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If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult a licensed security dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in China Minsheng Drawin Technology Group Limited, you should at once hand this Circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



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)

MAJOR AND CONNECTED TRANSACTION FORMATION OF THE JOINT VENTURE AND NOTICE OF SGM

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

Nuada Limited
Corporate Finance Advisory

Terms used in this cover shall have the same meanings as defined in this Circular.

A letter from the Board is set out on pages 4 to 16 of this Circular. A letter of advice containing the recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 17 to 18 of this Circular. A letter of advice from Nuada Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 36 of this Circular.

A notice of the SGM to be held at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 13 June 2016 at 11:00 a.m. is set out on pages 77 to 78 of this Circular. Whether or not you are able to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

26 May 2016

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	17
Letter from the Independent Financial Adviser	19
Appendix I — Financial Information of the Group	37
Appendix II — Assets Appraisal Report	40
Appendix III — Property Valuation Report	64
Appendix IV — General Information	70
Notice of SGM	77

DEFINITIONS

In this Circular, the following terms and expressions shall have the following meanings unless the context requires otherwise:

“Approval Authorities”	the provincial branches of the Ministry of Commerce of the PRC and the State Administration for Industry & Commerce of the PRC
“Assets Appraisal Report”	the assets appraisal report prepared by the Independent Assets Appraiser, the text of which is set out on pages 40 to 63 of this Circular
“Board”	the board of Directors
“CMDTI”	China Minsheng Drawin Technology Investment Co., Ltd.* (中民築友科技投資有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“CMJYI”	China Minsheng Jiaye Investment Co., Ltd.* (中民嘉業投資有限公司), a company established in the PRC and the controlling shareholder of the Company
“Company”	China Minsheng Drawin Technology Group Limited, a company incorporated in Bermuda and the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Enlarged Group”	the Group and the Joint Venture to be established pursuant to the JV Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Assets Appraiser”	Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd.* (湖南湘融資產評估有限公司), an independent assets appraiser established in the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Lee Chi Ming, Mr. Chan Chi Hung, Anthony and Mr. Jiang Hongqing, established to advise the Independent Shareholders in respect of the JV Agreement
“Independent Financial Adviser”	Nuada Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the JV Agreement
“Independent Shareholders”	all Shareholders other than CMJYI and, if any, any other Shareholder with a material interest in the transactions contemplated under the JV Agreement
“Industrial Park”	a construction industrial park in Changsha City of Hunan Province, the PRC, with a total site area of approximately 235,000 square metres, for the production of property prefabricated units and building materials
“Joint Venture”	China Minsheng Drawin Technology (Changsha) Co., Ltd.* (中民築友科技(長沙)有限公司) (tentative name), a joint venture company to be established pursuant to the JV Agreement
“JV Agreement”	the agreement dated 3 March 2016 entered into between CMDTI and the JV Partner in relation to the establishment of the Joint Venture
“JV Partner”	China Minsheng Drawin Co., Ltd.* (中民築友有限公司), a company established in the PRC and a non-wholly owned subsidiary of CMJYI
“Latest Practicable Date”	25 May 2016, being the latest practicable date prior to the printing of this Circular for ascertaining certain information for inclusion in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Over-lapping Directors”	Mr. Mi Hongjun, Mr. Yin Jun and Ms. Fang Rong

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this Circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“PRC Legal Advisers”	Zhong Lun Law Firm
“PRC Legal Opinion”	the PRC legal opinion in respect of the land use right and construction in progress of the JV Partner issued by the PRC Legal Advisers on 28 April 2016
“Property Valuation Report”	the property valuation report prepared by the Valuer, the text of which is set out on pages 64 to 69 of this Circular
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on Monday, 13 June 2016 for the purpose of approving the JV Agreement and the transactions contemplated thereunder
“Share(s)”	share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	Vigers Appraisal & Consulting Limited, a professional surveyor and valuer
“%”	per cent

Unless otherwise specified in this Circular, the exchange rate for reference purpose in this Circular is HK\$100 to RMB84.186.

* *The English names of the PRC entities mentioned in this Circular marked with “*” are translations from their Chinese names and are for identification purposes only. In case of any inconsistency, the Chinese names shall prevail.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. MI Hongjun (*Chairman*)
Mr. YIN Jun (*Deputy Chairman*)
Mr. CHEN Domingo

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12 Bermuda

Non-Executive Directors:

Ms. FANG Rong
Mr. ZHOU Feng

*Principal place of business
in Hong Kong:*

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

Independent Non-Executive Directors:

Mr. LEE Chi Ming
Mr. CHAN Chi Hung, Anthony
Mr. JIANG Hongqing

26 May 2016

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
FORMATION OF THE JOINT VENTURE
AND
NOTICE OF SGM**

INTRODUCTION

Reference is made to the announcement issued by the Company on 3 March 2016 in relation to the JV Agreement entered into on the same date between CMDTI and the JV Partner as well as the formation of the Joint Venture pursuant to the JV Agreement.

LETTER FROM THE BOARD

The purpose of this Circular is to provide you with, among other things, (i) further information on the terms of the JV Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser; and (iv) a notice convening the SGM.

FORMATION OF THE JOINT VENTURE

On 3 March 2016, CMDTI and the JV Partner entered into the JV Agreement, pursuant to which the Joint Venture will be established for the continuing development of the Industrial Park. Pursuant to the JV Agreement, the Joint Venture will be held as to 51% by CMDTI and as to 49% by the JV Partner. Accordingly, the Joint Venture will be accounted for as an indirect subsidiary of the Company.

PRINCIPAL TERMS OF THE JV AGREEMENT

Date

3 March 2016

Parties

- (i) CMDTI, an indirect wholly-owned subsidiary of the Company; and
- (ii) The JV Partner, a non-wholly owned subsidiary of CMJYI, which is the controlling shareholder of the Company, and therefore a connected person of the Company.

Term of Operation

The term of operation of the Joint Venture is 50 years commencing from the date when the Joint Venture's business license is issued. The shareholders of the Joint Venture may apply for an extension of the term of operation with competent authorities in the PRC within six months prior to expiration of such term of operation.

Capital Commitment

CMDTI will contribute cash in the amount of approximately RMB476 million (equivalent to approximately HK\$565 million), and the JV partner will contribute assets consisting of land use rights for the Industrial Park as well as its existing properties, production equipments, facilities and construction in progress with the total value of approximately RMB457 million (equivalent to approximately HK\$543 million). The above considerations, being the total equity investment of the Joint Venture, have been determined after arm's length negotiations between CMDTI and the JV Partner, with reference to the estimated investments required to continue the construction and development of the facilities and production lines, purchase machineries and equipment, and support general working capital of the Industrial Park. The Company intends to finance its capital commitment under the JV Agreement by its internal resources.

LETTER FROM THE BOARD

The total value of such assets to be contributed by the JV Partner is determined by reference to the Assets Appraisal Report. The Company has also considered the Property Valuation Report, according to which, the market value of the property interests to be contributed by the JV Partner as at 29 February 2016, which include a parcel of land, the buildings and structures erected on the above land completed in 2015 and 2016 as well as the buildings and structures under construction, was approximately RMB426.13 million (equivalent to approximately HK\$505.5 million), compared to the valuation amount of the same property interest set out in the Assets Appraisal Report being approximately RMB425.44 million (equivalent to approximately HK\$505.35 million). The slight deviation of the appraised value provided in the Assets Appraisal Report and the Property Valuation Report is largely due to the differences in the appraisal method adopted by the Independent Assets Appraiser and the Valuer with respect to (i) the classification of the construction in progress, and (ii) the calculation for the value of the housing/building assets and the construction in progress. In particular, with respect to the classification of construction in progress, the Independent Assets Appraiser treated both the property under construction and completed property pending the building ownership certificates as construction in progress, whereas the Valuer excluded such completed property pending the building ownership certificates from construction in progress. In addition, in the calculation for the value of the housing/building assets and the construction in progress, the Independent Assets Appraiser and the Valuer adopted different calculation treatment towards amortised expenditures.

In the Property Valuation Report, the Valuer attributed no commercial value to the two completed buildings included in the assets to be contributed by the JV Partner for which the JV Partner had not obtained the building ownership certificates, however the Company understands that (i) the completed buildings pending the building ownership certificates are required to be appraised as construction in progress in accordance with the PRC statutory valuation standard; (ii) the PRC Legal Advisers opined in the PRC Legal Opinion that no material legal impediments had been identified that the JV Partner may not be able to obtain the above building ownership certificates; and (iii) assuming the relevant building ownership certificates were obtained and the above two buildings could be freely transferred on open market, as stated in the Property Valuation Report, the depreciated replacement cost of the above two buildings with a total gross floor area of approximately 41,118.26 sq.m. as at 29 February 2016 would be RMB81,940,000 (equivalent to approximately HK\$97,200,000) and therefore the aggregate value of the property interests as at 29 February 2016 was approximately RMB426.13 million (equivalent to approximately HK\$505.5 million), representing a slight premium over the value of such property interests appraised under the Assets Appraisal Report (being approximately RMB425.44 million (equivalent to approximately HK\$505.35 million)). Since the Joint Venture is intended to be established in the PRC with one of its investors being an entity incorporated outside of the PRC, certain approvals are required to be obtained from an Approval Authority. Given the JV Partner, being a PRC established company, intends to contribute certain assets into the Joint Venture as its capital contribution, it is a general guideline that an asset appraisal report prepared in accordance with the PRC statutory valuation standard should be submitted to the Approval Authority to justify the value of such assets based on which the consideration amount is determined. As such, considering the above, the Company is of a view that it would be more appropriate to adopt the appraised value in the Assets Appraisal Report. Other than the reasons stated above, the Company understands that the respective appraised value of the property interests under the PRC statutory valuation standard and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors shows no material differences.

LETTER FROM THE BOARD

Therefore, the Company considers that the amount of respective contributions determined by reference to appraised value provided for in the Assets Appraisal Report is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Please refer to the comparison table below containing such assets to be contributed by the JV Partner to the Joint Venture as well as their corresponding appraised value and appraisal methods adopted in the Assets Appraisal Report and Property Valuation Report respectively.

Items	Assets Appraisal Report		Property Valuation Report	
	Appraised Value (RMB)	Appraisal Method	Appraised Value (RMB)	Appraisal Method
Intangible assets — land use rights	270,399,350.60	Market	270,000,000.00	Market
Construction in progress	100,722,242.41	Depreciated replacement cost	60,520,000.00	Depreciated replacement cost
Housing/building assets	54,313,766.74	Depreciated replacement cost	95,610,000.00 (Note)	Depreciated replacement cost
Subtotal — property interest	425,435,359.75		426,130,000.00	
Equipment assets	31,669,429.65	Depreciated replacement cost	N/A	N/A
Total	<u>457,104,789.41</u>			

Note: The JV Partner has not yet obtained the building ownership certificates for two of the buildings erected on the land. For reference purposes, the Valuer was of the view that the depreciated replacement cost of the above two buildings with a total gross floor area of approximately 41,118.26 sq.m. as at 29 February 2016 would be RMB81,940,000 (equivalent to approximately HK\$97,200,000), assuming the relevant building ownership certificates have been obtained and such buildings could be freely transferred. As such, this appraised value of housing/building assets contains the depreciated replacement cost of the above two buildings.

As demonstrated in the comparison table set out above, the assets to be contributed by the JV Partner to the Joint Venture consist of land use rights, construction in progress, housing/building assets and equipment assets. As advised by the Independent Assets Appraiser, it is a common practice that the land use rights are categorized under intangible assets in the assets appraisal reports prepared in accordance with the PRC statutory valuation standard. This is because the holder's entitlement is the right to use the land but which land is ultimately owned by the state. As stated in the Assets Appraisal Report, (i) the construction in progress mainly comprised workshops, office buildings, dormitory buildings, main gates, exhibition centers, outdoor yards, inventory warehouses, and Phase II of the Industrial Park; (ii) buildings consisted of a workshop, a warehouse, an office building and a dormitory building; and (iii) equipment assets mainly included the production equipments and auxiliary facilities for the manufacturing of prefabricated units and materials, such as mixing stations, forklifts, mesh welding production lines, wheel loaders, storage racks, transport racks and trolleys.

LETTER FROM THE BOARD

Scope of Business

Subject to the approval by relevant authority, the Joint Venture intends to engage in research and development of intelligent and environmentally friendly building construction technology; research and development, production and sales of new materials, technique, technology and equipment used in housing industrialization; technology consultancy in housing industrialization, development and operation of intelligent building; intelligent and industrialized building construction; assets leasing.

Board Composition

The board of the Joint Venture will comprise three directors, two of which will be appointed by CMDTI and the remaining one will be appointed by the JV Partner. The chairman and the vice chairman of the board of the Joint Venture will be appointed by CMDTI and the JV Partner, respectively.

Profit or Loss Sharing

The profit or loss of the Joint Venture shall be shared among CMDTI and the JV Partner in accordance with the proportion of their respective equity interest in the Joint Venture.

Condition Precedent

Completion of the JV Agreement is conditional upon obtaining all necessary approvals and/or filings required under applicable laws and regulations, including without limitation, the Company having obtained the approval from the Independent Shareholders at a general meeting as required under the Listing Rules, and approval by and/or filing with competent authorities (including the Approval Authorities). The JV Agreement did not contain a provision for long stop date for satisfying the conditions precedent.

The Company understands that it is not uncommon that the contracts governed by the PRC laws do not provide for any long stop date for satisfying the conditions precedent for the contracts to become effective and such contracts should not become effective and should lapse in the case that any condition precedent fails to be satisfied, for example, any requisite regulatory approval is refused by the government authorities. Likewise, the JV Agreement should lapse automatically in accordance with its terms if the condition precedent stated above fails to be satisfied. The Company understands that, apart from the approval from the Independent Shareholders at a general meeting, the completion of the JV Agreement is also conditional on obtaining the relevant approvals from the Approval Authorities. If the above approvals from the Approval Authorities cannot be obtained, the JV Agreement should lapse automatically in accordance with its terms. The Company also understands it generally takes three to four weeks for the Approval Authorities to grant such approvals. As such, assuming the Independent Shareholders approve the JV Agreement and the transactions contemplated thereunder at the SGM, the Company would expect the formation of the Joint Venture will be completed in or around July or August 2016.

LETTER FROM THE BOARD

Voting at the Shareholders' Meeting

The consent of the Joint Venture's shareholders holding more than two-thirds of the entire equity interest is required to approve the following matters:

- (i) any amendment to the articles of association of the Joint Venture;
- (ii) any increase or reduction of registered capital of the Joint Venture; and
- (iii) any merger, sub-division or dissolution of the Joint Venture or change of its corporate form.

Other matters in respect of the Joint Venture will be approved by shareholder(s) holding more than 50% of its entire equity interest. As mentioned above, the Joint Venture will be held as to 51% by CMDTI and as to 49% by the JV Partner.

Restriction on Transfer of Equity Interest

Without prior consent by the other shareholder of the Joint Venture, neither CMDTI nor the JV Partner may dispose of all or any of its equity interest in the Joint Venture.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

The Company considers the formation of the Joint Venture as a significant step to build its capability in the prefabricated construction business.

The Joint Venture will be established for the continuing development of the Industrial Park. At the end of 2014, the JV Partner commenced the construction of the Industrial Park in Changsha City of Hunan Province, the PRC, in view of the country's encouraging policy to facilitate environmentally friendly products to develop "green construction". As at the Latest Practicable Date, construction of the Industrial Park (phase I) has been completed and the relevant equipment and facilities have been tested for trial operations. With the capital and the assets to be contributed by CMDTI and the JV Partner respectively, the Joint Venture intends to continue making investments in the development of the production facilities in the Industrial Park (in particular phase II development of the Industrial Park) and recruitment of personnel to join the team for operating the Industrial Park.

The Joint Venture will provide a platform for the Company and the JV Partner to contribute their respective resources, capabilities and industry expertise to continue the development of the Industrial Park. The JV Partner has already entered into a number of framework agreements with potential suppliers and customers to support the commencement of production and sales of its prefabricated units and building materials. The Joint Venture may enter into similar agreements with relevant construction contractors. In addition, the JV Partner has developed advanced technologies and know-how relating to the production of prefabricated units and building materials, which are expected to be contributed into the Joint Venture to facilitate the development of its future business operation.

LETTER FROM THE BOARD

INFORMATION OF THE COMPANY

The Company was incorporated as an exempted company with limited liability in Bermuda and is listed on the Stock Exchange. It is an investment holding company with subsidiaries principally engaged in the business of property development and prefabricated construction in the PRC.

The Company's existing management team has relevant knowledge and experience in the prefabricated construction industry. Mr. Yin Jun (閻軍), an executive Director and CEO of the Company, has over 18 years of experience in construction (including prefabricated and industrialized construction) and property industries. He is a senior engineer and he holds a master degree in Engineering in 1997 and a doctorate degree in Management in 2014. He served as the Chairman of No. 3 Construction Group of China Construction Fifth Engineering Division Corporation., Ltd* (中建五局第三建設有限公司) ("**China Construction**"), the General Manager of Xinhe Real Estate Co., Ltd* (中建信和地產公司), the Deputy General Manager of China Construction and the CEO of Broad Homes* (長沙遠大). He has accumulated operational and management experience in prefabricated and industrialized construction, especially during his employment with China Construction and Broad Homes, which also engaged in prefabricated industrialized construction business in China.

INFORMATION OF THE JV PARTNER

The JV Partner was established on 16 October 2014 in the PRC as a non-wholly owned subsidiary of CMJYI. The equity interest of the JV Partner is owned by CMJYI as to 80% and the remaining 20% is held as follows: as to 10% by Shanghai Xinyida Trading Co. Ltd.* (上海新宜達貿易有限公司); 9% by Ningbo Wanjiang Investment Co. Ltd.* (寧波萬江投資有限公司); and 1% by Shenzhen Zhongjing Fortunate Precious Metal Group Co. Ltd.* (深圳市中京財富貴金屬集團有限公司). To the knowledge of the Company, the above three minority shareholders of the JV Partner and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

The principal business of the JV Partner includes construction, concrete prefabricated units, property development, technology consultancy in housing industrialization, research and development, production and sales of new materials, technique, technology and equipment used in construction, construction inspection service, and engineering survey and design.

The JV Partner has developed a national wide market-leading prefabricated construction system consisting of five core technologies, namely, architectural design technology, equipment manufacturing technology, on-site assembling technology, construction information technology and new material technology. In 2015, the JV Partner has filed around 450 patent applications in the PRC, including 127 patents for inventions. As of 29 February 2016, the JV Partner has maintained 568 patent applications, among which 210 patents have been granted. The above patents are related to, among others, (i) the advance technologies to enhance interior space and improve shock resistance; (ii) the new materials that have greater waterproof function; and (iii) the manufacturing technique to improve the production efficiency for prefabricated modules, to lower the cost of production, and to improve the assembling accuracy of the machines which will effectively reduce the number of production line assemblers on site. In terms of new material technology, the JV Partner has

LETTER FROM THE BOARD

developed “color plates” and “foamed concrete” which are both new materials with the highest technological content in the industry in the PRC. The Company understands that it is the intention of the JV Partner to grant license to the Joint Venture to use the relevant advanced technologies and patents upon request by the Joint Venture depending on the business needs, product orders and business plans of the Industrial Park after its commencement of commercial operation. The terms of such license (including license fee or other fees) will be subject to arm’s length negotiation between the Joint Venture and the JV Partner in the relevant time and will be based on market terms or more favourable terms to the Joint Venture. As at the Latest Practicable Date, there is no current plan for CMDTI or the JV Partner to transfer the ownership of any of the above advanced technologies and patents to the Joint Venture because the Joint Venture will review from time to time the production suitability of such advanced technologies and patents depending on the business needs, product orders and business plans of the Industrial Park after the commercial operation has commenced. The Company will comply with the relevant requirements relating to continuing connected transactions under the Listing Rules if becomes necessary in the future.

FURTHER INFORMATION OF THE JOINT VENTURE

As disclosed in the section headed “REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE”, the Joint Venture will be established for the continuing development of the Industrial Park which is located at No. 9, Da An Road, Jinxia Economic Development Zone, Kaifu District, Changsha, Hunan Province, PRC (中國湖南省長沙市開福區金霞經濟開發區大安路9號). The construction of the Industrial Park consists of two phases. As at the Latest Practicable Date, Phase I, which included construction of the main factory buildings of the Industrial Park, has been completed and the relevant equipment and facilities have commenced operations, including construction of ancillary facilities in the Industrial Park such as the construction of office buildings, canteens, convention centers, dormitory buildings, R&D buildings and exhibition centers which will be used to support the operations of the Industrial Park. Since it is still in a preliminary stage in the PRC to undertake construction projects by completely applying prefabricated construction technologies or using high ratio of prefabricated units and materials, it is expected that the Industrial Park will continue its research and development of technologies and the running in process of the relevant equipments and facilities installed in Phase I for a few months through the production of prefabricated units and materials for the construction of the above ancillary facilities in the Industrial Park. Such operations and running in process of Phase I will also enable the Industrial Park to increase its production capacity and optimize the cost-effectiveness for industrialization. Upon completion of the running in process, it is currently expected that Phase I of the Industrial Park will be able to commence commercial operations in the second half of 2016. Phase II is scheduled to be constructed during 2016 and 2017, which will include construction of the facilities for manufacturing of prefabricated units for buildings with specific purposes, such as full bathroom suites, country villas, colour plates and other “green constructions”. In addition to the major constructions in Phase I and Phase II, construction of ancillary facilities to support the entire Industrial Park will be carried out on a continuous basis and will be taken up by the Joint Venture after its formation.

LETTER FROM THE BOARD

The Industrial Park covers an area of approximately 350 acres. The Company expects Phase I of the Industrial Park to have an annual production capacity to manufacture the prefabricated parts, units and materials that can be used to construct the buildings and structures with a total gross floor area of approximately 1 million square meters. The target customers of the Joint Venture are expected to be mostly large real estate developers, government sponsored housing developers, country villas purchasers and constructors of underground municipal synthesized pipes system and the above target customers are expected to be located within the vicinity of Changsha due to the nature of the prefabricated construction business to be carried out by the Joint Venture. The major suppliers of the Joint Venture are expected to be construction materials suppliers for materials such as concrete, steel bars and gravels. The Joint Venture's major source of income will be derived from the manufacture and sale of concrete prefabricated parts and units, such as prefabricated parts for underground municipal synthesized pipes system and country villas.

As mentioned in the Property Valuation Report, the JV Partner had not yet obtained the building ownership certificates for two of the buildings to be contributed to the Joint Venture as of the Latest Practicable Date because the application for such building ownership certificates has not yet been made by the JV Partner. The application usually requires a few processes to be completed in advance which may generally take several months, including the inspection by relevant government authorities such as special inspection (e.g., fire control, environmental protection, energy saving, civil air defence, lightning protection, quality control and so forth), comprehensive inspection, filing of the completion inspection materials with the local government authorities and the grant of the acceptance permit for the completed property. As of the Latest Practicable Date, the JV Partner has arranged internal inspection for the relevant property and has applied for the fire control inspection for the above two buildings. The JV Partner's application for other governmental inspections will be pending on the results of the above fire control inspection. It is estimated that approximately 150 business days will be taken in order to complete the processes mentioned above before obtaining the building ownership certificates. According to the PRC Legal Opinion, if the JV Partner fails to obtain the building ownership certificates for the above two buildings, the JV Partner will not be entitled to the ownership of the construction in progress of such two buildings. In this case, the JV Partner's transfer of such two buildings to the Joint Venture upon completion of the JV Agreement will be considered invalid. Neither CMDTI nor the JV Partner anticipate any material risk which may have a negative impact on the possibility of obtaining the acceptance permit for the completed property or the building ownership certificates. As advised by the PRC Legal Advisers in the PRC Legal Opinion, no material legal impediments had been identified that the JV Partner may not be able to obtain the above building ownership certificates. As at the Latest Practicable Date, the JV Partner has provided CMDTI with an indemnity letter pursuant to which the JV Partner should indemnify and hold harmless CMDTI and the Joint Venture from and against all losses which arise out of, relate to or result from the JV Partner's failure to obtain the building ownership certificates and to transfer the title of those two buildings to the Joint Venture within 180 business days after the application for the fire control inspection.

Each of CMDTI and the JV Partner will provide their own support and resources to the development of the Industrial Park. CMDTI will manage, through its control over the Joint Venture, the day to day operation of the Industrial Park.

LETTER FROM THE BOARD

The future development plan of the Joint Venture is to manage and operate the Industrial Park so as to maximize its operation, increase its productivity and enhance the quality of its products. As at the Latest Practicable Date, there was no further capital commitment intended to be made by CMDTI and/or the JV Partner in addition to the initial capital commitment as disclosed in the section headed “Capital Commitment” above. With cash contribution of approximately RMB476 million by CMDTI, the Joint Venture, after its formation, is expected to have sufficient capital to continue the construction of the Industrial Park and the development of ancillary facilities, technology and new production lines to engage in the commercial sales and production of property prefabricated units and building materials for the next two years. It is also expected that the revenue of the Industrial Park will generate sufficient capital for the Industrial Park’s day-to-day operations.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratio for the establishment of the Joint Venture by the Company (through CMDTI) exceeds 25% but is less than 100%, the establishment of the Joint Venture constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. In addition, the JV Partner is a non-wholly owned subsidiary of CMJYI, which is the Company’s controlling shareholder holding 63.67% of the issued share capital of the Company as at the Latest Practicable Date. The JV Partner is therefore a connected person of the Company, and the establishment of the Joint Venture constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the establishment of the Joint Venture by the Company is subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the JV Agreement. The Company has appointed Nuada Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

FINANCIAL EFFECTS OF THE TRANSACTION ON THE COMPANY

The Company intends to finance its capital commitment under the JV Agreement by its internal resources.

In the Company’s circular dated 30 April 2015 (the “**2015 Circular**”), it was stated that up to approximately HK\$600 million within the proceeds to be derived from the Company’s issue of 6,500 million new shares and HK\$200 million zero coupon convertible bonds would be used for possible acquisition of Jinhong Property Development Limited* (the “**Possible Acquisition**”). The usage of such proceeds would depend on whether such Possible Acquisition could proceed to the signing of the formal sale and purchase agreement and subsequently proceed to completion, and would be subject to the satisfactory findings of the due diligence investigation. As disclosed in the announcement made by the Company on 8 March 2016 (the “**2016 Announcement**”), no formal and legally binding agreement had been entered into between the Company and Greenland Holding Group Company Limited (“**Greenland**”) in relation to the Possible Acquisition. The Company decided not to proceed with the Possible Acquisition after considering the Possible Acquisition from various commercial perspectives including, amongst others, continuous supply of prime office

LETTER FROM THE BOARD

buildings in Shanghai, recent fluctuation in China's stock market and Renminbi exchange rate, and China's slowdown in economic growth, and the non-legally binding framework agreement which was entered into between the Company and Greenland (the "**Framework Agreement**") had lapsed pursuant to its terms. As disclosed in the 2016 Announcement, the lapse of the Framework Agreement relieves the Company from paying such acquisition consideration which will be used to pursue other investment opportunities of the Company and its subsidiaries including property related and prefabrication construction businesses. In light of the above, the Board is considering applying the above internal funds to finance CMDTI's capital contributions to the Joint Venture required under the JV Agreement.

Other than the above, the capital commitment is not expected to have any significant impact on the earnings of the Group for the current financial year. The overall effects of the Joint Venture on the future earnings of the Group will depend on, amongst other matters, the return to be generated from the operation of the Industrial Park.

The Joint Venture will be accounted for as a 51% indirectly owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group. As such, the assets of the Group will increase by an amount representing the assets of the Joint Venture to be contributed by the JV Partner as disclosed in the section headed "Capital Commitment" above. The liabilities and earnings of the Group will remain unchanged following the formation of the Joint Venture since the Joint Venture has not yet been established and the Joint Venture has not incurred any liability or recorded any revenue or earning. The external debt financing position of the Group will also remain unchanged following the formation of the Joint Venture since the Company intends to finance its capital commitment by internal resources only.

RECOMMENDATION

The Board (excluding the Over-lapping Directors) is of the view that the JV Agreement and the establishment of the Joint Venture are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole. The Over-lapping Directors abstained from voting on the relevant resolutions for good corporate governance, as they also serve as directors and/or senior managers of certain shareholders and/or subsidiaries of CMJYI (in particular, Mr. Yin Jun, a Director of the Company, also serves as a director and the general manager of the JV Partner). The Directors (excluding the Over-lapping Directors) would recommend the Shareholders to vote in favour of the relevant resolution at the SGM.

LETTER FROM THE BOARD

SGM

The notice convening the SGM to be held at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 13 June 2016 at 11:00 a.m. is set out on pages 77 to 78 of this Circular.

At the SGM, an ordinary resolution will be proposed to the Independent Shareholders to approve the JV Agreement and the transactions contemplated thereunder. Pursuant to the Listing Rules, any vote at the SGM should be taken by poll.

Shareholders with a material interest in the JV Agreement and the transactions contemplated thereunder will abstain from voting upon the relevant resolution at the SGM. In this respect, Jiayao Global Investments Limited, being an indirect wholly-owned subsidiary of CMJYI and interested in approximately 63.67% of the total issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting in relation to the relevant resolution at the SGM. As at the Latest Practicable Date, Jiayao Global Investments Limited controls and is entitled to exercise control over the voting right in respect of 6,500,000,000 Shares. Save for the above, according to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other shareholder of the Company or its associates is required to abstain from voting at the SGM for the approval of the JV Agreement and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof. An announcement on the results of the SGM will be made by the Company following the SGM in accordance with the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to:

- (i) the letter from the Independent Board Committee, the text of which is set out on page 17 to 18 of this Circular;
- (ii) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 36 of this Circular;
- (iii) the Assets Appraisal Report;

LETTER FROM THE BOARD

- (iv) the Property Valuation Report; and
- (v) the additional information set out in the appendices to this Circular.

Yours faithfully,
For and on behalf of the Board
CHINA MINSHENG DRAWIN TECHNOLOGY GROUP LIMITED
Mi Hongjun
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of advice from the Independent Board Committee, prepared for the purpose of incorporation into this Circular, setting out its recommendation to the Independent Shareholders regarding the JV Agreement and the transactions contemplated thereunder.



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)

26 May 2016

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION FORMATION OF THE JOINT VENTURE AND NOTICE OF SGM

We refer to the circular of the Company to the Shareholders dated 26 May 2016 (the “**Circular**”), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings given to them in the section headed “DEFINITIONS” of the Circular.

We are members of the Independent Board Committee which has been formed by the Board to advise the Independent Shareholders as to whether, in our opinion, the JV Agreement and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Group, the terms of the JV Agreement were fair and reasonable and on normal commercial terms and the formation of the Joint Venture is in the interests of the Company and the Shareholders as a whole.

We also wish to draw your attention to the letter of advice from Nuada Limited, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the JV Agreement, which contains, among other things, Nuada Limited’s advice, opinions and recommendations regarding the terms of the JV Agreement, as set out on pages 19 to 36 of the Circular, and the Letter from the Board as set out on pages 4 to 16 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having given due consideration to the reasons relating to the JV Agreement and its terms and to the advice and recommendations of Nuada Limited stated in its letter of advice dated 26 May 2016, we consider that (i) the terms of the JV Agreement to be on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) the terms of the JV Agreement to be fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the formation of the Joint Venture to be in the interests of the Company and the Shareholders as a whole and accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the JV Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee of

China Minsheng Drawin Technology Group Limited

Mr. Lee Chi Ming

Mr. Chan Chi Hung, Anthony

Mr. Jiang Hongqing

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Nuada Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the JV Agreement for the purpose of inclusion in this circular.

Nuada Limited

Corporate Finance Advisory

Nuada Limited
Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
洛爾達有限公司
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

26 May 2016

To the Independent Board Committee and the Independent Shareholders of China Minsheng Drawin Technology Group Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO FORMATION OF THE JOINT VENTURE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the JV Agreement, details of which are set out in the letter from the Board (“**Letter**”) contained in the circular of the Company dated 26 May 2016 (“**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 3 March 2016, the Company and the JV Partner entered into the JV Agreement, pursuant to which the Joint Venture in Changsha City in PRC will be established for the continuing development of the Industrial Park. Pursuant to the JV Agreement, the Joint Venture will be held indirectly as to 51% by the Company and as to 49% by the JV Partner. Accordingly, the Joint Venture will be accounted for as an indirect subsidiary of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the JV Agreement and the management of the Company, the Company will contribute cash in the amount of approximately RMB476 million (equivalent to approximately HK\$565 million), and the JV Partner will contribute assets consisting of land use rights for the Industrial Park (an industrial land located at Daan Road, Laodaohe Town, Kaifu District, Changsha City, Hunan Province, the PRC) (“**Land**”) as well as its existing properties, construction in progress (“**Properties**”) and production equipments (“**Facilities**”), (collectively the “**Assets**”) with the total value of approximately RMB457 million (equivalent to approximately HK\$543 million). The Company intends to finance its capital commitment under the JV Agreement by its internal resources.

As certain applicable percentage ratio for the establishment of the Joint Venture by the Company (through CMDTI) exceeds 25% but is less than 100%, the establishment of the Joint Venture constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. In addition, the JV Partner is a non-wholly owned subsidiary of CMJYI, which is the Company’s controlling shareholder holding 63.67% of the issued share capital of the Company as at the Latest Practicable Date. The JV Partner is therefore a connected person of the Company, and the establishment of the Joint Venture constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the establishment of the Joint Venture by the Company is subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

According to the Letter, as the Over-lapping Directors serve as directors and/or senior managers of certain shareholders and/or subsidiaries of CMJYI, for the sake of good corporate governance, they abstained from voting on the relevant resolutions of the Board.

The Independent Board Committee, comprising Mr. Lee Chi Ming, Mr. Chan Chi Hung, Anthony and Mr. Jiang Hongqing, all being the independent non-executive Directors, has been established to advise the Independent Shareholders so to the fairness and reasonableness of the terms of the JV Agreement and the transactions contemplated thereunder. We, Nuada Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, we acted as the independent financial adviser of the Company in respect of another transaction providing our independent view to the Company’s independent board committee and the independent shareholders (please refer to the Company’s circular dated 30 April 2015 for the detailed information of the aforesaid transaction). Apart from normal professional fees for our services to the Company in connection with this engagement, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

The Directors collectively and individually accept full responsibility for the Circular including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into the JV Agreement and the transactions contemplated thereunder.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the JV Agreement, we have considered the following principal factors and reasons:

1. Financial Information of the Group

According to the Letter, the principal activity of the Company is investment holding with subsidiaries principally engaged in the business of property development and prefabricated construction in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reference is made to the Company's announcement dated 22 May 2015, the Company has changed the financial year end date from 31 March to 31 December commenced from the financial period ended 31 December 2015 (“**Nine-months Ended 2015**”). Set out below is an extract of the financial information of the Group from the annual report of the Company for the period ended 31 December 2015 (“**Nine Months Ended Report 2015**”):

Table 1: Consolidated income statement of the Group

	For the year ended 31 March 2015 <i>HK\$'000</i> (audited)	For the nine months ended 31 December 2015 <i>HK\$'000</i> (audited)
Turnover	455	347
Cost of sales and services	(80)	(73)
Gross profit	375	274
Loss for the year/period	(5,212)	(193,209)

Table 2: Consolidated statement of financial position of the Group

	As at 31 March 2015 <i>HK\$'000</i> (audited)	As at 31 December 2015 <i>HK\$'000</i> (audited)
Current assets	310,493	1,402,632
Non-current assets	41,659	269,934
Current liabilities	1,387	30,954
Non-current liabilities	4,251	173,045
Total liabilities	5,638	203,999
Equity attributable to owners of the Company	346,514	1,468,567

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the financial period nine-months ended 31 December 2015

According to the Nine Months Ended Report 2015, the revenue of approximately HK\$347,000 was generated from leasing out part of commercial properties held by the Group. According to the Table 1 above, there was a substantial increase of loss for the period/year from approximately HK\$5.21 million for the financial year ended 31 March 2015 (“**FY2015**”) to approximately HK\$193.21 million for the financial period ended 31 December 2015 (“**Nine-months Ended 2015**”). The significant increase was mainly attributable to (i) the impairment loss on available-for-sale financial assets of approximately HK\$89.54 million for Nine-months Ended 2015 increased from approximately HK\$27,000 for FY2015; and (ii) the impairment loss on other receivables of approximately HK\$72.0 million for Nine-months Ended 2015 (nil for FY2015), which is full provision for bad debt of the refund of earnest money in the amount owed to the Group by Mr. Liu Shu in relation to the proposed acquisition of properties in Shenzhen, after unsuccessful claim for such refund for an extended period of time (details of which are set out in the Company’s announcement dated 7 March 2016).

As set out in Table 2, the current assets of the Group increased from HK\$310.49 million for FY2015 to approximately HK\$1,402.63 million for Nine-months Ended 2015, which represents an increase of approximately 351.75%. According to the Nine Months Ended Report 2015, the increase was mainly attributable to the net proceeds of approximately HK\$1,498 million received from the shares subscription and convertible bonds issuance, details of which are set out in the Company’s announcements dated 2 March 2015 and 9 March 2015 and the Company’s circular dated 30 April 2015. The total liabilities of the Group has been increased from approximately HK\$5.64 million for FY2015 to approximately HK\$204.0 million for Nine-months Ended 2015, which was due to additions of liability component from the convertible bonds issuance as stated above. The equity attributable to owners of the Company was approximately HK\$1,468.57 million for Nine-months Ended 2015, representing an increase of approximately HK\$1,122.06 million, from approximately HK\$346.51 million for FY2015, which was mainly attributable to (i) approximately HK\$1,298 million from the share subscription as stated above; (ii) share of equity component of approximately HK\$37.6 million from the convertible bonds issuance as stated above; (iii) available for sales investment devaluation loss recognised at revaluation reserve in equity of approximately HK\$9.98 million and decrease in exchange reserve of approximately HK\$10.68 million; and (iv) loss for the Nine-months Ended 2015 of approximately HK\$193.21 million.

According to the Nine-months Ended Report 2015, the Group recorded net losses continuously since the financial year ended 31 March 2012. We are of the view and concur with the view of the management of the Company that the Group is in need to broaden their income stream based on their continuous losses in recent years and the entered in the JV Agreement is an opportunity for the Company to expand the prefabricated construction business in the PRC (please refer to our analysis set out in the section headed “2. Reasons for the formation of the Joint Venture” for the reasons and beneficial for the formation of the Joint Venture below).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for the Formation of the Joint Venture

The Group is principally engaged in the business of property development and prefabricated construction in the PRC.

According to the Nine Months Ended Report 2015, the Group suffered loss for consecutive five years/period since the financial year ended 31 March 2012, the net loss of the Group of the past five financial years/period were (i) approximately HK\$16.86 million for the financial year ended 2012; (ii) approximately HK\$16.86 million for the financial year ended 2013; (iii) approximately HK\$7.40 million for the financial year ended 2014; (iv) approximately HK\$5.21 million for FY2015 and (v) approximately HK\$193.21 million for Nine-months Ended 2015. Base on the above, we are of the view and concur with the view of the management of the Company that the Group is in need to broaden their income stream.

According to the Nine-months Ended Report 2015, the Group intended to expand their investment in the upstream property development sector and is of the view that its prefabricated construction business is in line with the China Government policies. The management of the Company believe that the concern of the environment is a major reason that the China Government has published certain policies to drive the transformation of the construction industry.

We note that the “Environmentally Friendly Construction Materials Production and Application Proposal”(促進綠色建材生產和應用行動方案)(“**Green Materials Report**”) released by Ministry of Industry and Information Technology of the PRC (“**IT Ministry**”) in 2015, the official department raised concerns on construction materials industry of (i) relatively high energy consumption; (ii) relatively high pollutant emissions; (iii) overcapacity; (iv) declining economic benefits; and (v) slow development of environmentally friendly construction materials production in PRC, etc. The IT Ministry has set the target to increase the ratio of using environmental friendly construction materials ratio to 50% before 2018 and the IT Ministry encourage the construction industry to develop prefabricated structural system in the forthcoming years. We are of the view and concur with the view of the management of the Company that the outlook of the prefabricated construction business is positive supported by official policies being announced continuously in recent years.

The PRC government has released the “PRC Economy and Society Development Thirteenth Five-Year Plan”(中國經濟和社會發展第十三個五年規劃綱要)(“**Thirteenth Five-Year Plan**”) in March 2016, which indicates that the PRC government intends to facilitate the urbanisation progress of all the cities. The Thirteenth Five-Year Plan highlights the intention to promote construction techniques that generate less waste and use fewer pollution-related resources, such as the use of prefabricated building units and materials, are encouraged, while eccentric architecture that is not economical, functional, aesthetically pleasing or environmentally friendly will be discouraged. Although there isn’t a specific five year plan for construction industry published by the PRC official authorities yet, we believed that the PRC government will continue to support green construction in foreseeable future.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Joint Venture intends to focus in the upstream property development business and the location of the Industrial Park locates in Hunan Province, we reviewed the latest statistics available on the online database of the National Bureau of Statistics of the PRC (“NBS”) regarding to the growth of the construction industry in Hunan Province in recent years. The table 3 below sets out the details of the statistics:

Table 3:

Hunan Province

	2009	2010	2011	2012	2013	2014
Gross output value from construction industry (in billions RMB)	250.74	316.17	391.50	440.79	528.38	602.10
Total revenue of construction companies (in billions RMB)	233.34	300.81	359.93	409.89	N/A (Note)	568.88

Note:

The relevant data in 2013 is not available from the NBS.

According to the table 3 above, i) the gross output value generated from construction industry in Hunan Province; and ii) the total revenue of the construction companies in Hunan Province have both recorded continuous growth from 2009 to 2014. Based on the above statistics and certain official policies announced by official authorities as mentioned above such as IT Ministry has set the target to increase the ratio of using environmental friendly construction materials ratio to 50% before 2018, we are of the view and concur with the management of the Company that the outlook of the upstream construction business is positive.

As stated in the Letter and according to the management of the Company, the target customers of the Joint Venture are mostly large real estate developers, government sponsored housing developers, country villas purchasers and constructors of underground municipal synthesized pipes system. The major suppliers of the Joint Venture are expected to be construction materials suppliers for materials such as concrete, steel bars and gravels. The Joint Venture’s major source of income will be derived from the manufacture and sale of concrete prefabricated parts and units, such as prefabricated parts for underground municipal synthesized pipes system and country villas. The Joint Venture will provide a platform for the Company and the JV Partner to contribute their respective resources, capabilities and industry expertise to continue the development of the Industrial Park. According to the management of the Company, the JV Partner has already entered into a number of framework agreements with potential suppliers and customers to support the commencement of production and sales of its prefabricated units and building materials. The Joint Venture may enter into similar agreements with the relevant construction contractors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After discussion with the management of the Company, we understand that (i) the formation of the Joint Venture can diversify the revenue source of the Group by entering the prefabricated construction business; (ii) certain policies announced by the PRC official departments are favourable to the development of prefabricated construction business as stated above; (iii) the investments formation of the Joint Venture would be able to enhance the market position of the Group; and (iv) the terms of the JV Agreement are fair and reasonable as stated in the section headed “3. The JV Agreement” below. As such, we are of the view and concur with the view of the management of the Company that the entering of the JV Agreement is in the interest of the Company and the Shareholders as a whole.

3. The JV Agreement

On 3 March 2016, the Company and the JV Partner entered into the JV Agreement, pursuant to which the Joint Venture will be established for the continuing development of the Industrial Park. Pursuant to the JV Agreement, the Joint Venture will be held indirectly as to 51% by the Company and as to 49% by the JV Partner. Accordingly, the Joint Venture will be accounted for as an indirect subsidiary of the Company. Please refer to the section headed “Principal Terms of the JV Agreement” in the Letter for the detailed information of the terms of the JV Agreement.

As stated in the Letter and according to the management of the Company, subject to the approval by relevant authority, the Joint Venture intends to engage in research and development of intelligent and environmentally friendly building construction technology; research and development, production and sales of new materials, technique, technology and equipment used in housing industrialisation; technology consultancy in housing industrialisation, development and operation of intelligent building; intelligent and industrialised building construction; and assets leasing.

Information of the JV Partner

As stated in the Letter and according to the management of the Company, the JV Partner was established on 16 October 2014 in the PRC as a non-wholly owned subsidiary of CMJYI. The equity interest of the JV Partner is owned by CMJYI as to 80% and the remaining 20% is held as follows: as to 10% by Shanghai Xinyida Trading Co. Ltd.* (上海新宜達貿易有限公司); 9% by Ningbo Wanjiang Investment Co. Ltd.* (寧波萬江投資有限公司); and 1% by Shenzhen Zhongjing Fortunate Precious Metal Group Co. Ltd.* (深圳市中京財富貴金屬集團有限公司). According to the management of the Company, the above three minority shareholders of the JV Partner and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

As stated in the Letter and according to the management of the Company, the principal business of the JV Partner includes construction, concrete prefabricated units, property development, technology consultancy in housing industrialization, research and development, production and sales of new materials, technique, technology and equipment used in construction, construction inspection service, and engineering survey and design.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, as stated in the Letter and according to the management of the Company, the JV Partner has developed a national wide market-leading prefabricated construction system consisting of five core technologies, namely, architectural design technology, equipment manufacturing technology, on-site assembling technology, construction information technology and new material technology. In 2015, the JV Partner has filed around 450 patent applications in the PRC, including 127 patents for inventions. As of 29 February 2016, the JV Partner has maintained 568 patent applications, among which 210 patents have been granted. The above patents are related to, among others, (i) the advance technologies to enhance interior space and improve shock resistance; (ii) the new materials that have greater waterproof function; and (iii) the manufacturing technique to improve the production efficiency for prefabricated modules, to lower the cost of production, and to improve the assembling accuracy of the machines which will effectively reduce the number of production line assemblers on site. In terms of new material technology, the JV Partner has developed “color plates” and “foamed concrete” which are both new materials with the highest technological content in the industry in the PRC. According to the management of the Company, it is the intention of the JV Partner to grant license to the Joint Venture to use the relevant advanced technologies and patents upon request by the Joint Venture depending on the business needs, product orders and business plans of the Industrial Park after its commencement of commercial operation.

We are of the view and concur with the view of the management of the Company that the Assets developed by the JV Partner and to be contributed to the Joint Venture will be beneficial to the development of the Joint Venture.

Capital Commitment

Pursuant to the JV Agreement and management of the Company, the total equity investment of the Joint Venture is approximately RMB933 million (equivalent to approximately HK\$1,108 million). CMDTI will contribute cash in the amount of approximately RMB476 million (equivalent to approximately HK\$565 million), and the JV Partner will contribute Assets with the total value of approximately RMB457 million (equivalent to approximately HK\$543 million) in associate with the proportion of each of the equity interest in the Joint Venture. The Company intends to finance its capital commitment under the JV Agreement by its internal resources (please refer to paragraph headed “4. Financial effect for the transaction of the Company” below for detailed information). The above considerations, being the total equity investment of the Joint Venture, have been determined after arm’s length negotiations between CMDTI and the JV Partner, with reference to the estimated investments required to continue the construction and development of the facilities and production lines, purchase machineries and equipment, and support general working capital of the Industrial Park. We have reviewed the basis of the Company which determined their capital commitment in the Joint Venture. The Company estimated capital required after formation of the Joint Venture mainly included i) operational funding needs; ii) construction and development costs for the facilities of the Industrial Park; iii) estimated expenses to purchase machineries and equipments; and iv) general working capital. As stated in the Letter, the total value of Assets to be contributed by the JV Partner is in accordance to their proportion of equity interest in the Joint Venture.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To access the fair and reasonableness of the capital commitment of formation of the Joint Venture, we have also reviewed two similar transactions which fulfilled the following criteria: i) conducted by the other companies in similar industry as the Company and listed on the main board of the Stock Exchange (“**Main Board**”); and ii) the relevant parties signed the joint venture agreement in the six-months period prior to the Latest Practicable Date (“**Joint Venture Comparables**”). The following table sets out the details of the Joint Venture Comparables:

Table 4:

Company (Stock Code)	Principal business	Date of the formation of joint venture agreements	Total capital commitment of the relevant joint venture (million)	Whether the capital commitment distributed by the parties involved in the joint venture are in accordance with their proportion of their respective equity interest in the joint venture (Yes/No)
1. C&D International Investment Group Limited (1908)	property development, property investment and property management businesses in the PRC	1 December 2015	RMB50	Yes
2. National Electronics Holdings Limited (213)	manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts, property development and investment and hotel operation	15 December 2015	HK\$738	Yes
The Company	property development and prefabricated construction in the PRC	3 March 2016	RMB933	Yes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table 4, the capital commitment distributed by the parties involved in the Joint Venture Comparables are all in accordance with their proportion of respective equity interest in the Joint Venture Comparables. Since the dollar value of the portion to be provided by CMDTI and the JV Partner is in accordance with the proportion of their respective equity interest in the Joint Venture which is the same as the Joint Venture Comparables and the dollar value of the Assets represents a slightly premium over the dollar value of the capital commitment to be contributed by the JV Partner (please refer to the section headed “(i) the Land and Properties Valuation Report” below for detailed analysis) according to the JV Agreement. Based on the above, we are of the view and concur with the management of the Company that the capital commitment and the methods of payment are justifiable.

Valuation Reports

As stated in the Letter, the Assets are valued by (i) an independent valuer, Vigers Appraisal and Consulting Limited in Hong Kong (“**HK Valuer**”) and (ii) another independent valuer, Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd (湖南湘融資產評估有限公司) in the PRC (“**PRC Valuer**”). HK Valuer issued a valuation report regarding the value of the Land and the Properties, copy of which is set out in Appendix III of the Circular (“**Land and Properties Valuation Report**”). PRC Valuer issued a valuation report regarding the Assets (which include the existing property and the construction in progress and production equipments and facilities), copy of which is set out in Appendix II of the Circular (“**PRC Valuation Report**”). We are of the view that as Mr. Raymond Ho Kai Kwong (“**Mr. Ho**”) of HK Valuer, is a Chartered Surveyor, member of Royal Institution of Chartered Surveyors and member of the Hong Kong Institute of Surveyors; has over twenty seven years’ experiences in undertaking valuations of properties in Hong Kong and has over twenty years’ experience in valuations of properties in the PRC and has undertaken over 1,500 property valuations in listed companies in the Stock Exchange, we adopted the Land and Properties Valuation Report to assess the fairness and reasonable of the value of Land and Properties and adopted the PRC Valuation Report to assess the fairness and reasonable of the value of the Facilities.

(i) the Land and Properties Valuation Report

Experience of the HK Valuer and their engagement

The Company has engaged with the HK Valuer to conduct valuation of Property Assets as required under the Listing Rules. Based on the above and the experience of the HK Valuer as stated in the section headed “**Valuation Reports**” above, we are of the view and concur with the view of the management of the Company that Mr. Ho is qualified to provide a reliable valuation of the Property.

We asked the Company to provide the engagement letter with the HK Valuer to review the terms of engagement. Based on the aforesaid engagement letter and our discussion with the HK Valuer in relation to their terms of engagement, in particular, their scope of work, we noted that as there is no limitation on the scope of work which might adversely impact on the degree of assurance given by them in their report, we consider that their scope of work is appropriate to the opinion required to be given.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Valuation assumption and methodology

According to the Land and Properties Valuation Report and after discussion with the HK Valuer, we noted that the valuation standard under the Land and Properties Valuation Report is based on the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors. As set out in the Land and Properties Valuation Report and based on our discussions with the HK Valuer, in valuing the Property Assets, the HK Valuer adopted the combination of the market and depreciated replacement cost approach in assessing the Property Assets.

In the valuation of the Land, reference has been made to the standard land price and the sales evidence as available to the HK Valuer in the locality. We have discussed with the HK Valuer and they are of the view that market approach is the most common method to value land use rights as the market approach produces a more reliable estimation of market value rather than the cost approach which is less direct in estimating value in a transaction. Therefore, the HK Valuer relied solely on the market approach in the valuation of the Land. The HK Valuer has used the market approach to determine the market value of the Land by referencing comparable sales evidence of similar transactions, in terms of site area, usage, location and the terms of the land use rights. We have obtained and reviewed the information of the aforesaid comparable transactions and noted that the comparable transactions that chosen by the HK Valuer is similar to that of the Land, i.e. with similar site area, land usage, the terms of the land use rights and located around the Kaifu District. The date of such comparable transaction is the most recent among (within 15 months prior to the date of the JV Agreement) all the other comparable transactions. Therefore, we are of the view and concur with the view of the management of the Company that the valuation methodology regarding the valuation of Land is justifiable.

According to the Land and Properties Valuation Report and as discussed with the HK Valuer, the nature of the Properties cannot be valued on the basis of the market value since there are insufficient comparable transactions could be referenced to form a reliable basis for the opinion of HK Valuer, they have therefore adopted the depreciated replacement cost approach, which considers the current cost of reproduction of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. We have obtained and reviewed the valuations from the HK Valuer that they obtained the associated costs and miscellaneous charges to arrive at the replacement full price, with adjustment of the newness rates to determine the appraised value of the Properties. The newness rates were determined through service life approach and survey scoring approach after conducting on-site inspection, making reference to the construction progress and maintenance conditions of the Properties, etc. After discussion with the HK Valuer regarding the valuation methodology, we are of the view and concur with the view of the management of the Company that the valuation performed by the HK Valuer on the Properties and selection of methodology are fair and reasonable. The value of the Land and the Properties, i.e. approximately RMB344.19 million (equivalent to approximately HK\$408.84 million) is justifiable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Land and Properties Valuation Report, the Land and the Properties were valued at approximately RMB344.19 million (equivalent to approximately HK\$408.84 million) as at 29 February 2016. According to the note 5 of the Land and Properties Valuation Report, the HK Valuer has attributed no commercial value to two buildings which have not obtained building ownership certificates as at the date of the valuation. According to the management of the Company and as stated in the Letter, the JV Partner had not yet obtained the building ownership certificates for these two buildings to be contributed to the Joint Venture as of the Latest Practicable Date because the application for such certificates has not yet been made by the JV Partner until certain inspections perform by relevant government authorities required has been completed. These inspections including special inspections (e.g., fire control, environmental protection, energy saving, civil air defence, lightning protection, quality control and so forth), comprehensive inspections, filing of the completion inspection materials with the local government authorities and the grant of the acceptance permit for the completed properties. As at the Latest Practicable Date, the JV Partner has arranged internal inspection for the relevant properties and has applied for the fire control inspections for the above two buildings. The JV Partner's application for other governmental inspections will be pending on the results of the above mentioned fire control inspection and these inspections are required to be completed before filing the application for building ownership certificates.

As stated in the Letter, if the JV Partner fails to obtain the building ownership certificates for the above two buildings, the JV Partner will not be entitled to the ownership of the construction in progress of such two buildings. In this case, the JV Partner's transfer of such two buildings to the Joint Venture upon completion of the JV Agreement will be considered invalid. According to the Letter, as at the Latest Practicable Date, the JV Partner has provided CMDTI with an indemnity letter pursuant to which the JV Partner should indemnify and hold harmless CMDTI and the Joint Venture from and against all losses which arise out of, relate to or result from the JV Partner's failure to obtain the building ownership certificates and to transfer the title of those two buildings to the Joint Venture within 180 business days after the application for the fire control inspection.

According to the note 5 of the Land and Properties Valuation Report, the HK Valuer is of the opinion that there are two buildings under construction. The depreciated replacement cost of which would be approximately RMB81.94 million (equivalent to approximately 97.33 million) assuming all relevant title ownership certificates have been obtained and could be freely transferred and the HK Valuer has attributed no commercial value to these two buildings since relevant title ownership certificates have not been obtained as at the date of valuation. According to the legal opinion ("**PRC Legal Opinion**") provided by the Company's legal adviser, Zhong Lun Law Firm, the registration process for relevant title ownership certificates is a mere procedural matter and they have not observed any legal impediments from the Company to obtain those official certificates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the PRC Legal Opinion, we are of the view and concur with the view of management of the Company that the valuation of the aforesaid two buildings shall be included in the value of the Properties. Based on the above, the value of the Land and the Properties would be approximately RMB426.13 million (equivalent to approximately HK\$506.18 million) i.e. RMB344.19 million plus RMB81.94 million.

(ii) *the PRC Valuation Report*

Experience of the PRC Valuer and their engagement

The PRC Valuer obtained the qualification certificate issued by Ministry of Finance of Hunan Province in PRC. According to the website of the China Appraisal Society, we noted that the aforesaid society is a national organization which is under the regulation by Ministry of Finance of the People's Republic of China (中華人民共和國財政部) and Ministry of Civil Affairs of the People's Republic of China (中華人民共和國民政部). According to the PRC Valuer and the management of the Company that the person in-charge for the valuation is the authorised representative of the PRC Valuer and has over thirteen year experience in undertaking valuation of properties, intangible assets and business in PRC. We are of the view that the qualifications of the PRC Valuer is sufficient to perform the valuation work and prepare the PRC Valuation Report.

Valuation assumption and methodology

According to the PRC Valuation Report and after discussion with the PRC Valuer, we noted that the valuation standard under the PRC Valuation Report is based on Assets Appraisal Standards — Basic Standards 《資產評估準則 — 基本準則》 published by the China Appraisal Society (中國資產評估協會).

According to the PRC Valuation Report, the Facilities were valued at approximately RMB31.67 million (equivalent to approximately HK\$37.62 million) as at 29 February 2016. It is stated in the PRC Valuation Report that the PRC Valuer has adopted the replacement cost method to evaluate the Facilities that will be contributed by the JV Partner in accordance with the JV Agreement. The replacement cost method is a method, in which the value of the asset appraised is determined by deducting various impairment losses from the current replacement cost of the asset appraised in brand new conditions. The PRC Valuer has adopted the replacement cost method as there are insufficient similar assets investment and comparable transaction cases for reference, so the PRC Valuer is of the view that it is not appropriate to adopt market-based approach. The PRC Valuer did not adopted income approach for the valuation process since it is difficult to calculate the future income of the Joint Venture generated from the investment of CMDTI. Therefore, The PRC Valuer have relied solely on the replacement cost method in the valuation for the Facilities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the valuation process of the Facilities, the PRC Valuer obtained the current purchase price of Facilities through market quotation and making reference to the relevant price information based on the model and specifications of the Facilities, and obtained the replacement full price of Facilities by different installation fees and construction costs, while also taking into consideration the miscellaneous charges, installation and debugging charges to arrive at the replacement full price of Facilities. The newness rate for Facilities was determined comprehensively through estimating remaining service life of the assets based on its economic service life. Based on the on-site survey performed by the PRC Valuer and other relevant information, making reference to the current, operational and maintenance conditions of the Facilities, taking full consideration of factors including the design, manufacturing, usage intensity and maintenance conditions of the Facilities and analyzing the influences of substantive, functional and economic depreciation.

After discussion with the PRC Valuer regarding the valuation methodology, we are of the view and concur with the view of the management of the Company that the valuation performed by the PRC Valuer on the Facilities and selection of methodology are fair and reasonable and the value of the Facilities, i.e. approximately RMB 31.67 million is justifiable.

We asked the Company to provide the engagement letter with the PRC Valuer to review the terms of engagement. Based on the aforesaid engagement letter and our discussion with the PRC Valuer in relation to their terms of engagement, in particular, their scope of work, we noted that as there is no limitation on the scope of work which might adversely impact on the degree of assurance given by them in their report, we consider that their scope of work is appropriate to the opinion required to be given.

According to the management of the Company and the PRC Valuer, based on the fact that the registration process for the relevant title ownership certificates is a mere procedural matter and there is no legal impediments from the Company to obtain those official certificates as stated in the PRC Legal Opinion provided by the Company's legal adviser, Zhong Lun Law Firm, the PRC Valuer decided to include the two buildings without title ownership certificates in the PRC Valuation Report. Based on above, we are of the view and concur with the view of the management of the Company and the PRC Valuer that the valuation of the aforesaid two buildings shall be include in the PRC Valuation Report.

As stated in the Letter and according to the management of the Company, the CMDTI and the JV Partner determine their distributions with reference to the PRC Valuation Report mainly due to i) the PRC Valuation Report would be submitted to the Approval Authority; and ii) the respective appraised value of the Assets under the PRC statutory valuation standard and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors shows no material differences.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, we are of the view and concur with the view of the management of the Company that the capital commitment of the Joint Venture is fair and reasonable based on:

- i) the aggregate value of the Assets of approximately RMB457.8 million (i.e. approximately RMB426.13 million for the Land and the Properties according to the Land and Properties Valuation Report and approximately RMB31.67 million for Facilities according to the PRC Valuation Report); and
- ii) the aggregate value of the Assets as stated above represent a slightly premium over the capital commitment to be paid by the JV Partner, which is approximately RMB457.1 million according to the JV Agreement.

Condition Precedent

Completion of the JV Agreement is conditional upon the Company having obtained approval from the Independent Shareholders in relation to the JV Agreement and having complied with the relevant requirements of the Listing Rules of the Stock Exchange. As at the Latest Practicable Date, the above conditions have not been fulfilled. The JV Agreement did not contain a provision for long stop date for satisfying the conditions precedent. We are of the view and concur with the view of the management of the Company that the aforesaid conditions precedent can safeguard the interest of the Company and the Shareholders.

Board Composition and Management of the Joint Venture

According to the JV Agreement and the management of the Company, the board of the Joint Venture comprises of three directors, two of which are to be appointed by CMDTI and the remaining one is to be appointed by the JV Partner. The chairman and the vice chairman of the board of the Joint Venture shall be appointed by CMDTI and the JV Partner, respectively. We are of the view and concur with the view of the management of the Company that this can reflect the controlling shareholding nature of CMDTI in the Joint Venture and is justifiable.

According to the Letter and the management of the Company, the Company's existing management team has relevant knowledge and experience in the prefabricated construction industry. Mr. Yin Jun (閻軍), an executive Director and CEO of the Company, has over 18 years of experience in construction (including prefabricated and industrialized construction) and property industries. He is a senior engineer and he holds a master degree in Engineering in 1997 and a doctorate degree in Management in 2014. He served as the Chairman of No. 3 Construction Group of China Construction Fifth Engineering Division Corporation., Ltd* (中建五局第三建設有限公司) (“**China Construction**”), the General Manager of Xinhe Real Estate Co., Ltd* (中建信和地產公司), the Deputy General Manager of China Construction and the CEO of Broad Homes* (長沙遠大). He has accumulated operational and management experience in prefabricated industrialised construction, especially during his employment with China Construction and Broad Homes, which also engaged in prefabricated industrialized construction business in China. We are of the view and concur with the view of the management of the Company that the existing management team of the Company has sufficient knowledge and experience in the prefabricated construction business and will be beneficial to the Joint Venture.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Profit Sharing

According to the JV Agreement and the management of the Company, the profit of the Joint Venture shall be shared among CMDTI and the JV Partner in accordance with the proportion of their respective equity interest in the Joint Venture.

As (i) the amount of the total capital commitment is justifiable; (ii) the dollar value of the portion to be provided by CMDTI and JV Partner is justifiable; (iii) the dollar value of the Assets represent a slightly premium over the dollar value of the capital commitment to be provided by the JV Partner; (iv) the board composition of Joint Venture is under control of CMDTI (two of three directors are to be appointed by CMDTI) which reflect the controlling shareholding nature of CMDTI in the Joint Venture; and (v) the profit sharing arrangement is justifiable, we are of the view and concur with the view of the management of the Company that the JV Agreement is fair and reasonable.

4. Financial effect of the transaction of the Company

As stated in the Letter, the Company intends to finance its capital commitment under the JV Agreement by its internal resources. As disclosed in the announcement made by the Company on 8 March 2016 (“**2016 Announcement**”), the non-legally binding framework agreement which was entered into between the Company and Greenland Holding Group Company Limited* (“**Greenland**”) had lapsed pursuant to its terms, and the Company decided not to proceed with the possible acquisition of Greenland’s indirect wholly-owned subsidiary, Jinhong Property Development Limited*. As at the Latest Practicable Date, the Company is in the negotiation with Greenland with respect to the refund of the HK\$28 million earnest money paid under the framework agreement. As disclosed in the 2016 Announcement, the lapse of the framework agreement relieves the Company from paying the acquisition consideration in the amount of HK\$600 million which constituted part of the net proceeds derived from the Company’s issue of 6,500 million new shares and HK\$200 million zero coupon convertible bonds on 27 May 2015. The Board is considering applying such internal funds to finance CMDTI’s capital contributions to the Joint Venture required under the JV Agreement. Other than the above, the capital commitment is not expected to have any significant impact on the earnings of the Group for the current financial year. The overall effects of the Joint Venture on the future earnings of the Group will depend on, amongst other matters, the return to be generated from the operation of the Industrial Park.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon Completion, the Joint Venture will be accounted for as a 51% indirectly owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group. As such, the assets of the Group will increase by an amount representing the assets of the Joint Venture to be contributed by the JV Partner as disclosed in the section headed “Capital Commitment” above. The liabilities and earnings of the Group will remain unchanged following the formation of the Joint Venture since the Joint Venture has not yet been established and the Joint Venture has not incurred any liability or recorded any revenue and earnings. The external debt financing position of the Group will also remain unchanged following the formation of the Joint Venture since the Company intends to finance its capital commitment by internal resources only.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the entering into the JV Agreements.

RECOMMENDATION

Having taken into consideration of the above principal factors and reasons, we consider that (i) the terms of the JV Agreement to be on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) the terms of the JV Agreement to be fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the formation of the Joint Venture to be in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the relevant resolution(s) at the SGM to approve the JV Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Wong
Vice President

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 12 years of experience in corporate finance industry.

AUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE TWO YEARS ENDED 31 MARCH 2014 AND 2015 AND THE NINE MONTHS ENDED 31 DECEMBER 2015

Financial information of the Group for each of the two years ended 31 March 2014 and 2015 and the nine months ended 31 December 2015 is disclosed respectively on (i) pages 28 to 78 of the Company's annual report for the year ended 31 March 2014 published on 8 July 2014, (ii) pages 33 to 118 of the Company's annual report for the year ended 31 March 2015 published on 14 July 2015; and (iii) pages 44 to 121 of the Company's annual report for the nine months ended 31 December 2015 published on 29 April 2016, which are available on the websites of the Stock Exchange (www.hkexnews.hk).

UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

Financial information of the Group for the six months ended 30 September 2015 is disclosed on pages 15 to 26 of the Company's interim report for the six months ended 30 September 2015 published on 17 December 2015 which is available on the websites of the Stock Exchange (www.hkexnews.hk).

INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2016, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Circular, the details of the Enlarged Group's indebtedness are as follows. The statement of indebtedness set out below is not affected by taking into account the impact created by the establishment of the Joint Venture because as at 31 March 2016, (i) the Joint Venture has not yet been established and the Joint Venture has not entered into any debt instruments or incurred any commitments, pledge of assets, or contingent liabilities, and (ii) there was no liability or encumbrance attached to the assets to be contributed by the JV Partner to the Joint Venture.

Debt instruments

The Company entered into an convertible bond subscription agreement (the "**CB Subscription Agreement**") with Honghu Capital Company Limited ("**Honghu Capital**") on 9 February 2015 pursuant to which the Company agreed to issue, and Honghu Capital agreed to subscribe for, the zero coupon convertible bond (the "**CB**") in an aggregate principal amount of HK\$200 million. The CB Subscription Agreement was approved by the Shareholders on 18 May 2015 and its completion took place on 27 May 2015. On completion date, principal amount of HK\$200 million zero coupon CB had been issued to Honghu Capital. The zero coupon CB can be converted into a maximum of 1,000,000,000 Shares after 6 months from the date of issue of the zero coupon CB at the conversion price of HK\$0.2 per Share. The Company has no obligation to redeem the zero coupon CB prior to the maturity date unless an event of default as provided in the terms and conditions of the zero coupon CB has occurred prior to the maturity date and the bondholder serves a notice on the Company requiring the zero coupon CB to be redeemed.

As at 31 March 2016, the zero coupon CB with principal amount in the nominal value of HK\$200 million has the carrying amount of approximately HK\$166 million.

Commitments

As at the close of business on 31 March 2016, the Group had the outstanding capital commitments in the aggregate amount of approximately HK\$259.82 million.

Pledge of assets

As at the close of business on 31 March 2016, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group.

Contingent Liabilities

As at the close of business on 31 March 2016, the Group had no material contingent liabilities.

Disclaimer

Apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, mortgages, charges or debentures, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills and payables), acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 March 2016.

WORKING CAPITAL SUFFICIENCY STATEMENT

The Directors are of the opinion that, after taking into accounts the Enlarged Group's internal available financial resources, the Enlarged Group has sufficient working capital to satisfy its present requirements for at least twelve months from the date of this Circular in the absence of unforeseen circumstances. The Enlarged Group's working capital forecast has not budgeted for any loan or financial facilities.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The prefabricated construction business is an upstream property development business in the PRC. It has been a developing trend for property developers in the PRC to expand into the prefabricated construction business and to move development or construction of properties off-site in order to reduce pollution and enhance the quality of the properties by standardising the development or construction processes and the configurations of units and properties. In addition, China's central government has recently promulgated a few preferential policies, such as China's 13th Five-Year plan and the guideline on urban planning, which, among others, support and encourage the development of prefabricated construction business.

As such, it is the intention of the Company to develop this business and, in longer term, to strive to achieve a robust market position in the prefabricated construction industry and the use of high technological processes, methodologies and designs to increase safety and quality of development/construction activities. The formation of the Joint Venture by the Company with the JV Partner and the development and operation of the Industrial Park mark the significant steps of the Company in the development of its prefabricated construction business. Leveraging on this experience, the Group is also establishing its platform and network by developing China Minsheng Drawin Green Construction Technology Park (the “**Technology Parks**”) in certain major cities in China. The Technology Parks (including the Industrial Park located in Changsha) aim to provide one-stop advanced construction solutions, including but not limited to research and development of intelligent and green construction technology as well as design, production and sales of prefabricated construction modules and units. In addition to the Joint Venture, the Group has successfully acquired parcels of land for construction of Technology Parks in Huizhou, Hangzhou, Hengyang and Nanjing as disclosed in the Company’s announcement dated 4 August 2015, 16 December 2015, 28 December 2015 and 23 March 2016 respectively. It is expected that once these Technology Parks (including the Industrial Park to be operated by the Joint Venture) come into operation, the Enlarged Group’s capacity in the production and sales of prefabricated construction modules can be quickly realised to broaden the revenue stream and place the Enlarged Group in a leading market position.

In addition to the prefabricated construction business, the Enlarged Group aims to continue to carry on its property development business by exploring appropriate investment opportunities depending on the Company’s review of circumstances and conditions of the real property market in China and also the availability of lucrative investment opportunities. On a selective basis, the Company is exploring opportunities for involving in public and private property development projects, including government sponsored housing projects, commodity housing projects and agricultural townhouse projects. The Board is also considering the possibilities of business cooperation with some of the leading property developers in China. As at the Latest Practicable Date, the Company has not entered into any agreement or arrangement or made any undertaking, and is not in negotiation of any agreement, arrangement or understanding, in respect of (i) acquisition of any new business; (ii) any disposal, scaling down or termination of its existing property development business or major operating assets; or (iii) injection of any new business to the Enlarged Group.

The Board believes that investments in the prefabricated construction business would provide more value-adding services and products to customers which would translate into higher returns to Shareholders. Therefore, the Enlarged Group will continue to actively look for potential acquisitions and other business opportunities in these areas.

The following is the text of the Assets Appraisal Report prepared for the purpose of incorporation in this Circular received from the Independent Assets Appraiser, in connection with its opinion of value of the assets to be contributed by the JV Partner to the Joint Venture as at 29 February 2016.

**Assets Appraisal Report on the Items with Asset Value
(including Fixed Assets, Construction in Progress and
Land Use Rights) in Relation to the Proposed Investment of
China Minsheng Drawin Co., Ltd.
(中民築友有限公司)**

Xiang Rong Ping Zi [2016] No. 0019

**Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd.
(湖南湘融資產評估有限公司)
Changsha, China**

1 March 2016

ASSETS APPRAISAL REPORT CONTENT

DECLARATION OF THE CERTIFIED PUBLIC VALUER..... 42

SUMMARY OF ASSETS APPRAISAL REPORT..... 43

ASSETS APPRAISAL REPORT..... 45

I. OVERVIEW OF THE ENTRUSTING PARTY,
PROPERTY OWNER AND OTHER USERS OF
THE VALUATION REPORT 45

II. OBJECTIVES OF THE VALUATION..... 47

III. SUBJECT AND SCOPE OF THE VALUATION..... 47

IV. TYPE OF VALUE AND ITS DEFINITION 48

V. VALUATION BENCHMARK DATE..... 49

VI. BASIS OF VALUATION..... 49

VII. VALUATION METHODOLOGY..... 53

VIII. IMPLEMENTATION PROCESS AND
CONDITIONS OF VALUATION PROCEDURES..... 57

IX. ASSUMPTIONS FOR VALUATION..... 59

X. VALUATION CONCLUSION 60

XI. NOTES ON PARTICULAR ISSUES..... 61

XII. EXPLANATION OF THE LIMITATION ON THE USE OF VALUATION REPORT..... 62

XIII. DATE OF SUBMISSION OF THE VALUATION REPORT 63

DECLARATION OF THE CERTIFIED PUBLIC VALUER

1. In the course of the implementation of this assets appraisal engagement, we abided by the relevant laws and regulations as well as assets appraisal standards, and strictly followed the principles of independence, objectiveness and fairness. Pursuant to the information collected from our performance of engagement, the representations contained in the valuation report are objective, and we assume the corresponding liabilities for the reasonableness of the valuation report.
2. The list of assets in relation to the valuation subject has been declared, signed and confirmed by the Entrusting Party and the property owner. It is the liability of the Entrusting Party and the relevant parties to provide necessary information and ensure the authenticity, legitimacy and completeness of the information provided and the proper use of the valuation report.
3. We have no existing or anticipated interests with the valuation subject of the valuation report or relevant parties, and have no prejudice towards the relevant parties.
4. We have conducted on-site assessment on the valuation subject and its assets involved as set out in the valuation report. We have placed necessary concern over the status of legal ownership of the valuation subject and its assets involved and verified the information thereof, and have also made truthful disclosure on problems identified. We have also requested the Entrusting Party and relevant parties to optimise their property rights so as to satisfy the requirements for issuing the valuation report.
5. The analysis, judgment and conclusion issued by us in the valuation report are subject to the assumptions and limitations contained therein. The users of the valuation report shall make full consideration of the assumptions, limitations, notes on particular issues and their impacts on the valuation conclusion as set forth in the valuation report.

**SUMMARY OF ASSETS APPRAISAL REPORT ON THE ITEMS WITH
ASSET VALUE (INCLUDING FIXED ASSETS, CONSTRUCTION IN PROGRESS AND
LAND USE RIGHTS) IN RELATION TO THE PROPOSED INVESTMENT OF
CHINA MINSHENG DRAWIN CO., LTD. (中民築友有限公司)**

Xiang Rong Ping Zi [2016] No. 0019

Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd. accepts the entrustment from China Minsheng Drawin Technology Investment Co., Ltd., according to relevant laws, regulations, standards and generally accepted principles on assets appraisal, by using the depreciated replacement cost method and by following the necessary appraisal procedures, to conduct a valuation on the values of assets (including buildings/structures, equipment, construction in progress and land use rights) located in Laodaohe Town, Kaifu District, Changsha City for the purpose of the proposed investment of China Minsheng Drawin Co., Ltd.. The valuation provided a fair presentation on the market value of the assets as of 29 February 2016. The valuation conditions are hereby reported as follows:

- I.** Objectives of the Valuation: To conduct a valuation on the values of assets (including buildings/structures, equipment, construction in progress and land use rights) located in Laodaohe Town, Kaifu District, Changsha City of China Minsheng Drawin Co., Ltd. in light of the requirement of the Entrusting Party's economic behaviour (i.e. to understand the values of the assets in relation to the proposed investment by China Minsheng Drawin Co., Ltd.), so as to provide the market fair values of the assets appraised as at the valuation benchmark date and to provide professional opinions on the asset values in relation to such economic behaviour.
- II.** Valuation Subject: The values of assets (including buildings/structures, equipment, construction in progress and land use rights) located in Laodaohe Town, Kaifu District, Changsha City of China Minsheng Drawin Co., Ltd. as of the valuation benchmark date.
- III.** Scope of the Valuation: The assets (including buildings/structures, equipment, construction in progress and land use rights) located in Laodaohe Town, Kaifu District, Changsha City of China Minsheng Drawin Co., Ltd..
- IV.** Type of Value: The type of value in this valuation is the market value.
- V.** Valuation Benchmark Date: 29 February 2016.
- VI.** Valuation Methodology: Depreciated replacement cost method was adopted (for the valuation on land use rights, market method was adopted).

VII. Valuation Conclusion**(1) Valuation Conclusion**

Based upon analysis and judgment on relevant assets market as well as the comparisons and calculations of relevant data, provided that various assumption conditions as set forth in this report were satisfied, we have concluded that the assets (including buildings/structures, equipment, construction in progress and land use rights) located in Laodaohe Town, Kaifu District, Changsha City of China Minsheng Drawin Co., Ltd., the Entrusting Party, have an appraised value of RMB457,104,789.41 in aggregate (In words: Renminbi Four Hundred Fifty-seven Million One Hundred and Four Thousand Seven Hundred Eighty-nine and Forty-one Cents Only) as of the valuation benchmark date (i.e. 29 February 2016).

The particulars of valuation results are detailed in the summary and the breakdown of the proposed investment valuation.

(2) Relevant Explanations

This valuation conclusion is only a basis of reference regarding the value of the assets appraised at the time of the proposed investment conducted by the Entrusting Party and should not be used as a substitute for the trading price of the assets appraised.

According to the entrustment agreement, this report and its conclusion are solely for the purposes as set out in this report and must not be used for other purposes.

According to relevant national requirements, this valuation report is effective for a term of one year, commencing from the valuation benchmark date (i.e. 29 February 2016) to 28 February 2017.

The above contents are extracted from the original valuation report. If users of the report wish to be informed of the full picture of this valuation project and have a reasonable understanding of the valuation conclusion, please carefully refer to the full text of the assets appraisal report and pay attention to the information set out in the notes on particular issues after obtaining permission from the owner of the valuation report.

**ASSETS APPRAISAL REPORT ON THE ITEMS WITH ASSET VALUE
(INCLUDING FIXED ASSETS, CONSTRUCTION IN PROGRESS AND
LAND USE RIGHTS) IN RELATION TO THE PROPOSED INVESTMENT OF
CHINA MINSHENG DRAWIN CO., LTD. (中民築友有限公司)**

Xiang Rong Ping Zi [2016] No. 0019

Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd. accepts the entrustment from China Minsheng Drawin Technology Investment Co., Ltd., according to relevant laws, regulations, standards and generally accepted principles on assets appraisal, by using the replacement cost method and following the necessary appraisal procedures, to conduct a valuation on the values of assets (including buildings and structures, equipment, construction in progress and land use rights) located in Laodaohe Town, Kaifu District, Changsha City for the purpose of the proposed investment of China Minsheng Drawin Co., Ltd. The valuation provided a fair presentation on the market value of the assets as of 29 February 2016. The valuation conditions are hereby reported as follows:

I. Overview of the Entrusting Party, Property Owner and Other Users of the Valuation Report

(I) Entrusting Party

Name:	China Minsheng Drawin Technology Investment Co., Ltd. (hereinafter referred to as the “Entrusting Party”)
Address:	Room 2005, Complex Building of Changsha Jinxia Bonded Logistics Center, 30 Xingang Road, Kaifu District, Changsha City (長沙市開福區新港路30號長沙金霞保稅物流中心綜合樓2005室)
Name of legal representative:	Yin Jun
Registered capital:	One Billion Hong Kong dollars
Type:	Limited liability company (solely invested by legal persons in Taiwan, Hong Kong and Macau)
Date of incorporation:	15 January 2016.
Term of operation:	15 January 2016 to 7 January 2046
Unified Social Credit Code:	91430000MA4L2L3HXN.

Scope of business: Carrying out industrial investment and project investment with its own funds (but shall not engage in the financial credit businesses including deposits taking, fund raising and collection, entrusted loans, issue of notes and advance of loans as supervised by the national financial regulatory departments); development of technologies, incubation of technology projects; consultation and R&D of modernized technologies for the construction industry: R&D, production and sales of new materials, new techniques, new technology and new equipment for construction (operation limited to branches) ; R&D, production and sales of overall kitchens and bathrooms (operation limited to branches) ; leasing of owned assets. (for projects where approval is required under law, such operational activities can only commence upon approval by relevant authorities).

(II) Property Owner

Name: China Minsheng Drawin Co., Ltd. (hereinafter referred to as the “China Minsheng Drawin”)

Address: Room 3005, Complex Building of Changsha Jinxia Bonded Logistics Center, 30 Xingang Road, Kaifu District, Changsha City (長沙市開福區新港路30號長沙金霞保稅物流中心綜合樓3005室)

Name of legal representative: Yin Jun

Registered capital: Renminbi One Billion

Type: Limited liability Company (sole proprietorship of legal person)

Date of incorporation: 16 October 2014.

Term of operation: 16 October 2014 to 15 October 2064

Registration number: 4303000000114732.

Scope of business: architectural engineering construction; manufacturing (operation limited to branches) and sales of concrete structure components and metal structure; development and operation of real estate properties; consultation on social economy; consultation on industrial technology of construction; R&D, production (operation limited to branches) and sales of new materials, new techniques, new technologies and new equipment for construction; inspection service for construction projects; survey and design of projects; R&D, production (operation limited to branches) and sales of overall kitchens and bathrooms; import and export business for self-operated and commissioned commodities and technologies (for projects where approval is required under law, such operational activities can only commence upon approval by relevant authorities).

(III) Other Users of the Valuation Report other than the Entrusting Party

Users of the report other than the Entrusting Party include other users of the valuation report as agreed in the agreement and users of the valuation report as prescribed under national laws and regulations.

II. Objectives of the Valuation

The objectives of the valuation are to conduct a valuation on the values of assets (including buildings/structures, equipment, construction in progress and land use rights), located in Laodaohe Town, Kaifu District, Changsha City, of China Minsheng Drawin in light of the requirement of the Entrusting Party's economic behaviour (i.e. to understand the values of the assets in relation to the proposed investment by China Minsheng Drawin), so as to provide the market fair values of the assets entrusted for valuation as at the valuation benchmark date and to advise professional opinions on the assets values in relation to such economic behaviour.

III. Subject and Scope of the Valuation

The subject of this valuation is the value of assets (including buildings/structures, equipment, construction in progress and land use rights) located in Laodaohe Town, Kaifu District, Changsha City of China Minsheng Drawin as at the valuation benchmark date.

The scope of this assets appraisal is the assets (including buildings/structures, equipment, construction in progress and land use rights) located in Laodaohe Town, Kaifu District, Changsha City of China Minsheng Drawin. The specific scope of valuation should be the items as reported in the breakdown of the proposed investment valuation provided by the Entrusting Party and all verified assets listed in the breakdown should fall into the scope of this valuation.

The economic behaviours involved in this valuation project have been approved by the Entrusting Party and its relevant competent authorities.

All assets, upon verification, included in the scope of valuation are consistent with those included in the appraisal agreement and as determined by the Entrusting Party.

Please refer to the breakdown of the proposed investment valuation for details.

IV. Type of Value and its Definition

The type of value in this valuation is “market value”. “Market value” in this report refers to the estimated value amount for which the valuation subject should be exchanged on the valuation benchmark date between a willing buyer and a willing seller in an ordinary and arm’s length transaction and where the parties had each acted rationally and without any compulsion. Reasons for the selection of the type of value are as follows:

In terms of the valuation objectives: the valuation objectives are to provide reference regarding the market value of the asset entrusted for valuation for the assets transaction to be entered into between the Entrusting Party and relevant parties. This is a common market-oriented economic behaviour and transactions based on market value are generally more acceptable for all parties;

In terms of market conditions: following further development of the capital market, asset transactions will become increasingly frequent and transactions based on market values have been accepted by more and more investors;

In terms of selection of the type of value and relevance of assumptions for valuation: assumptions for this valuation are established on the basis of simulating a completely open market with adequate competitions, which means the objective of establishing assumption conditions for valuation is to eliminate the influence of non-market factors and unusual factors on the valuation conclusion;

In terms of the usual practice for selection of the type of value: when there are no special limitations and requirements on the use of market conditions and valuation subject, market value shall be selected as the type of value for valuation conclusion.

The purpose for conducting the assets appraisal by the certified public valuer is only to estimate the value of valuation subject and provide professional opinion thereon. The valuation results, provided that there are no substantial changes in the economic environment and market condition as at the valuation benchmark date and other valuation premises and assumption conditions relied upon by the valuer, refers to valuation results presented for the purpose of valuation, and should not be construed as a guarantee for or commitment to the realisation of the value of valuation subject.

V. Valuation Benchmark Date

The valuation benchmark date of this project is 29 February 2016.

1. On condition that the benchmark date is the closest possible proximity with the realisation date of the valuation objectives, the valuation benchmark date is determined upon consensus after negotiation with the Entrusting Party.
2. This valuation benchmark date is determined upon consensus after negotiation with the Entrusting Party, so as to ensure the truthfulness, completeness and fairness of the information necessary for the valuation, as well as the timeliness of the valuation report.

The prices adopted in this valuation are price standards as of the valuation benchmark date. In the event of any change of the valuation benchmark date, the valuation results would then be affected.

VI. Basis of Valuation

The specific basis of behaviours, basis of laws, basis of standards and basis of pricing followed by this valuation are as follow:

(I) Basis of Behaviours

Assets Appraisal Agreement.

(II) Basis of laws and regulations

1. “Company Law of the People’s Republic of China” (《中華人民共和國公司法》) (Order of the President of the People’s Republic of China No. 42);
2. “Property Law of the People’s Republic of China” (《中華人民共和國物權法》) (Order of the President of the People’s Republic of China No. 62);
3. “Urban Real Estate Administration Law of the People’s Republic of China” (《中華人民共和國城市房地產管理法》) (Order of the President of the People’s Republic of China No. 29);
4. “Land Administration Law of the People’s Republic of China” (《中華人民共和國土地管理法》) (Order of the President of the People’s Republic of China No. 28);
5. “Measures for the Administration of Appraisal of State-owned Assets” (《國有資產評估管理辦法》) promulgated by the State Council (Order No. 91, 1991);

6. “Detailed Rules for the Implementation of Measures for the Administration of Appraisal of State-owned Assets” (《國有資產評估管理辦法施行細則》) promulgated by the former State-owned Assets Administration Bureau (Guo Zi Ban Fa [1992] No. 36);
7. “Opinions on Regulation of Assets Appraisal Operation (Trial)” (《資產評估操作規範意見》(試行)) promulgated by China Appraisal Society;
8. “Provisional Measures for the Administration of Appraisal of State-owned Assets of Enterprises” (《企業國有資產評估管理暫行辦法》), Order No. 12 of State-owned Assets Supervision and Administration Commission of the State Council;
9. “Opinions on Regulation of Assets Appraisal Operation (Trial)” (《資產評估操作規範意見(試行)》) promulgated by the former State-owned Assets Administration Bureau ([1996] No. 23).

(III) Basis of Valuation Standards

1. “Assets Appraisal Standards — Basic Standards” (《資產評估準則 — 基本準則》) (Cai Qi [2004] No. 20);
2. “Professional Ethical Standards of Assets Appraisal — Basic Standards” (《資產評估職業道德準則 — 基本準則》) (Cai Qi [2004] No.20);
3. “Assets Appraisal Standards — Valuation Reports” (《資產評估準則 — 評估報告》) (Zhong Ping Xie [2007] No.189);
4. “Assets Appraisal Standards — Valuation Procedures” (《資產評估準則 — 評估程序》) (Zhong Ping Xie [2007] No.189);
5. “Guiding Opinions on Concerns of Legal Ownership of Valuation Subjects for Certified Public Valuers” (《註冊資產評估師關注評估對象法律權屬指導意見》) (Hui Xie [2003] No. 18);
6. “Guiding Opinions on Types of Value of Assets Appraisal” (《資產評估價值類型指導意見》) (Zhong Ping Xie [2007] No. 189);
7. “Guidelines for Valuation Reports on State-owned Asset of Enterprises” (《企業國有資產評估報告指南》) (Zhong Ping Xie [2008] No.218).

(IV) Basis of Pricing

1. The relevant documents and information provided by the Entrusting Party;
2. Xiang Jian Jia [2009] No. 406 “Notice Regarding the Promulgation of ‘Pricing Method for the Bill of Quantities of Construction Projects of Hunan Province’” (關於頒發《湖南省建設工程工程量清單計價辦法》的通知) and the relevant documents;
3. Standards promulgated under Xiang Jian Jia [2006] No. 330: “Standard for Consumption Volume of Construction Projects of Hunan Province” (《湖南省建築工程消耗量標準》), “Standard for Consumption Volume of Decoration Projects of Hunan Province” (《湖南省裝飾裝修工程消耗量標準》), “Standard for Consumption Volume of Installation Projects of Hunan Province” (《湖南省安裝工程消耗量標準》);
4. Xiang Jian Jia Ji [2007] No. 34 “Notice Regarding the Printing and Issuance of ‘Pricing Method for Construction Projects of Hunan Province’ and the Unified Interpretation, Consolidation and Correction for the Standard of Consumption Volume of the Relevant Projects” (關於印發《湖南省建設工程計價辦法》及有關工程消耗量標準統一解釋匯總及勘誤的通知);
5. Xiang Jian Jia Ji [2008] No. 31 “Notice Regarding the Printing and Issuance of ‘Pricing Method for Construction Projects of Hunan Province’ and Dynamic Adjustment and Unified Interpretation of the Standard or Level of Consumption Volume of Projects” (關於印發《湖南省建設工程計價辦法》和工程消耗量標準水平動態調整及統一解釋的通知);
6. Xiang Jian Jia Ji [2009] No. 29 “Notice Regarding the Printing and Issuance of ‘Pricing Method for Construction Projects of Hunan Province’ and Dynamic Adjustment and Unified Interpretation of the Standard or Level of Consumption Volume of Projects (Volume Three)” (關於印發《湖南省建設工程計價辦法》和工程消耗量標準水平動態調整及統一解釋 (第3輯) 的通知);
7. Xiang Jian Jia [2006] No. 245 and [2012] No. 237 “Notice Regarding the Promulgation of ‘Unit Price of Worker Wages for Construction Projects of Various Cities and Sub-Prefectures in Hunan Province’” (關於發佈《湖南省各州市建設工程人工工資單價》的通知);

8. Xiang Jian Jia [2009] No. 3 “Notice Regarding Certain Issues on the Consistent Implementation of ‘Pricing Method for Construction Projects of Hunan Province’” (關於貫徹執行《湖南省建設工程計價辦法》若干問題的通知);
9. Material prices and market research prices as stipulated in “Construction Costs in Changsha” (《長沙建設造價》);
10. “Hunan Price Information” (《湖南價格信息》);
11. “Hunan Goods and Materials Information” (《湖南物資信息》);
12. “Machines and Electronic Products Quotation Manual (2015 edition)” (《2015年機電產品報價手冊》);
13. Information on the successful transactions of state-owned land use rights in Changsha City;
14. Asking prices of manufacturers and price information of the relevant equipment available on other public media;
15. Statistical information and information on technical standards promulgated by the relevant departments in the PRC and other relevant information collected by the appraisal company.

(V) References and Others

1. “Manual on Frequently Used Data and Parameters for Assets Appraisal (Second Edition)” (《資產評估常用數據與參數手冊 (第二版)》) (Beijing Technology Press, 1998 edition);
2. Price information on equipment and commodity in Changsha City collected by the Company;
3. Other related asking price information and parameter information collected by the Company, and the on-site survey records of the valuer.

VII. Valuation Methodology

The basic valuation methods prescribed by the “Assets Appraisal Standards — Basic Standards”, the “Guidance on the Valuation of Corporate Values (Trial)” and the relevant valuation standards, and the “Measures for the Administration of Appraisal of State-owned Assets” include market-based valuation, income approach valuation and depreciated replacement cost valuation (asset-based approach). We have selected the appropriate valuation method according to the relevant conditions, including the valuation objectives, valuation subject and the collection of valuation information for this valuation.

(I) Selection of Valuation Method

1. Appropriate valuation method shall be selected according to relevant conditions, including valuation objectives, valuation subject and collection status of valuation information for this valuation.
 - (1) The objectives of this valuation is to provide a basis of reference for the Entrusting Party regarding the market value of the assets in relation to the proposed investment of China Minsheng Drawin on the valuation benchmark date for the purpose of understanding the investment value;
 - (2) China Minsheng Drawin and the assets appraised shall operate on an ongoing basis, no matter the objectives of this valuation can be realized or not;
 - (3) Besides land use rights, there are no similar assets investment precedents in the local area. As there are insufficient comparable transaction cases, it is not appropriate to adopt market-based approach in this valuation.
 - (4) As it is difficult to calculate separately the future income of the assets in relation to the proposed investment of China Minsheng Drawin, it would be less reliable and thus inappropriate to adopt income approach for valuation.
 - (5) According to the financial information provided by China Minsheng Drawin and its actual circumstances, depreciated replacement cost approach (asset-based approach) would be adopted in this valuation for all assets except land use rights.
 - (6) The evaluation of land use rights by adopting the depreciated replacement cost approach may be affected by human factors to a larger extent and thus relatively easier to result in significant deviations; as there are sufficient completed transactions of land use rights in the market, the results from valuation adopting the market comparison approach will be more objective.

2. Judgement on the suitability for selecting the depreciated replacement cost approach for this valuation project

(1) Judgment from the perspective of the certainty of the number of assets entrusted for valuation

Since China Minsheng Drawin has a sound accounting and audit system as well as orderly management in place, the number of assets entrusted for valuation can be determined in accordance with the financial information and information regarding acquisition and construction, and such number can also be verified through on-site survey.

(2) Judgment from the perspective of the availability of upgrade and replacement price of the assets entrusted for valuation

The upgrade and replacement price of the physical assets entrusted for valuation of China Minsheng Drawin can be obtained from various channels, including the manufacturers of its machineries and equipment, suppliers of raw materials and relevant websites of other suppliers.

(3) Judgment from the perspective of the predictability of newness rate of the assets entrusted for valuation

The newness rate of physical assets in relation to the valuation subject can be calculated by estimating the remaining service life of the assets based on its economic service life and thus estimating the commonly acknowledged newness rate. Based on the on-site survey and the relevant information collected, the newness rate is estimated with reference to the actual depreciation rate, functional depreciation rate and economic depreciation rate.

Taking into account the analysis and conclusion above, the valuation personnel is of the view that this valuation can be conducted using cost-based approach (asset-based approach) both theoretically and practically.

(II) *Reasons for adopting the depreciated replacement cost method for valuation and the methodologies*

Depreciated replacement cost approach (asset-based approach) is a valuation method that estimates the value of valuation subject based on the reasonable estimations of the values of each of the assets and liabilities included in the valuation subject. The basic formulas of such method are as follows:

Net asset values = the sum of the appraised values of each individual asset — the sum of the appraised values of each liability

or Appraised value = replacement full price × comprehensive newness rate

(1) Valuation of Buildings/Structures

Net appraised value = replacement full price × comprehensive newness rate

1. Determination of the replacement full price

Replacement full price = comprehensive construction and installation fee + initial expenses and other costs + capital cost

2. Estimation of comprehensive newness rate

Deterioration was determined by studying the actual effective useful life and serviced life of a building/structure and by conducting on-site survey on the quality of construction as well as the maintenance of various aspects (such as the main body, enclosure, equipment and renovation) of the building/structure. The comprehensive newness rate of such housing/building was then estimated by combining its actual use with the above deterioration.

Comprehensive newness rate = useful life newness rate × 40% + technically assessed newness rate 60%

(1) Estimation of useful life newness rate

Useful life newness rate = (1 - serviced life/economic service life) × 100%

(2) Estimation of technically assessed newness rate

Firstly, the valuer visited the sites and conducted on-site survey for each of the building/structure and assessed the quality of each part of the buildings/structures. Based on the assessment results, scores were then given in percentage for the quality of each part of the buildings/structures.

Secondly, according to the importance of each part of the buildings/structures in the main body, the scores were given to sub-items in respect of its weighting factor in the overall technically assessed newness rate. The weighting factors totaled 100%.

Lastly, the scores in each sub-item were multiplied by the corresponding weighting factors to calculate the assessed score of the technically assessed newness rate of the sub-item. The total of these scores was the overall technically assessed newness rate. The total score for overall technically assessed newness rate was 100%.

(2) Valuation of Equipment Assets

1. Determination of replacement full price:

Replacement full price of equipment = purchase price of equipment + freight charges + installation and debugging charges + capital cost during the reasonable construction period + other necessary and reasonable expenses;

2. Determination of comprehensive newness rate:

The valuation personnel conducted appearance and functional inspections on the equipment reported for valuation by the Entrusting Party. They also got an understanding of the technical conditions as well as the repair and maintenance condition of the equipment from the management and operators, and estimated the remaining useful life of each type of equipment and calculated the useful life newness rate of the equipment accordingly. Meanwhile, through on-site inspections, the valuation personnel classified the components of the equipment based on the importance of each of the components to the equipment, the complexity of each component, their values, etc. and reasonably assigned sub-item scores to the components according to the classifications. Actual sub-item scores of each component and each inspected item were determined through various types of technical analysis. These scores were then added to the grand total and the technically analysed newness rate was eventually determined.

Comprehensive newness rate $C = K_1 \times C_1 + K_2 \times C_2$ ($K_1 + K_2 = 1$)

Where:

C_1 represented the useful life newness rate, while $C_1 = \text{remaining useful life} / \text{total useful life} \times 100\%$

C_2 represented the technically analysed newness rate, while $C_2 = \frac{\sum \text{scores of all analysed items}}{\sum \text{standard scores of all analysed items}}$

k_1 and k_2 represented the weights of the useful life newness rate and technically analysed newness rate, respectively. Generally, k_1 was 40% and k_2 was 60%.

(3) Valuation on Land Use Rights

The market method has been adopted for the valuation of land use rights.

The market method is based on the market price of the region on the valuation benchmark date. The adoption of the market method represents that the properties with known market price and the average price of the properties to be appraised have been selected as reference and standard, respectively. After quantifying the difference between the abovementioned items, the appraised value of the properties to be appraised is calculated by making adjustments and modifications based on the market price of the reference property.

The market method is one of the most important and common methods for property valuation. It is also the most practical valuation method with mature techniques.

VIII. Implementation Process and Conditions of Valuation Procedures

Under the rules on assets appraisal of the competent authorities and general accounting principles in the PRC, pursuant to the provisions and standardised requirements of the relevant laws of the competent authorities in the PRC, and in accordance with the matters as agreed in the letter of engagement for assets appraisal with the Entrusting Party, Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd. has implemented examination and review on the legal documents and relevant information provided by the Entrusting Party, carried out necessary examinations, on-site inspections and verifications on the titles of the relevant assets based on the asset list submitted by the property owner, carried out necessary market research and conducted other necessary procedures for assets appraisal such as market forecasts. The detailed procedures of the assets appraisal were as follows:

1. Acceptance of Entrustment and Preparation Stage

- (1) Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd. accepted the entrustment of the Entrusting Party on 29 February 2016 to engage in this assets appraisal project. Upon the acceptance of the entrustment, Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd. carefully discussed with the Entrusting Party on issues which would have an impact on the assets appraisal plan, including the purpose of this valuation, subject and scope of the valuation, valuation benchmark date and characteristics of the assets entrusted for valuation.

- (2) Based on the characteristics of the assets entrusted for valuation, specific arrangements have been made for the preparation of reported information for assets appraisal as well as the design of various documents, including survey sheets of main assets and market research tables. Business trainings have been organised for the personnel of the Entrusting Party that were involved in the assets appraisal. Meanwhile, information necessary for the assets appraisal and various types of investigation forms have been collected.

- (3) Design of Valuation Plan

The Company formulated valuation work plan, determined valuation personnel and formed assets appraisal working teams according to the characteristics of the assets to be appraised.

- (4) Preparation of Valuation Materials

Relevant information on the valuation subject's market have been collected and collated.

The works in this stage have been conducted on 29 February 2016.

2. On-site Inspection Stage

Analysis and estimation on the assets entrusted for valuation have been conducted via on-site inspection and collection of relevant market information.

The works in this stage have been conducted on 29 February 2016.

3. Selection of Valuation Method, Collection of Market Information and Evaluation Procedures

Based on the work plan formulated according to the characteristics of this project and taking into account the pricing principles and valuation models determined in accordance with actual conditions, valuation personnel has commenced their valuation estimations after determining the valuation parameters and price standard.

4. Stage of Valuation Summary

- (1) Determination of Valuation Results

The valuation results of the assets entrusted for valuation have been reached based on the on-site inspection conducted by the valuation personnel of Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd. and the necessary market researches and estimates which had been performed.

(2) Analysis of Valuation Results and Preparation of Valuation Report

The valuation report on the relevant assets was prepared in accordance with the standardised requirements of Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd. A three-tier review was conducted on the valuation results and the related assets appraisal report pursuant to prescribed procedures of Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd. Upon signing and final review by the certified public valuer, the report was completed and submitted by the project team.

(3) Arrangement and Filing of Working Paper

The works in this stage have been conducted from 1 March to 2 March 2016.

IX. Assumptions for Valuation

(1) General Assumptions

1. Transaction assumption: It is assumed that all assets to be appraised are being transacted so that the valuer can value the assets to be appraised by simulating the market based on their transaction conditions.
2. Open market assumption: It is an assumption on the conditions of market which the assets will access to and what influence will be imposed on assets under such market conditions. The open market, which has been fully developed and improved, is a market where volunteering purchasers and sellers compete with each other on equal basis. In the market, both purchasers and sellers who have ample opportunity and time to acquire market information strike deal on volunteering, rational, non-compulsory or unrestricted basis.
3. Assumption of sustainable use: It is an assumption on the conditions of market which the assets will access to and what status of assets under such market conditions are. Firstly, it is assumed that assets appraised are being used; secondly, it is assumed that the assets that are being used will be further used. On the assumption of sustainable use, changes of use of assets or optimum conditions of use are not taken into account. Therefore, the scope of application of the valuation results is restricted.

(2) Special Assumptions

1. The specific valuation objectives clearly stated in this assets appraisal report represent the basic assumptions of this valuation.
2. Assumption of stable economic environment: It is an assumption that there have been no material changes in the nation's prevailing relevant laws, regulations and policies, national macro-economic situation and political, economic and social environment of regions in which the parties involved in this transaction are located since the valuation benchmark date, and there are no material adverse impact arising from other unforeseeable events and force majeure factors.
3. Assumption of no material change: It is an assumption that there are no material changes to the nation's interest rates, exchange rates, taxation basis and tax rates and policy-imposed levies.
4. Assumption of no adverse impact: It is an assumption that there are no force majeure and unforeseeable factors that will materially and adversely affect the Entrusting Party's assets to be appraised.
5. Assumption of no defect: It is an assumption that there are no title defects in respect of the assets to be appraised or that all existing title defects have been revealed.

Where there are events that are not in line with the said assumptions, in general the valuation results will be void.

X. Valuation Conclusion

Based upon the analysis and judgment on relevant assets market as well as the comparisons and calculations of relevant data, provided that various assumption conditions as set forth in this report were satisfied, we have concluded that the assets (including buildings/structures, equipment, construction in progress and land use rights) located in Laodaohe Town, Kaifu District, Changsha City of China Minsheng Drawin, the Entrusting Party, have an appraised value of RMB457,104,789.41 in aggregate (In words: Renminbi Four Hundred Fifty-seven Million One Hundred and Four Thousand Seven Hundred Eighty-nine and Forty-one Cents) as at the valuation benchmark date (i.e. 29 February 2016).

The valuation results are summarised as follows:

Items	Summary of the assets appraisal results				Unit: RMB	
	Carrying value		Appraised value		Appreciation Rate (%)	
	Original value	Net value	Original value	Net value	Original value	Net value
Total amount of housing/ building assets	54,903,426.450	53,889,238.10	54,903,426.45	54,313,766.74	(1.00)	0.79
Fixed assets — housing/building	54,903,426.450	53,889,238.10	54,903,426.45	54,313,766.74	(1.00)	0.79
Total amount of equipment assets	32,418,864.550	31,070,889.14	32,418,864.55	31,669,429.65	(1.00)	1.93
Fixed assets — machineries and equipment	32,418,864.550	31,070,889.14	32,418,864.55	31,669,429.65	(1.00)	1.93
Construction in progress	102,324,376.890	102,324,376.89	102,324,376.89	100,722,242.41	(1.00)	(1.57)
Intangible assets — lands	273,917,558.000	267,526,148.36	267,526,148.36	270,399,350.60	(3.33)	1.07
Total	463,564,225.890	454,810,652.49	457,172,816.25	457,104,789.41	(2.38)	0.50

For the detailed valuation results, please refer to the breakdown of the assets valuation.

XI. Notes on Particular Issues

The following issues may affect the valuation conclusions and users of this valuation report should pay special attention to such issues.

1. The valuation results given in this report are reached on the basis that the necessary title certificates, enterprise operation and management information and financial information have been provided by the Entrusting Party and property owner. We have conducted necessary examinations on the information in relation to the legal titles of the valuation subject as provided by the Entrusting Party and property owner and the sources of such information, and we shall be liable to make disclose about such examinations. However, it is assumed in this valuation report that all information provided by the Entrusting Party is objective, true, accurate and lawful. The Company shall not be liable for any errors in the valuation results caused by false information.
2. This valuation is conducted by following independent, impartial, objective and scientific principles. None of the personnel of the Company participating in this valuation are interested in the Entrusting Party and they have strictly followed the occupational ethics during the process of valuation.
3. The conclusions of this valuation are obtained through analyses and estimations, subject to reasonable assumptions, in accordance with generally accepted valuation methods, and shall not constitute the Company's substantive guarantee on the price levels of the assets reported by the Entrusting Party.

4. The valuation methods and parameters chosen for this valuation report are chosen based on the professional standard of the valuer signing this valuation report. Owing to such professional standard, we believe that the valuation methods and parameters chosen for this report are reasonable and that the results obtained therefrom are objective.
5. The valuation results of this report only provide a reference for the lawful users of the valuation report during their proposed investment, which is different from the market prices. Besides the appraised values, the lawful users of this report shall also comprehensively consider factors from various aspects in relation to the transaction subject during the transaction. In case of any loss incurred by the parties involved in the transaction directly due to the fact that such transaction has been conducted according to the appraised values, the Company and the valuer signing this report shall not be liable for any indemnification.
6. The results of this valuation reflect the market values of the valuation subject determined for the objective of this valuation according to the open market principle, however, we have not taken into account the effects which may be caused by the charges or guarantees that have been obtained or still under process, and no tax provision have been made for increase in the appraised value of assets. No consideration have been given to any of the effect which may be arising from charges, guarantees, contingent liabilities, pending litigation or any other litigation that may exist or the effects of possibly appended price that may be resulted from the special transaction method on the valuation results. Also, the effects on the asset prices caused by the changes in the national macro-economic policy, acts of God or other force majeure are not considered for the purpose of this report.
7. Users of this report shall pay adequate attention to the full text of the report and the relevant explanations when using this valuation report. Any losses arising from improper use of the report by report users are irrelevant to the Company.

XII. Explanation of the Limitation on the Use of Valuation Report

1. This report shall only be used for the Entrusting Party's economic behaviour corresponding to the objective of valuation and delivery to the competent administrative department for assets appraisal for examination. The Entrusting Party shall reserve the right to use this valuation report.
2. This report shall only be used by the valuation report users as specified herein.

3. The Entrusting Party shall not publish the whole or any part of the report in any public media without our prior consent. The Company shall not assume any legal liability for any result due to improper use of the valuation results for other economic behaviour.
4. In accordance with relevant national requirements, this valuation report shall be valid for one year from the valuation benchmark date (i.e. 29 February 2016) to 28 February 2017.

XIII. Date of Submission of the Valuation Report

The date of submission of this valuation report is 1 March 2016.

Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd.

Legal Representative: Su Ming (蘇明)

Certified Public Valuer: Su Ming (蘇明)

Certified Public Valuer: Zhang Dingzu (張鼎祖)

Changsha, PRC

1 March 2016

The following is the text of the Property Valuation Report prepared for the purpose of incorporation in this Circular received from the Valuer, in connection with its opinion of value of the property interest to be contributed by the JV Partner to the Joint Venture as at 29 February 2016.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



26 May 2016

The Directors
China Minsheng Drawin Technology Group Limited
Suites 1001-1004, 10th Floor
One Pacific Place
No. 88 Queensway
Hong Kong

Dear Sirs,

In accordance with the instructions of China Minsheng Drawin Technology Group Limited (the “Company”) for us to value the property interest held by China Minsheng Drawin Co., Ltd. (中民築友有限公司) (the “JV Partner”) in the People’s Republic of China (“the PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 29 February 2016 (“valuation date”) for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interest, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements

less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the “PRC legal opinion”) provided by the Company’s PRC legal adviser, Zhong Lun Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 29 February 2016 was HK\$1=RMB0.843. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK\$) between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty seven years' experiences in undertaking valuations of properties in Hong Kong and has over twenty years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property interest held by the JV Partner in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2016
A construction industrial park located at Daan Road, Laodaohe Town, Kaifu District, Changsha City, Hunan Province, the PRC	<p>The property comprises a parcel of land (Lot No. 430105011004GB00009) with a site area of approximately 234,979.31 sq.m. and 2 buildings and various structures erected thereon completed in 2015 and 2016. 2 buildings and various structures are under construction.</p> <p>The buildings have a total gross floor area of approximately 50,271.29 sq.m.</p> <p>The buildings mainly include a workshop, a warehouse, an office building and a dormitory.</p> <p>The land use rights of the property have been granted for a term expiring on 26 December 2064 for industrial uses.</p>	The property is currently occupied by the JV Partner for trial production use.	<p>RMB344,190,000</p> <p>(equivalent to approximately HK\$408,300,000)</p> <p><i>(See Note 5 below)</i></p>

Notes:

1. According to a State-owned Land Use Rights Certificate (Document No.: Chang Guo Yong (2015) No. 006117), the land use rights of the property having a site area of approximately 234,979.31 sq.m. have been granted to the JV Partner for a term expiring on 26 December 2064 for industrial uses.
2. According to a Planning Permit for Construction Land (Document No.: Jian Gui (Di) Zi No. Chu (2015) 0003) dated 23 January 2015, the construction site of a parcel of land with a site area of approximately 254,475.90 sq.m. is in compliance with the urban and village planning requirements.

3. According to a Planning Permit for Construction Works (Document No.: Jian Gui (Jian) Zi No. Jian 2 (2015) 0024) dated 8 May 2015, the construction works of the development of the property with a total gross floor area of approximately 50,275.25 sq.m. is in compliance with the urban and village planning requirements and are approved.
4. According to a Permit for Commencement of Construction Works (Document No.: 430101201505210301) dated 21 May 2015, the construction works of the development of the property with a total gross floor area of approximately 50,275.25 sq.m. are in compliance with the requirements for works commencement and are approved.
5. In the valuation of the property, we have attributed no commercial value to two buildings which have not obtained Building Ownership Certificates. For reference purposes, we are of the opinion that the depreciated replacement cost of these buildings with a total gross floor area of approximately 41,118.26 sq.m. as at the valuation date would be RMB81,940,000 (equivalent to approximately HK\$97,200,000) assuming relevant title ownership certificates have been obtained and they could be freely transferred.
6. As at the date of this valuation certificate, the JV Partner has not yet obtained the Building Ownership Certificates for the two buildings as mentioned in paragraph 5 above because the application for such Building Ownership Certificates has not yet been made by the JV Partner. The application usually requires a few processes to be completed in advance which may generally take several months, including the inspection by relevant government authorities such as special inspections (e.g. fire control, environmental protection, energy saving, civil air defence, lightning protection, quality control and so forth), comprehensive inspection, filing of the completion inspection materials with the local authorities and the grant of the acceptance permit for the completed property. As advised by the JV Partner, it has arranged internal inspection for the relevant property and has applied for the fire control inspection for the above two buildings. The JV Partner's application for other governmental inspections will be pending on the results of the above fire control inspection. It is estimated that approximately 150 business days will be taken in order to complete the processes mentioned above before obtaining the building ownership certificates.
7. The PRC legal opinion states, inter alia, the following:
 - (i) The JV Partner has obtained the land of the property under legal and valid procedure and is the legal land user of the property.
 - (ii) The JV Partner has obtained the relevant permits for the construction works of the property. The construction works are legal.
 - (iii) The JV Partner has not yet completed the completion procedures and obtained the Building Ownership Certificates for the construction works of the property. If the JV Partner fails to obtain the Building Ownership Certificates for the above construction works of the property, it will not be entitled to the ownership of such construction works. However, no material legal impediments have been identified that the JV Partner may not be able to obtain the Building Ownership Certificates for the above construction works.
 - (iv) As advised by the JV Partner, the property is free from any mortgages and third party encumbrances.

8. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:
- | | | |
|-------|---|-----|
| (i) | State-owned Land Use Rights Certificate | Yes |
| (ii) | Planning Permit for Construction Land | Yes |
| (iii) | Planning Permit for Construction Works | Yes |
| (iv) | Permit for Commencement of Construction Works | Yes |
| (v) | Building Ownership Certificate | No |
9. The property was inspected by Mr. Li Hui, China Real Estate Appraiser, on 11 April 2016.

RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

The Over-lapping Directors also serve as directors and/or senior managers of certain shareholders and/or subsidiaries of CMJYI, which is the Company's controlling shareholder holding 63.67% of the issued share capital of the Company as at the Latest Practicable Date. Save as the above, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 December 2015 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

DIRECTORS' INTERESTS IN CONTRACTS

As at Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested, directly or indirectly, and which was significant in relation to the business of the Group. As at the Latest Practicable Date, the Joint Venture had not yet been established, and therefore, there was no such contract or arrangement which was significant in relation to the business of the Joint Venture and in which any Director may be materially interested, directly or indirectly.

NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated finance statements of the Company were made up.

EXPERTS AND CONSENT

The following are the qualifications of the experts who have given opinion or advice contained in this Circular:

Name	Qualification
Hunan Xiangrong Certified Public Valuer Consultant Co, Ltd.*	Independent assets appraiser in the PRC
Vigers Appraisal & Consulting Limited	Professional surveyors and valuers
Nuada Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Zhong Lun Law Firm	PRC Legal Advisers

Each of the above experts has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its report or letter (as the case may be) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts was not interested in any shares in the Company or any member of the Group, nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in the Company or any member of the Enlarged Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which have been, since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with the Company or any member of the Enlarged Group which does not expire or is not determinable by the Company or such member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group. As at the Latest Practicable Date, the Joint Venture has not yet been established, and therefore, the Joint Venture was not engaged in any litigation or claim of material importance and there was no litigation or claim of material importance pending or threatened against the Joint Venture. To the knowledge of the Directors, the assets to be contributed by the JV Partner to the Joint Venture are not subject to any litigation or claim of material importance that was pending or threatened as at the Latest Practicable Date.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Yin Jun, a Director of the Company, also serves as a director and the general manager of the JV Partner, the principal business of which is disclosed in the section headed "INFORMATION OF THE JV PARTNER" in the Letter from the Board set out in this Circular. The Company understands that, once the Joint Venture is established, the JV Partner will no longer be engaged in the production and sale of prefabricated units. Considering that the JV Partner only operates its business in Changsha due to the nature of its business and the Group currently operates its business in other major cities in China, the Company considers that there is no direct competition between its business and that of the JV Partner. In addition, except for Mr. Yin Jun, the rest of the Directors are independent from the board of the JV Partner and Mr. Yin Jun does not control the Board, the Company is therefore of a view that the Group is capable of carrying on its business independently of, and at arm's length from, the business of the JV Partner. Save for the above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Company which interest would be required to be disclosed under Rule 8.10 of the Listing Rules as if the relevant Director was a Controlling Shareholder of the Company.

MATERIAL CONTRACTS

Saved as disclosed below, no material contracts (not being contracts entered into in the ordinary course of business carried out by the Group), have been entered into by any member of the Group within the two years immediately preceding the date of this Circular:

- (i) On 26 February 2014, the Company (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. Details could be referred to the Company's announcements dated 26 February 2014, 23 May 2014, 22 August 2014, 25 November 2014, 30 December 2014 and 2 March 2015, as well as in the Company's circular dated 30 April 2015.

- (ii) The underwriting agreement dated 11 August 2014 entered into between the Company and Kingston Securities Limited in relation to the rights issue of 2,919,647,040 rights shares on the basis of eight rights shares for every one existing share of the Company at HK\$0.1 per rights share. The net proceeds raised from the rights issue were approximately HK\$283 million. Details could be referred to the Company's announcement dated 11 August 2014, circular dated 5 September 2014 and prospectus dated 8 October 2014;
- (iii) On 24 December 2014, the Company entered into a non-legally binding framework agreement (the "**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 Company. As disclosed in the announcement made by the Company on 8 March 2016, the Board decided not to proceed with the possible acquisition and the Framework Agreement lapsed pursuant to its terms. Details could be referred to in the Company's announcements dated 17 December 2014, 24 December 2014 and 8 March 2016;
- (iv) On 9 February 2015, the Company and CMJYI entered into a subscription agreement (as supplemented by a supplemental agreement dated 7 March 2015) in connection with the subscription for 6,500,000,000 new Shares by CMJYI (or its nominee(s)) with total subscription consideration of HK\$1,300 million. Details could be referred to the Company's circular dated 30 April 2015;
- (v) On 9 February 2015, the Company and Honghu Capital entered into a subscription agreement in connection with the subscription for the zero coupon CB with an aggregate principal amount of HK\$200 million. Details could be referred to the Company's circular dated 30 April 2015;
- (vi) On 23 April 2015, the Company, Ming Chuk Construction Group (Hong Kong) Company Limited* (名築建工集團(香港)有限公司) (the "**Issuer**") and Mingzhu Construction Engineering Group Co., Ltd.* (名築建工集團有限公司) (the "**Guarantor**") entered into a subscription agreement in relation to the subscription for the Issuer's guaranteed note in a principal amount of HK\$250,000,000 due 2018. Details could be referred to the Company's announcement dated 23 April 2015 and the Company's circular dated 30 April 2015;
- (vii) On 23 April 2015, the Company and the Guarantor entered into a strategic cooperation framework agreement whereby the Company and the Guarantor agreed to strengthen the cooperation in relation to business activities and opportunities in the property development, project construction and production of prefabricated materials in the PRC. Details could be referred to the Company's announcement dated 23 April 2015 and the Company's announcement dated 30 April 2015;

- (viii) On 28 April 2015, Benelux Property Development (Shanghai) Limited, a subsidiary of the Company, together with China Minsheng Drawin Co. Ltd.*, a subsidiary of CMJYI, and Shanghai Zhao Nian Heavy Machinery Co. Ltd.* (上海兆年重工機械有限公司) (as vendor) entered into a memorandum of understanding in relation to the proposed acquisition of certain land parcel located in Songjiang Industrial District, Shanghai and the building situated on such land parcel (together with certain machineries, equipment and facilities in such building and all temporary and permanent buildings, structures and related ancillary facilities on such land parcel) (the “**Shanghai Properties**”) for a total consideration of RMB82 million (equivalent to approximately HK\$101.68 million). On 19 June 2015, the Company had (through its wholly owned subsidiary) entered into an agreement to acquire the above properties. Details could be referred to the Company’s announcement dated 28 April 2015 and 19 June 2015;
- (ix) On 13 May 2015, the Company, together with China Minsheng Drawin Co. Ltd.* entered into a memorandum of understanding with Shenzhen Superwatt Power Technology Co., Ltd.* (深圳市賽瓦特動力科技股份有限公司) (“**Superwatt**”) to acquire the entire equity interest in Huizhou City Superwatt Power Technology Co., Ltd.* (惠州市賽瓦特動力科技有限公司) (or to acquire relevant assets). On 4 August 2015, the Company (through its wholly owned subsidiary) entered into an agreement to acquire from Superwatt certain land parcels and buildings (together with certain machineries, equipment and facilities in such buildings and all temporary and permanent buildings, structures and related ancillary facilities on such parcels of land) in Hui Yang District, Huizhou City, for the consideration of RMB73 million (equivalent to approximately HK\$91.25 million). Details could be referred to the Company’s announcement dated 13 May 2015 and 4 August 2015;
- (x) On 14 July 2015, the Company entered into a project investment agreement with the Nanjing Jiangning Binjiang Economic Development Zone Management Committee* (南京江寧濱江經濟開發區管委會) to acquire a land parcel in Nanjing through a tender, auction or listing for sale process from the relevant government authority in the PRC. On 23 March 2016, the Company (through its wholly owned subsidiary) succeeded in the public auction to acquire the land use rights of the above land parcel for a total consideration of approximately RMB60.52 million (equivalent to approximately HK\$71.89 million). Details could be referred to the Company’s announcement dated 14 July 2015;
- (xi) On 31 August 2015, the Company has entered into a project investment agreement with the People’s Government in Yongning District of Nanning City* (南寧市邕寧區人民政府) to acquire a land parcel in Nanning City through a tender, auction or listing for sale process from the relevant government authority in the PRC. Details could be referred to the Company’s announcement dated 31 August 2015;
- (xii) On 26 October 2015, the Company has entered into a project investment agreement with the Management Committee of Fuyang Economic and Technological Development Zone, Hangzhou* (杭州富陽經濟技術開發區管理委員會) to acquire a land parcel in Hangzhou City, Zhejiang Province, through a tender, auction or listing for sale process from the relevant government authority in the PRC. On 16 December 2015, the Company succeeded in the public auction to acquire the land use rights of the above land parcel for a total consideration of approximately RMB30 million (equivalent to approximately HK\$35.64 million). Details could be referred to the Company’s announcement dated 26 October 2015 and 16 December 2015;

- (xiii) On 27 October 2015, the Company has entered into a project investment agreement with the Management Committee of Songmu Industrial Park, Hengyang, Hunan* (湖南衡陽松木經濟開發區管理委員會) to acquire a land parcel in Hengyang City, Hunan Province, through a tender, auction or listing for sale process from the relevant government authority in the PRC. On 28 December 2015, the Company (through its wholly owned subsidiary) succeeded in the public auction to acquire the land use rights of the above land parcel for a total consideration of approximately RMB49.5 million (equivalent to approximately HK\$58.77 million). Details could be referred to the Company's announcement dated 27 October 2015 and 28 December 2015; and
- (xiv) On 14 December 2015, the Company has entered into a project investment agreement with the People's Government of Nanan City in Fujian Province* (福建省南安市人民政府) to acquire a land parcel in Nanan City through a tender, auction or listing for sale process from the relevant government authority in the PRC. Details could be referred to the Company's announcement dated 14 December 2015.

As at the Latest Practicable Date, the Joint Venture had not yet been established, and therefore, no material contracts (not being contracts entered into in the ordinary course of business carried out by the Group) have been entered into by the Joint Venture.

MISCELLANEOUS

- (i) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (ii) The head office and principal place of business of the Company in Hong Kong is located at Suites 1001-1004 on Level 10 One Pacific Place 88 Queensway Admiralty, Hong Kong.
- (iii) The company secretary of the Company is Ms. Cheng Ka Yan who is a member of The Hong Kong Institute of Certified Public Accountants.
- (iv) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Ltd., whose address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (v) The register office of the Independent Financial Adviser, Nuada Limited, is at Unit 1805-08, 18th Floor, OfficePlus @Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong.
- (vi) The English text of this Circular prevails over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong), at 10th Floor, Suite 1001-1004, One Pacific Place, 88 Queensway, Hong Kong from the date of this Circular up to and including the date of the SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (iii) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 36 of this Circular;
- (iv) the Assets Appraisal Report;
- (v) the Property Valuation Report;
- (vi) the PRC Legal Opinion;
- (vii) the JV Agreement;
- (viii) the written consents referred to in the paragraph headed “Experts and Consent” in this Appendix IV;
- (ix) the annual reports of the Company for the financial year ended 31 March 2015 and the nine months ended 31 December 2015; and
- (x) the interim report of the Company for the six months ended 30 September 2015.

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that a special general meeting of China Minsheng Drawin Technology Group Limited (the “**Company**”) will be held at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 13 June 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution (with or without amendments) as an ordinary resolution of the Company:

ORDINARY RESOLUTION

Words and expressions that are not expressly defined in this notice shall bear the same meaning as those defined in the circular dated 26 May 2016 issued by the Company.

“**THAT** the entry into by the Company of the JV Agreement dated 3 March 2016 (a copy of which has been produced to the meeting and initialled by the chairman of the meeting for the purposes of identification) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified.”

By order of the Board

China Minsheng Drawin Technology Group Limited

Mi Hongjun

Chairman and Executive Director

Hong Kong, 26 May 2016

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, on a poll, subject to the provisions of the Bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, at the offices of the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting or adjourned meeting.

As at the date of this notice, the Board comprises Mr. Mi Hongjun (Chairman), Mr. Yin Jun (Deputy Chairman) and Mr. Chen Domingo as executive Directors; Ms. Fang Rong and Mr. Zhou Feng as non-executive Directors; Mr. Lee Chi Ming, Mr. Chan Chi Hung, Anthony and Mr. Jiang Hongqing as independent non-executive Directors.