120	42,105
Kunshan Plant	60	100	110	16,874
Total	146	1,450	1,032	189,664

Plants under construction

Regions	Estimated capacity *(approximate'000 cubic metre)*	Park area *(approximate mu)*	Area of plants *(approximate square metre)*
Hefei Plant	300	158	22,398
Foshan Plant	200	128	19,353
Total	500	286	41,751

Land permits and other relevant licenses have been obtained for Hefei Plant and Foshan Plant.

Disposal of equity interests in subsidiaries during the first half of the year

Transferred party	Subject company	Transferee	Proportion of transfer	Transferred Price
China Minsheng Drawin Technology Investment Co., Ltd.* (中民築友科技投資有限公司)	浙江中民築友科技有限公司	浙江環宇建設集團有限公司	2%	RMB 12 million
China Minsheng Drawin Technology Investment Co., Ltd.* (中民築友科技投資有限公司)	中民築友科技(江蘇)有限公司	江蘇欣納建設發展有限公司	3%	RMB 15 million

* *For identification purpose only*

The Group strives to build up itself as a hi-tech company operated with light assets. Disposal of a small amount 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 dual benefits.

Government grants received in the first half of the year

As construction industrialization companies have received strong support from China, local governments are initiating relevant ancillary policies, offering tax concessions and fund subsidies. At the same time, as a hi-tech enterprise, the technology innovation capability of the Group is widely recognized by the government authorities. We closely follow the state strategies, such as the supply side reform, intelligent manufacturing, the "Belt and Road" initiative, and targeted poverty alleviation. We have also made great contributions on environmental energy-saving engineering, promotion of industry upgrade and transformation, and intelligent manufacturing, while exerting positive effects on achieving local employment and facilitating industry development. In this regard, local governments are offering direct cash incentives.

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Government grants received	**22,963**	–

The Group has satisfied and complied with relevant requirements and regulations in the PRC to receive the above government grants.

FINANCIAL REVIEW

Review of results

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

Revenue

For the six-months ended 30 June 2017, the revenue generated from sales of prefabricated units and consulting service income are new revenue stream as compared with the six months period ended 30 June 2016. As a result, the Group recorded sales revenue for the six months period ended 30 June 2017 of prefabricated units of approximately HK$36.2 million (six months ended 30 June 2016: Nil), consulting service income of approximately HK$1.6 million (six months ended 30 June 2016: Nil) and rental income from investment properties of approximately HK$0.2 million (six months ended 30 June 2016: HK$0.3 million).

Cost of sales

The Group recorded cost of sales of approximately HK$37.0 million (six months ended 30 June 2016: HK$45,000) for the six months period ended 30 June 2017. The increase was primarily attributable to the new revenue stream of sales of prefabricated units and such increase was in line with the increase in sales.

Other income

Other income for the Period under Review significantly increased from approximately HK$1.9 million for the six months period ended 30 June 2016 to approximately HK$28.9 million which was mainly due to the increase in government grants received.

Other gains/(losses) – net

During the Period under Review, other gains amounting to approximately HK$29.2 million mainly comprised of (i) the net realised gain on redemption of available-for-sale financial assets amounting to approximately HK$1.0 million; (ii) the net fair value loss on financial assets at fair value through profit or loss amounting to approximately HK$0.4 million; (iii) the recovery of other receivables amounting to approximately HK$30.0 million; (iv) net exchange loss of HK$1.7 million; (v) interest charged on recovered other receivables amounting to approximately HK$1.4 million and (vi) net loss on disposal of investment properties amounting to approximately HK$1.8 million.

Selling and distribution expenses

During the Period under Review, the Group recorded selling and distribution expenses of approximately HK$3.6 million (six months ended 30 June 2016: Nil) for the six months period ended 30 June 2017, which are directly related to the sales of prefabricated units and such increase was in line with the increase in sales revenue.

Administrative expenses

During the Period under Review, administrative expenses increased by approximately HK$20.3 million from HK$25.0 million for the six months period ended 30 June 2016 to HK$45.3 million. The increase was mainly due to (i) the increase in total staff costs for the significant growth in headcount of the Group; and (ii) the increase in other general administrative expenses along with the Group's expansion.

Finance costs

Finance costs of approximately HK$8.6 million for the six months period ended 30 June 2017 represented (i) the effective interest of approximately HK$7.6 million which is amortised on the zero coupon convertible bond and (ii) the interest expenses of approximately HK$1.0 million for bank borrowings.

Liquidity and financial resources

For the six months period ended 30 June 2017, the Group's net cash used in operating activities was approximately HK$53.0 million (six months period ended 30 June 2016: net cash used in operating activities was approximately HK$3.6 million) and the Group's cash and cash equivalents were approximately HK$738.1 million as at 30 June 2017 (31 December 2016: HK$784.5 million).

As at 30 June 2017, the Group had current assets of approximately HK$1,093.6 million (31 December 2016: HK$1,134.7 million) and current liabilities of approximately HK$502.7 million (31 December 2016: HK$305.6 million). The current ratio (which is calculated on the basis of current assets without restricted cash over current liabilities) was approximately 2.1 as at 30 June 2017 (31 December 2016: 3.6).

As at 30 June 2017, the Group's gearing ratio (expressed as a percentage of total borrowings and convertible bond over total equity) was 14.9% (31 December 2016: 11.4%).

As at 30 June 2017, the Group held convertible bond issued on 27 May 2015 with a liability component of approximately HK$185.1 million (31 December 2016: HK$177.4 million) and 1 year bank borrowings amounted to approximately HK$67.1 million (31 December 2016: HK$42.7 million) and a 3 years bank borrowing amounted to approximately HK$46.1 million (31 December 2016: Nil).

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 2016.

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, except for:

(a) code provision A.2.1 of the Code in relation to the separation of roles of chairman and chief executive officer, as both of the roles are currently undertaken by the Chairman of the Board;

(b) code provision A.4.1 of the Code in relation to the appointment of Mr. Zhou Feng as a non-executive director for a specific term, subject to re-election;

(c) code provision A.6.7 of the Code in relation to Directors should attend the general meetings of the Company. Due to their respective engagements, Mr. Chen Donghui, Mr. Zhao Xiaodong and Mr. Lee Chi Ming were unable to attend the annual general meeting of the Company held on 12 June 2017.

Mr. Yin Jun, being the chief executive officer of the Company, was appointed as chairman of the Board on 3 October 2016. In view of the current rapid development of the Group, the Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision of the Board which comprised three executive Directors, three non-executive Directors, and four independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented. The Company may seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the chief executive officer in due course by considering the business needs and developments of the Group.

During the Period under Review, each of the non-executive Directors has entered into an appointment letter with the Company for a term of two years, except for Mr. Zhou Feng, who was subject to retirement from office by rotation and re-election in accordance with the provisions of the Company's bye-laws (with further details provided in the Corporate Governance Report of the 2016 Annual Report of the Company) and whose re-election has not been passed by the Shareholders as a resolution at the AGM as disclosed in an announcement published by the Company on 12 June 2017. As such, the Company considers that such provision in the articles is sufficient to meet the underlying objective of code provision A.4.1, and the Company had fully complied with such code provision after Mr. Zhou Feng ceased to be non-executive director of the Company with effect from the conclusion of the AGM.

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.

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results and the unaudited condensed consolidated financial statements of the Group for the Period under Review.

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

Hong Kong, 21 August 2017

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