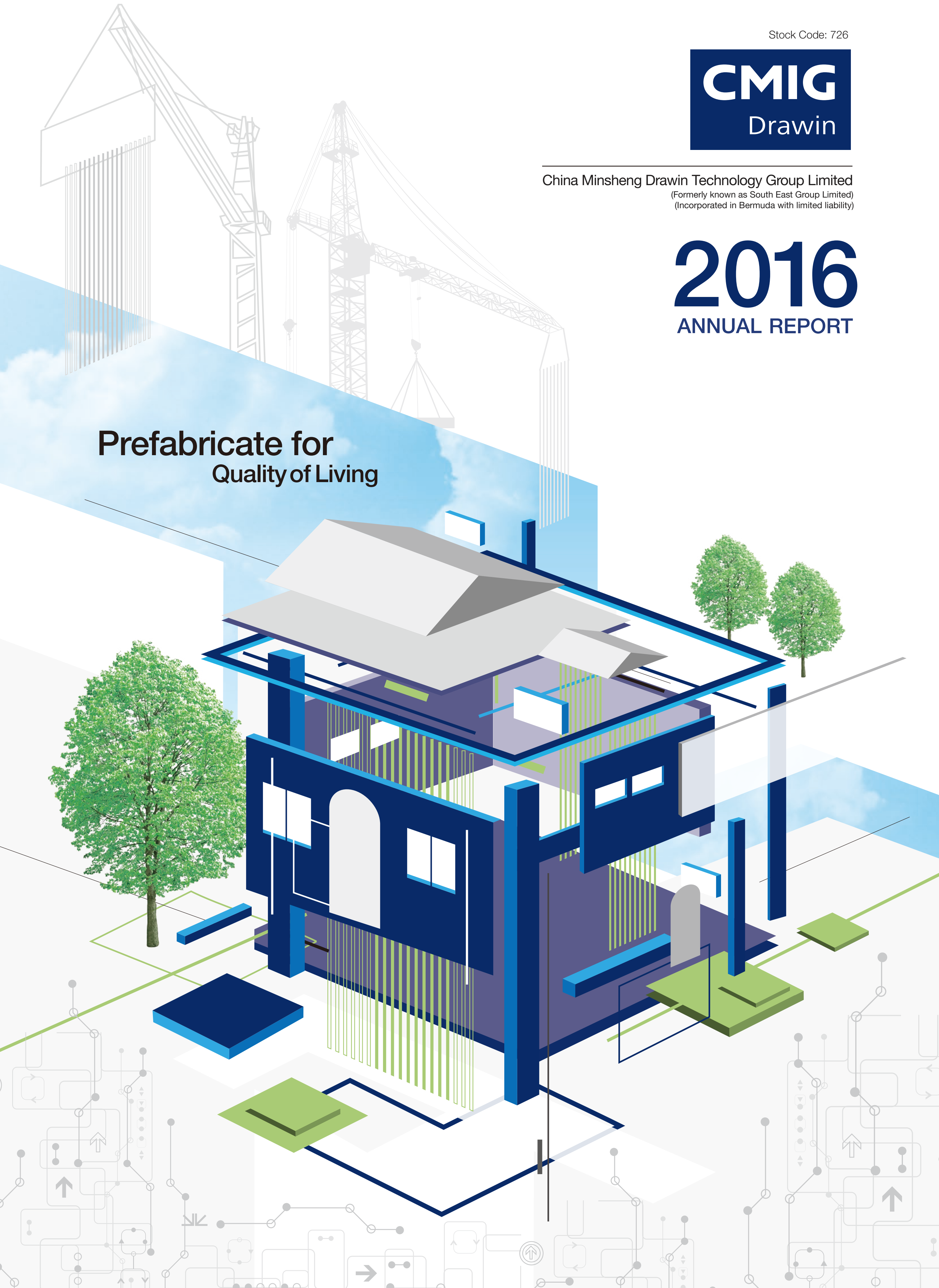
Stock Code: 726

CMIG Drawin

China Minsheng Drawin Technology Group Limited
(Formerly known as South East Group Limited)
(Incorporated in Bermuda with limited liability)

2016 ANNUAL REPORT

Prefabricate for
Quality of Living



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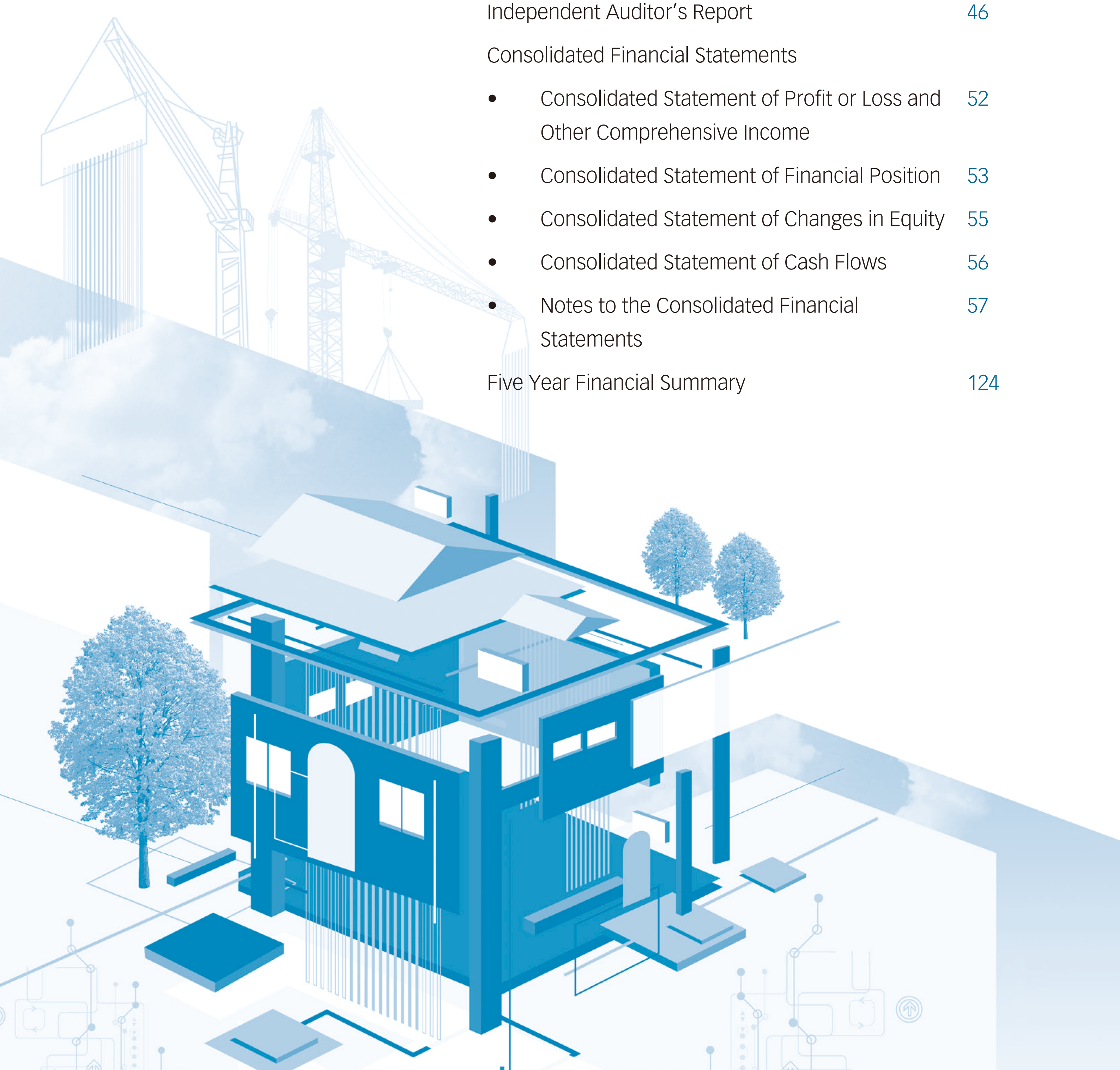


Corporate Information

BOARD OF DIRECTORS

Executive Directors

YIN Jun *(Chairman and Chief Executive Officer)*
CHEN Domingo
MI Hongjun

Non-executive Directors

CHEN Donghui
GAN Ping
ZHAO Xiaodong
ZHOU Feng

Independent Non-executive Directors

CHAN Chi Hung
JIANG Hongqing
LEE Chi Ming
MA Lishan

BOARD COMMITTEES

Audit Committee

JIANG Hongqing *(Chairman)*
CHAN Chi Hung
LEE Chi Ming
MA Lishan

Nomination Committee

YIN Jun *(Chairman)*
JIANG Hongqing
LEE Chi Ming

Remuneration Committee

JIANG Hongqing *(Chairman)*
LEE Chi Ming
MI Hongjun

COMPANY SECRETARY

CHENG Ka Yan

AUTHORISED REPRESENTATIVES

CHEN Domingo
YIN Jun

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKER

The Bank of China Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 00726

WEBSITE

http://cmdrawin.todayir.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Minsheng Drawin Technology Group Limited (the "Company"), I am pleased to report the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

During the year, the Group continues its strategy of investing and expanding the upstream property business and made notable progress in terms of construction of green technology parks (the "Technology Parks"), technology research and development ("R&D"), product R&D and market development. In particular, the Group has completed the construction of and commenced trial operations for its Technology Parks in Hangzhou (Phase 1), Hengyang (Phase 1), Huizhou, Kunshan and Nanjing (Phase 1). In addition, it has formed a joint venture with a non-wholly owned subsidiary of China Minsheng Jiaye Investment Co., Ltd to jointly develop an industrial park in Changsha (the "Industrial Park"). The Group has managed to broaden its revenue stream as the Technology Parks and the Industrial Park commenced operations. During the year, revenue of the Group was HK$37.0 million, representing an increase of 10,574.9% when compared with the nine months ended 31 December 2015. The Group also made efforts in strengthening its competitiveness by improving its R&D capabilities in prefabricated construction technology and its product design and quality.

Looking forward, it is the Company's aim to become a pioneer and a competitive player in the prefabricated construction industry. The Company is of the belief that the operating environment of prefabricated construction industry in China will continue to improve, with more supports from the government and the society having a more in-depth understanding of the industry. Thus, the development potential of prefabricated construction industry is considerable. The Group expects to achieve rapid business growth in the year 2017 as the Technology Parks and the Industrial Park have commenced operations. The Group will continue its endeavors to broaden its customer base by strengthening its marketing capabilities and expanding its sales network. Meanwhile, the Group will continue to explore opportunities for developing additional Technology Parks, including forming joint ventures and other alliances, with an expectation to make further two to three Technology Parks investments in 2017. The Company will strive hard to grow its business and improve its financial and operating performance in the long run.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the staff for their hard work and dedication during the past year. I would also like to express our gratitude to all shareholders, investors and other business partners for their continuing support and trust to the Company.

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

Hong Kong, 28 March 2017

BUSINESS REVIEW AND PROSPECTS

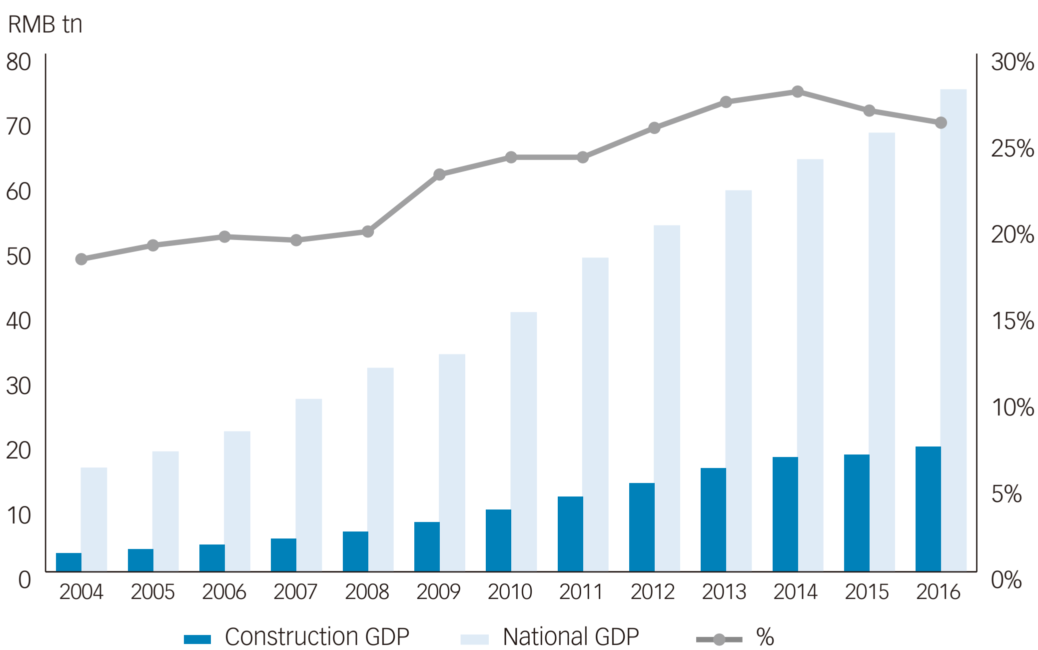
Strong Market Potential under China's "New Economy"

The global economy is full of complexes and challenges in 2016. Incidents including geopolitics, US rate hike, Sino US ties and Brexit continue to bring uncertainties to the outlook of the global economy. In China, the quality of economic development has improved as the government continues to deepen its economic structural reform. The government is also making efforts to seek progress and to achieve an appropriate expansion of aggregate demand to encourage sustainable development, and to strengthen the nation's competitiveness by promoting environmental protection, emission reduction and actively developing low-carbon industries.

The domestic property market in China rebounded and then stabilized in 2016. During the first half of the year, the national policies of inventory clearance and monetary easing continued to show effects and led to the increase of both property sales and prices, which were significant particularly in core tier 1 or 2 cities. In order to prevent the risk of bubbles caused by rapid increase of the property prices and to ensure the healthy development of the sector in the long term, the government has launched city-specific and adaptive policies since the second half of the year, causing the transactions in major cities to drop. However, the national sales of commodity housing recorded a historical high during the year, with the total floor area sold increased 22.5% year-on-year to 1,573 million sq.m., and the national sales amount increased 34.8% year-on-year to RMB11.76 trillion. The accelerated of national property sales led to an increase of real estate investment as the national REI increased 6.9% year-on-year to RMB10,258 billion.

On the other hand, as an important national sector, the construction industry saw an annual output of RMB19.35 trillion in 2016, representing a year-on-year growth of 7.1% and is equivalent to 26.0% of China's GDP. The Construction PMI maintained at above 60% since August 2016 and the New Orders Index kept rising and steadied at above the threshold for several consecutive months, indicating the construction sector maintains expansion momentum and the demand for construction had increased steadily. Currently, the country is actively promoting the development of prefabricated construction industry, and the local governments have been rolling out favorable policies.

Construction Industry Annual Output as a % of China's GDP



BUSINESS REVIEW AND PROSPECTS (continued)

Strong Market Potential under China's "New Economy" (continued)

The Group's strategy of investing and expanding the upstream property business is in line with the market trends and the national policy. The Group believes that with the government's leadership and the support of enterprises, the development potential of prefabricated construction industry is considerable. The Group is committed to strengthening its prefabricated construction technology R&D capability and precast units productivity in order to develop its business. The Group's production bases in Changsha, Hangzhou, Hengyang, Huizhou, Kunshan and Nanjing have started trial operation since the second half of 2016, and therefore the Group is optimistic about achieving stronger business growth in the future.

Favorable Policies in Support of Prefabricated Construction

Green development, green planning and a low-carbon economy are part of the National 13th Five-Year Plan. In recent years, the government has been actively promoting prefabricated construction and the application of industrialized construction technologies in the construction of buildings, and many policies have been introduced in many places. According to "The Opinions and Guidelines on Further Strengthening Urban Planning and Development Management" released by the State Council in February 2016, the central government will strive to ensure that 30% of new buildings are constructed using prefabricated units within the next 10 years. In September 2016, the State Council released "The Circular on Promoting Prefabricated Construction" and stated that the Beijing-Tianjin-Hebei region, Yangtze River Delta region, Pearl River Delta region and some other cities will be the key regions for promoting prefabricated construction. As of now, numerous provinces and cities have launched supporting policies for developing prefabricated construction, including setting specific targets, support by way of finance and taxation, funding subsidies, supplements of special funds, and requiring newly-granted land to be developed by prefabrication.

	Key Policies Highlights at National Government Level
2012.04	MoHURD published "Suggestion on Promotion of Green Construction Development" and mentioned to push forward industrialized housing.
2013.01	The State Council issued "The Action Plan of Green Construction" which facilitates industrialized construction and supports the construction of bases that serve the functions of design, manufacture and construction.
2014.03	The State Council issued "The New Urbanization Plan (2014-2020)", which supports the development of green construction material and industrialized construction.
2014.07	MoHURD issued "The Opinions on the Promotion of Development and Reform of Construction Industry" and mentioned the needs to push forward the modernization of construction industry.
2014.12	MoHURD proposed newly developed industrialized housing to be increased 2 percentage point year-on-year and newly commenced GFA constructed by industrialized method to be increased year-on-year.

BUSINESS REVIEW AND PROSPECTS (continued)

Favorable Policies in Support of Prefabricated Construction (continued)

	Key Policies Highlights at National Government Level
2015.08	MoIIT and MoHURD published "The Action Plan to Facilitate the Production and Application of Green Construction Material", which proposes to develop green construction, green city development and prefabricated concreate and components.
2016.02	The State Council released "The Opinions and Guidelines on Further Strengthening Urban Planning and Development Management" and mentioned the government will strive to ensure that 30% of new buildings are constructed using prefabricated components within the next 10 years.
2016.09	The State Council released "The Circular on Promoting Prefabricated Construction", which stated that the Beijing-Tianjin-Hebei region, Yangtze River Delta region, Pearl River Delta region and some other cities will be the key regions for promoting prefabricated construction. It urges efforts to develop related standard, promote architectural design for prefabricated buildings, enhance the production of prefabricated components, improve the standard for construction, promote fully-furnished units, encourage the use of green materials, promote EPC mode and ensure project quality for prefabricated construction.
2017.02	The State Council released "The Opinions on Promoting the Continuous Healthy Development of the Construction Industry", which emphasizes on pushing forward construction modernization, such as promoting intelligent and prefabricated buildings, strengthening the technology R&D and its application and enhancing design standard.

Remarks:

MoHURD refers to Ministry of Housing and Urban-Rural Development

MoIIT refers to Ministry of Industry and Information Technology

BUSINESS REVIEW AND PROSPECTS (continued)

Favorable Policies in Support of Prefabricated Construction (continued)

City	Date	Key Policies Highlights at Local Government Level (Limited to the provinces and cities where the Group has businesses)
Changsha	2016.11	Required all property projects invested by government to be constructed by prefabrication technology. It is targeted that from 2017 to 2020, among the newly granted land, the % of new commodity housing projects in the 5 districts and 4 counties (Chang, Wang, Liu, Ning) in Changsha constructed by prefabrication are no less than 40% and 20% respectively, and the prefabricated rate is no less than 30% per building. The above thresholds are targeted to be increased to 60%, 40% and 40% respectively from 2021 to 2025. Financial subsidy of RMB300-400/sq.m. will be provided to construction units that construct projects in accordance with the prefabrication requirements.
Shanghai	2016.10	Issued "13th Five Year Plan for Urban-Rural Development and Management in Shanghai", which proposed that all qualified newly-developed property projects should be constructed by prefabrication technology and announced the target to achieve prefabricated rate of 40% per building by 2020.
Hangzhou	2016.08	Issued "13th Five Year Plan for Construction Industry" and announced its target to construct 30% of new buildings by prefabrication by 2020.
Shenzhen	2016.06	Issued "Notice on Accelerating Prefabricated Construction" and "Guidelines for EPC Tender" which supported and encouraged the involvement of prefabrication in the entire construction industrial chain.
Jiangsu/ Nanjing	2016.05	Issued "Measures for Monitoring and Evaluating the Modernization of Construction Industry in Jiangsu Province", which specified 5.2% of the newly constructed buildings in the province should be prefabricated in 2016, and that in Nanjing should reach 5.75%.
Foshan	2015.12	Issued "Foshan Green Construction 13th Five-Year Plan Draft", which recommended the use of industrialized construction for new residential and social housing projects.

BUSINESS REVIEW AND PROSPECTS (continued)

Becoming a Competitive Player in the Prefabricated Construction Industry

The Company focuses on technological innovation and advocates the combination of advanced technology with traditional construction. With the desire to promote the upgrade and transformation of the construction industry, it is the Company's aim to become a pioneer and a competitive player in the prefabricated construction industry. The Group adopts the national guiding principle to develop green construction in order to save energy, reduce carbon emission and promote sustainable development. In 2016, the Group made notable progress in terms of construction of Green Technology Parks, technology R&D, product R&D and market development.

Investment on Technology Parks to Achieve Economies of Scale

Prefabricated construction needs to dilute costs and increase profit margins through the scale effect. The Group has made investment in Technology Parks in Foshan, Hangzhou, Hengyang, Huizhou, Kunshan and Nanjing. These Technology Parks will provide a one-stop construction solution, including R&D, design, manufacturing and sales of intelligent and green building construction technology and modules for prefabricated construction. At present, the Group has completed the construction of and started trial operation for its Technology Parks in Hangzhou (Phase 1), Hengyang (Phase 1), Huizhou, Kunshan and Nanjing (Phase 1).

Besides, the Group has formed a joint venture with a non-wholly owned subsidiary of China Minsheng Jiaye Investment Co., Ltd to jointly develop the Industrial Park in Changsha. Currently, phase one of the Industrial Park has started operation. Phase two is scheduled to be constructed during 2017, which will include the construction of facilities for manufacturing prefabricated units for buildings with specific purposes, such as full bathroom suites, country villas and color panels.

Modern Construction Technology to Develop High Quality Products

Prefabricated construction is a high-technology based industry featuring professional design, auto production and information management. It transforms extensive conventional on-site operations into fine manufacturing in the factory. Such benefits include increasing productivity, reducing to a large extent the environmental pollution, waste, labor cost, material and energy consumption caused by construction and improving the quality of the construction engineering and the building. In 2016, the Group made breakthroughs in the development of patented R&D. It filed over 400 patent applications with the State Intellectual Property Office throughout the year, ahead of its peers.

The Group focuses on the R&D and manufacturing of precast concrete ("PC") components, including PC exterior wall, PC beam, PC floor, PC pillar and PC staircase, which are used in the construction of large property projects. PC components enjoy the advantages of high density, heat insulation, sound isolation, fireproof, sturdy and durable and malleable and can be mass produced according to the customer's need. Since mid-2016, the Group has been actively expanding its customer base and has entered into prefabricated construction components supply contracts with a variety of independent customers (including large-scale property developers, contractors and construction suppliers). As at February 2017, the total contracted sales derived from such supply contracts with independent customers amounted to approximately RMB130 million.

BUSINESS REVIEW AND PROSPECTS (continued)

Modern Construction Technology to Develop High Quality Products (continued)

PC Exterior Wall

PC Exterior Wall

PC Staircase

On the other hand, the Group is also keen to expand its presence in the rural villa development market. In 2016, the Group has developed eight types of prefabricated villas of different designs and styles. The main structure of a prefabricated villa is formed by PC components, which are first manufactured in the factory, and are then assembled on-site within a day. The prefabricated villa can then be decorated and delivered within 30 days. Prefabricated villa can, to a large extent, solve the common problems of being worn out, non-earthquake resistant, unstable quality for the traditional rural tile housings.

Prefabricated Villa (rendering)

Prefabricated Villa (rendering)

BUSINESS REVIEW AND PROSPECTS (continued)

Business Prospect

The year 2017 will be a year when the Group targets to achieves rapid business growth. As the Technology Parks and the Industrial Park start operation, together with favorable policies in support of prefabricated construction, the Group expects that its PC components production capacity will increase to approximately 410,000 to 550,000 cubic meter, which may cause the potential sales to increase significantly. The Group will continue its endeavors to broaden its customer base by strengthening its marketing capabilities and expanding its sales network. The marketing teams will attend various product exhibitions and organize onsite product demonstration exhibitions from time to time to increase the profile and branding of the Group's prefabricated construction business. Given the trends of urbanization, the Group is exploring business opportunities to get involved in both public and private property development projects, striving to obtain orders for government-sponsored housing projects, commodity housing projects and urban infrastructures that feature high degree of standardization.

On 13 March 2017, the Company and China Minsheng Drawin Construction Co., Ltd.* ("CMDC", or "CMDC Group") entered into the framework agreement, pursuant to which, the Group agreed to supply prefabricated construction components to the CMDC Group for construction projects engaged by third party developers or contractors (the "Supply Arrangement"). The proposed annual cap of the Supply Arrangement is RMB476 million. Such collaboration will enable the Group to fully realise the strategic capability presented by its prefabricated construction business and provide an additional source of income to the Group, which will improve its revenue and profit. The transactions contemplated under the Supply Arrangement constitute continuing connected transactions, and are subject to annual review, reporting, announcement and independent shareholders' approval (which is yet to be obtained) requirements under Chapter 14A to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In terms of rural villa market development, following the nation's call for developing beautiful villages and special towns, the Group will launch prefabricated villas for sale in 2017 to the basic end users, upgraders and high-end customers in villages.

Meanwhile, the Group will continue to explore opportunities for developing additional Technology Parks, including forming joint ventures and other alliances, with an expectation to make further two to three Technology Parks investments in 2017. The Group favors investments in provincial cities where economies are vibrant, market potential is high, the level of acceptability for prefabricated construction or support from local governments is high, and infrastructure and logistics are well established.

Besides, the Group will provide design consultation service regarding prefabricated construction in addition to considering outsourcing prefabricated construction platforms and related technologies to traditional contractors, thereby assisting them in their attempt to reform while allowing the Group to be more influential and gain a bigger market share.

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

FINANCIAL REVIEW

Review of Results

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

Revenue

In the last quarter of 2016, two of the Technology Parks located in Kunshan and Hangzhou commenced their operations in manufacturing and sale of prefabricated units which is a new and major revenue stream to the Group. As a result, the Group recorded sales revenue of approximately HK$36.5 million (nine months ended 31 December 2015: Nil) and rental income of approximately HK$495,000 (nine months ended 31 December 2015: HK$347,000) for the year ended 31 December 2016. Revenue generated from sales of prefabricated units represented the sales of 27,781 square meters of prefabricated units including PC exterior wall, PC beam, PC floor, PC pillar and PC staircase. Rental income generated from commercial properties located in Zouping, Shandong, the PRC with a gross floor area of approximately 7,845 square meters.

Cost of sales

The Group recorded cost of sales of approximately HK$28.7 million (nine months ended 31 December 2015: HK$73,000) for the year ended 31 December 2016. The increase was primarily attributable to the new revenue stream of sales of prefabricated units and such increase was in line with the increase in sales.

Gross profit and gross profit margin

During the year ended 31 December 2016, the gross profit of the Group amounted to approximately HK$8.4 million which was generated from the sales of prefabricated units and rental income whereas the same for the nine months ended 31 December 2015 only generated from rental income of approximately HK$274,000. The Group's gross profit margin arose from the sales of prefabricated units was about 22.0% (nine months ended 31 December 2015: Nil) whereas the gross profit margin arose from the rental income was about 72.5% (nine months ended 31 December 2015: 79.0%).

Other income

Other income for the year ended 31 December 2016 significantly increased from approximately HK$3.4 million for the last corresponding period to approximately HK$68.4 million. The substantial increase was mainly attributable to (i) the one-off government subsidiaries of approximately HK$63.4 million received by two PRC subsidiaries of the Group; and (ii) interest income arose from bank deposits had doubled from approximately HK$2.5 million for the nine months ended 31 December 2015 to approximately HK$5.0 million for the year ended 31 December 2016.

Other losses – net

For the year ended 31 December 2016, other losses (net) amounted to approximately HK$24.9 million comprised (i) net realised losses on disposal of investments in all private funds (with underlying assets primarily consisted of securities listed in Hong Kong) amounted to approximately HK$78.7 million; (ii) net fair value loss on trading securities listed in Hong Kong amounted to approximately HK$27.1 million; (iii) recovery of trade and other receivables amounted to approximately HK$72.0 million; (iv) net exchange gain of approximately HK$8.7 million; and (v) fair value gain on investment properties amounted to approximately HK$0.2 million. The losses mentioned in (i) and (ii) above were primarily due to the weak market in securities and funds trading and also the volatile Hong Kong stock market in 2016.

FINANCIAL REVIEW (continued)

Review of Results (continued)

Selling and distribution expenses

Selling and distribution expenses of approximately HK$6.5 million (nine months ended 31 December 2015: Nil) for the year ended 31 December 2016, such expenses are directly related to the sale of prefabricated units and such increase was in line with the increase in sales revenue.

Administrative expenses

During the year ended 31 December 2016, the administrative expenses increased by approximately HK$63.4 million from HK$27.5 million for the last corresponding period to approximately HK$90.9 million. The dramatic increase was mainly due to the continuous construction and development of different Technology Parks located in the PRC during the year ended 31 December 2016. The headcount of the Group increased by more than 4.4 times from 122 persons as at 31 December 2015 to 538 persons as at 31 December 2016 and hence the total staff costs increased by approximately HK$52.8 million, or about 4.8 times, accordingly. The remaining increase of approximately HK$10.6 million represented the increase in other general administrative expenses, such as rental expenses, legal and professional fee and etc.

Finance costs

Finance costs of approximately HK$15.0 million for the year ended 31 December 2016 represented (i) the effective interest of approximately HK$14.7 million which is amortised on the zero coupon convertible bond with outstanding principal amount of HK$200 million issued on 27 May 2015; and (ii) the interest expenses of approximately HK$0.3 million for a 1-year bank borrowing made in 2016.

Liquidity and Financial Resources

The liquidity and financial position of the Group as at 31 December 2016 remained healthy, with cash and bank balances amounted to approximately HK$784.5 million (31 December 2015: HK$1,184.6 million) and a current ratio of 3.56 (31 December 2015: 45.3).

As at 31 December 2016, the Group hold convertible bond issued on 27 May 2015 and its liability component of approximately HK$177.4 million (31 December 2015: HK$162.8 million) and a 1-year bank borrowing amounted to approximately HK$42.7 million (31 December 2015: Nil). Therefore, the gearing ratio (expressed as a percentage of total borrowings over total assets) was 9.1% (31 December 2015: 9.7%).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (nine months ended 31 December 2015: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Group has the following material subsequent events:

On 13 March 2017, the Company and CMDC, a company established in the PRC and a wholly-owned subsidiary of China Minsheng Jiaye Investment Co., Ltd.* which is the controlling shareholder of the Company, entered into a framework agreement ("Framework Agreement") in relation to (i) the provision of engineering, procurement and construction ("EPC") general contracting services by the CMDC group to the Group for the development of the Group's several technology parks in the PRC ("EPC Service Arrangement"); and (ii) the supply of prefabricated construction components and products by the Group to the CMDC group for construction projects engaged by third party developers or contractors ("Supply Arrangement").

In respect of the EPC Service Arrangement, the Company estimates that the maximum value of the transactions under the EPC Service Arrangement over the term of the Framework Agreement may reach RMB400 million (equivalent to approximately HK$450 million). In respect of the Supply Arrangement, the Company set out a proposed annual cap over the term of the Framework Agreement as RMB476 million (equivalent to approximately HK$536 million). The Framework Agreement is subject to independent shareholders' approval at the special general meeting to be convened on 26 April 2017.

The Company is of the view that entering into the Framework Agreement can benefit the Group and its shareholders as a whole. Due to the demand for business and technological development and requirements, the Group expects that in the current financial year it will continuously develop technology parks, so as to strengthen its industrialised and prefabricated construction capabilities in line with the market trends and the favourable PRC national policy. CMDC, which engages in property construction and engineering business, has the requisite construction capability and qualification to serve as a competent contractor for constructing the technology parks of the Group. The EPC Service Arrangement contemplated under the Framework Agreement will thereby enable the Company to leverage on the comparative advantage of the CMDC Group. In addition, the further collaboration between the Company and CMDC under the Supply Arrangement will enable the Group to fully realise the strategic capability presented by its prefabricated construction business and provide an additional source of income to the Group, which will improve its revenue and profit. By entering into the Framework Agreement, it will serve as a coherent framework for further cooperation amongst the parties and improve project efficiencies and approval process for such transactions.

For further information regarding the Framework Agreement, please refer to the announcement and circular of the Company dated 13 March 2017 and 7 April 2017 respectively.

On 17 March 2017 (after trading hours), the Company announced that the Company has made an application to the Shanghai Stock Exchange for the issuance of non-public domestic corporate bonds in the PRC in the maximum principal amount of RMB1 billion (equivalent to approximately HK$1.13 billion) (the "Domestic Bonds") to be issued in multiple tranches over a period of one year on an as-needed basis (the "Proposed Bond Issue"). The Domestic Bonds are proposed to be listed on the Shanghai Stock Exchange and if issued, would have a term of up to three years. Zhongshan Securities Co., Ltd.* (中山證券有限責任公司), an independent third party, will act as the lead manager for the Proposed Bond Issue.

For further information regarding the Proposed Bond Issue, please refer to the announcement of the Company dated 20 March 2017.

HUMAN RESOURCES

As at 31 December 2016, the Group had a total of 527 (31 December 2015: 114) employees excluding the Directors. 521 (31 December 2015: 109) of them worked in the PRC and 6 (31 December 2015: 5) of them worked in Hong Kong.

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

CHARGES ON GROUP ASSETS

As at 31 December 2016, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group, except for the one as disclosed in the Note 30 to the consolidated financial statements (31 December 2015: Nil).

LITIGATION

As at 31 December 2016, the Group was not involved in any material litigation threatened against the Group.

EXECUTIVE DIRECTORS

Mr. Yin Jun ("Mr. Yin"), aged 46, was appointed as an executive Director on 3 July 2015. Mr. Yin is currently the chairman of the Board and the chief executive officer of the Company, the vice president of CMJYI, director and general manager of China Minsheng Drawin Co., Ltd. Before joining CMJYI, Mr. Yin has more than 20 years of experience in building and real estate industry in big state-owned enterprise and held important management positions. He has served as General Manager and Chairman of the Board of 中建五局第三建設有限公司 (No.3 Construction Group of China State Construction Fifth Engineering Division Corporation., Ltd*). Prior to that, Mr. Yin has served as General Manager of 中建信和地產公司 (Xinhe Real Estate Co., Ltd*), Deputy General Manager of 中建五局有限公司 (China State Construction Fifth Engineering Division Corporation., Ltd*) and other important management positions. Mr. Yin graduated in 1995 with a Bachelor degree in Engineering. He obtained a Master degree in Engineering in 1997 and he earned his Doctorate degree in Management in 2014.

Mr. Chen Domingo ("Mr. Chen"), aged 62, was appointed as an executive Director on 5 December 2014. Before joining the Company, he was Head of Capital Markets & Corporate Affairs of Agile Property Holdings Limited (stock code: 3383), a company listed on the Main Board of the Stock Exchange. He was mainly in charge of overseas financing and operation management of Hong Kong regional headquarter. Prior to that, Mr. Chen was employed by many transnational companies and listed companies as director or senior management. He has proven track records and extensive experience in China real estate development, corporate finance, operation management and investor relations. Mr. Chen obtained an Executive Master of Business Administration degree jointly from Kellogg School of Management at Northwestern University, Chicago and Hong Kong University of Science and Technology in 1999 and a Diploma in Program for Management Development from Harvard University, Boston in 1988. Mr. Chen had served as an executive director of Leyou Technologies Holdings Limited (stock code: 1089) from 8 May 2015 to 24 July 2015 and REX Global Entertainment Holdings Limited (stock code: 164) from 8 July 2015 to 15 October 2016, both companies are listed on the Stock Exchange.

Mr. Mi Hongjun ("Mr. Mi"), aged 46, was appointed as an executive Director on 3 July 2015. Mr. Mi is currently the director of Sunshine City Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000671), and the Financial Controller of China Minsheng Investment Corp., Ltd. ("China Minsheng Investment"). Mr. Mi joined China Minsheng Investment at its establishment. Before joining China Minsheng Investment, he has been engaging in the financial sector for more than 20 years, handling duties including financing, auditing, investment, etc. Mr. Mi has served as (i) Financial Controller and Secretary of the Board of Minsheng Royal Fund Management Co. Ltd. from 2012 to 2014; (ii) Vice President and President of 數字博識(北京)信息技術有限公司 (Digital Knowledge World Information Technology Co., Ltd) from 2009 to 2011; (iii) Chief Financial Officer of Hinge Software Technology Co. Ltd. From 2007 to 2009; (iv) Financial Controller of Dayang Technology Development Inc. from 2004 to 2007; (v) Financial Manager and Financial Controller of 方正數碼有限公司 (Founder Holdings Limited) from 2001 to 2004; (vi) Financial Manager of 北京湊科電信技術有限公司 (Beijing Link Telecom Technology Co., Ltd) from 2000 to 2001; (vii) Financial Manager of China World Trade Centre Co. Ltd. From 1998 to 2000 and (viii) a staff member and then a deputy supervisor of the Commerce and Trade Auditing Department under National Audit Office from 1993 to 1998. Mr. Mi graduated from the Accounting Department of Nankai University in 1993. He further received an EMBA master degree from Tsinghua University School of Economics and Management in 2012, and was qualified as a Certified Public Accountant in 1997. He further obtained the fellowship title of Senior Certified Public Accountant in 2005.

NON-EXECUTIVE DIRECTORS

Mr. Chen Donghui ("Mr. Chen"), aged 44, was appointed as a non-executive Director on 28 June 2016. He holds a doctorate degree from the accounting faculty of Renmin University of China. Mr. Chen is currently an executive director of SRE Group Limited (stock code: 1207) and Yida China Holdings Limited(stock code: 3639), both companies are listed on the Stock Exchange, and also the general manager of CMJYI. Mr. Chen had served as the chief financial officer of the Company during the period from September 2015 to May 2016. Before joining the Company, Mr. Chen had served as supervisor and vice supervisor of the strategic research office of the R&D center of The People's Insurance Company (Group) of China Limited, deputy general manager and then general manager of the finance and accounting department of PICC Property and Casualty Company Limited and the deputy general manager of its Jiangsu Branch, general manager of the strategic financing department of China Export & Credit Insurance Corporation, and executive director of financial sector of China Minsheng Investment Corp., Ltd.

Ms. Gan Ping ("Ms. Gan"), aged 52, was appointed as a non-executive Director on 28 June 2016. She obtained a master's degree of international economic law from Shanghai Maritime University and a MBA from BI-Fudan MBA Programme offered in partnership by BI Norwegian Business School and Fudan University. She is the vice president and the chief operations officer of CMJYI. Ms. Gan had served as the deputy general manager of Franshion Properties Changsha Limited, the general manager of Changsha Franshion Shengrong Properties Limited, as well as the deputy general manager of Jin Mao Investment (Changsha) Co., Ltd., and the general manager of several subsidiaries of China Jin Mao Group.

Mr. Zhao Xiaodong ("Mr. Zhao"), aged 38, was appointed as a non-executive Director on 28 June 2016. He was the chief financial officer of CMJYI, and he is currently its vice general manager and the non-executive director of Yida China Holdings Limited, a company listed on the Stock Exchange (stock code: 3639). Mr. Zhao obtained a bachelor's degree in accounting in 2002, a master's degree in management in 2007 and a PhD degree in management in 2007 from Tsinghua University. Mr. Zhao holds the qualification of certified public accountant in the People's Republic of China (the "PRC"). Mr. Zhao has extensive experience in the construction and real estate industry and had held various positions, including the positions as a deputy general manager of the capital markets department, the general manager of the investment and development department and a deputy general manager of a subsidiary in Nanjing of Franshion Properties (China) Limited (now known as China Jinmao Holdings Group Limited), a company listed on the Stock Exchange (stock code: 00817), and an assistant to the chief financial officer of Country Garden Holdings Company Limited, a company listed on the Stock Exchange (stock code: 02007). From December 2015 to June 2016, he served as an executive director of SRE Group Limited, a company listed on the Stock Exchange (stock code: 1207).

Mr. Zhou Feng ("Mr. Zhou"), aged 34, was appointed as a non-executive Director on 3 July 2015. Mr. Zhou graduated from Shanghai Normal University with a Bachelor degree. He has extensive experience in real estate project management and hotel & tourism management. He is currently a Deputy General Manager of 舟山中聯房地產有限公司 (Zhoushan United Real Estate Co. Ltd.*), Chairman of 普陀山國際度假有限公司 (Zhejiang Putuo Mountain International Resort Co. Ltd.*) and previously served as a Real estate project manager of 上海潤華投資有限公司 (Shanghai Runhua Investment Co., Ltd.*) from 2008 to 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hung, ("Mr. Chan"), aged 44, was appointed as an independent non-executive Director on 30 December 2014. He holds a Bachelor of Science Degree with major in Economics with University of Minnesota, and is an alumni of Stanford Graduate School of Business. He is currently a non-executive director of Build King Holdings Limited (stock code: 240) and an independent non-executive director of Milan Station Holdings Limited (stock code: 1150), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was an executive director and the managing director of China Financial Leasing Group Limited (stock code: 2312) during the period from April 2007 to July 2013 and an executive director of EPI Holdings Limited (stock code: 689) during the period from July 2013 to October 2016, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was the investment manager of Springfield Financial Advisory Limited, in charge of private equity, fund-of-funds and fixed income investment portfolios. He started his career as a banker at J.P. Morgan Chase.

Mr. Jiang Hongqing ("Mr. Jiang"), aged 50, was appointed as an independent non-executive Director on 2 February 2015. Mr. Jiang was appointed as an executive director and vice chairman of the Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085) since 1 December 2012. On 22 August 2014, he resigned as the vice chairman but continues to act as an executive director. Mr. Jiang holds a Ph.D. in Engineering majoring in Architectural Design and Theory from South China University of Technology. He also holds a Master of Engineering Degree majoring in Landscape Architecture Design and a Bachelor of Engineering Degree majoring in Urban Planning from Chongqing Institute of Architecture and Engineering. Mr. Jiang had also been studied in Ecole d' Architecture Parisla-Seine in Paris, France. He is a Professorate Senior Urban Planner and a Certified Planner of the People's Republic of China. Mr. Jiang presided over and participated in a number of major engineering technology or research projects at provincial and ministerial level; and he has a certain extent of study in urban and rural development, urban renewal, health (pension) industry and Guangdong-Hong Kong-Macau-Bay Area. Mr. Jiang was also an executive director of Birmingham International Holdings Limited (stock code: 2309) from 30 August 2011 to 20 January 2012.

Mr. Lee Chi Ming ("Mr. Lee"), aged 64, was appointed as an independent non-executive Director on 30 December 2014. He is a fellow member of Association of Chartered Certified Accountants ("ACCA") and Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Lee graduated from Hong Kong Polytechnic. He also holds a LLB degree from University of London and a master degree in Business Administration from University of Hong Kong. Mr. Lee currently serves as Deputy President of ACCA. He was the past president of ACCA, Hong Kong (2003/04) and a Council member of HKICPA (2005). Mr. Lee has over 25 years' experience in the fields of accounting, regulations and asset management. He held various senior positions with the Securities and Futures Commission ("SFC"), Hong Kong since 1995, as director of Licensing, director of Corporate Planning and director of Finance and Administration. Mr. Lee retired from SFC in July 2014 and joined as director and managing partner of Benington Capital Ltd, an asset management company which manages a Greater China focused long-short equity fund for professional investors. Mr. Lee is an independent non-executive director of China Baoli Technologies Holdings Limited (formerly known as Rex Global Entertainments Holdings Limited, stock code: 164) and Huatai Securities Company Limited (stock code: 6886), both companies are listed on the Stock Exchange."

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Ma Lishan ("Mr. Ma"), aged 66, was appointed as an independent non-executive Director on 28 June 2016. He has extensive experience in corporate operation and management of modern large-scale corporations and listed companies. Mr. Ma graduated from Beijing Foreign Studies University in the PRC in 1975. Mr. Ma served in various positions such as chairman, executive director, general manager in certain large-scale corporations and Great Wall Wine under China Oil & Foodstuff Corporation. From January 1996, Mr. Ma served as an executive director of China Foods Limited, a company listed on the Stock Exchange (stock code: 506). From May 1997 to June 2003, Mr. Ma served as an executive director and the managing director. In 2000, Mr. Ma served as the deputy general manager of China Foods Import and Export (Group) Co., Ltd. Mr. Ma was the deputy chairman of Top Glory International Holdings Limited (a shareholder of COFCO Property (Group) Co., Ltd.) from June 2003 to July 2005. From June 2008 to January 2009, Mr. Ma was an executive director of Sino Resources Group Limited, a company listed on the Stock Exchange (stock code: 223). From March 2008 to present, he is an independent non-executive director of Silver Base Group Holdings Limited, a company listed on the Stock Exchange (stock code: 886). From 2 August 2009 to present, he is an independent non-executive director of Sunac China Holdings Limited, a company listed on the Stock Exchange (stock code: 1918). He was also the executive director, managing director and chairman of Hao Tian Resources Group Limited (now known as Hao Tian Development Group Limited), a company listed on the Stock Exchange (stock code: 474), from September 2010 to August 2012 and the senior consultant from August 2012 to August 2016. He is currently an independent non-executive director of SRE Group Limited (stock code: 1207) and Huarong International Financial Holdings Limited (stock code: 993), both companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Yang Hongwei ("Mr. Yang"), aged 51, was appointed as vice president of the Company on 1 May 2016. Mr. Yang has worked in government, state-owned enterprises and private corporations for 28 years. He has served as Deputy General Manager of Suntown Technology Group Co. Ltd., Assistant General Manager of Wuling Power Corporation Ltd.. Prior to that, Mr. Yang was a Standing Committee of Hunan Gongqingtuan Organization* (共青團湖南省委), Minister of Ministry of Qingnong* (青農部). Mr. Yang graduated from Beijing Sport University and obtained a bachelor degree in Education. He then obtained a master degree of Public Management from National University of Defense Technology in 2006.

Mr. Yu Dayou ("Mr. Yu"), aged 55, was appointed as chief technology officer of the Company on 1 May 2016. Mr. Yu has over 27 years of experience in architectural design and property industry. He has held technical management positions as Deputy General Manager and Dean of Research Academia of Hunan Modern Homes Industrial Construction Co., Ltd.* (湖南現代住工建設有限公司), Vice President and Dean of Research Academia of Broad Homes Industrial Co., Ltd.* (遠大住工有限公司), Deputy General Manager of Hunan Office of China Poly Property* (中國保利地產湖南公司) and General Manager of Hunan Architectural Design Institute. Mr. Yu graduated from architectural profession university in 1989. He has led or involved in formulating numerous local standards and has personally owned more than 40 patent rights. He also received 3 Elite Awards in Science Technology* (精瑞科學技術獎). Mr. Yu is a Senior Engineer, Certified Level-one Architect, an expert of Hunan Province Committee of Experts of Engineering Construction Standardization* (湖南省工程建設地方標準化專家委員會) and an expert of Committee of Information Management of National Construction Enterprise CIO Development Union* (國家建築企業CIO發展聯盟管理資訊化專業委員會).

SENIOR MANAGEMENT (continued)

Mr. Pang Zhenghao ("Mr. Pang"), aged 36, was appointed as chief financial officer of the Company on 1 May 2016. Mr. Pang has over 11 years of experience in corporate financial management and property development in China. Prior to joining the Company, Mr. Pang served as the Deputy General Manager of the Finance Centre of Franshion Properties Changsha Limited* (方興地產長沙有限公司), which is a subsidiary of China Jinmao Holdings Group Limited from 2011 to 2014 and as the Head of Finance of Hunan Chushengyuan Property Development Limited* (湖南楚盛園置業發展有限公司) from 2007 to 2011. Mr. Pang graduated from China Agricultural University in 2004 and obtained a bachelor degree in Management. He is also a Qualified Mid-level Accountant and a Certified Tax Planner. He is currently studying the MBA Programme in Finance jointly organized by the The Chinese University of Hong Kong and Tsinghua University.

* for identification purpose only

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices as the Board considers that good and effective corporate governance is essential for enhancing accountability and transparency of a company to the investing public and other stakeholders. During the year ended 31 December 2016, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange, except for (i) A.2.1 of the Code in relation to the roles of chairman and chief executive officer should be separate, (ii) A.4.1 of the Code in relation to the non-executive directors should be appointed for a specific term, and (iii) A.6.7 of the Code in relation to the Directors attending the general meeting of the Company. Details of the deviation are further described below in the relevant section.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to the specific enquiry made by the Company, all the Directors confirmed that they fully complied with the required standard as set out in the Model Code throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

All the Directors are high caliber executives with diversified industry expertise and bring a wide range of skills and experience to the Group. As at the date of this annual report, the Board comprised three executive Directors, four non-executive Directors and four independent non-executive Directors, whose biographies are set out on pages 15 to 18 of this annual report. Save as disclosed under the section headed "Directors' and Senior Management Biography", there is no financial, business, family or other material or relevant relationships between Board members, and in particular, between the Chairman and the chief executive officer of the Company.

During the year ended 31 December 2016, the Board maintained a high level of independence, with more than one-third of the Board comprised of independent non-executive Directors, who had exercised independent judgement. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of Directors are disclosed.

BOARD OF DIRECTORS (continued)

Meetings

The composition of the Board and their respective attendance in the general meeting and the Board meetings during the year ended 31 December 2016 are as follows:

	Number of meetings attended/held during the respective tenture	
	General meetings	Board meetings
Executive Directors		
Mr. Yin Jun (Chairman and Chief Executive Officer) (appointed on 3 July 2015, re-designated as Chairman on 3 October 2016)	2/2	10/12
Mr. Chen Domingo (appointed on 5 December 2014)	2/2	11/12
Mr. Mi Hongjun (appointed on 3 July 2015, resigned as Chairman on 3 October 2016)	2/2	12/12
Non-executive Directors		
Mr. Chen Donghui (appointed on 28 June 2016)	N/A	2/4
Ms. Fang Rong (appointed on 3 July 2015 and resigned on 28 June 2016)	2/2	7/9
Ms. Gan Ping (appointed on 28 June 2016)	N/A	2/4
Mr. Zhao Xiaodong (appointed on 28 June 2016)	N/A	1/4
Mr. Zhou Feng (appointed on 3 July 2015)	0/2	6/12
Independent non-executive Directors		
Mr. Chan Chi Hing (appointed on 30 December 2014)	2/2	10/12
Mr. Jiang Hongqing (apppointed on 2 February 2015)	0/2	5/12
Mr. Lee Chi Ming (appointed on 30 December 2014)	2/2	8/12
Mr. Ma Lishan (appointed on 28 June 2016)	N/A	3/4

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

Responsibilities and Delegation

The Board has delegated the supervision of the day-to-day management of the Company's business to the executive Directors. However, the Directors are collectively responsible for promoting the success of the Company by guiding and monitoring the Company to achieve its strategic objectives. The Board's primary functions are to set corporate policy and overall strategy for the Group and to oversee the management's performance. Accordingly, the Board approves strategic plans, major disposals and acquisitions, connected transactions and other significant operational issues. Furthermore, Board meetings may be held on occasions when a Board level decision on a particular matter is required; otherwise daily operational decisions are delegated to the executive Directors.

BOARD OF DIRECTORS (continued)

Directors' Continuous Professional Development

To ensure their contributions to the Board remain informed and relevant, all the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skill.

During the year, all the Directors were provided with regular updates and presentations on changes and developments of the Group's business and the latest developments in laws, rules and regulations relating to director's duties and responsibilities.

The Company organised two in-house seminars conducted by an international law firm in May and July 2016. Most of the Directors (including Mr. Yin Jun, Mr. Chen Domingo, Mr. Mi Hongjun, Mr. Chen Donghui, Ms. Gan Ping, Mr. Zhao Xiaodong and Mr. Ma Lishan) and certain senior management of the Company attended both seminars separately. For the year ended 31 December 2016, all of the Directors confirmed that they have obtained sufficient continuous professional development training.

Chairman and Chief Executive Officer

Code provision A.2.1 of the Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman provides leadership for the Board and ensures that the Board works effectively and discharges its responsibility whilst the chief executive officer of the Company has overall chief executive responsibility for the Group's business development and day-to-day management generally.

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

Appointment and Re-election of Directors

Each of the non-executive Directors has entered into an appointment letter with the Company for a term of two years, except for Mr. Zhou Feng. Code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term, subject to re-election. One of the non-executive Directors, Mr. Zhou Feng, is not appointed for a specific term, but is subject to retirement from office by rotation and re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. As such, the Company considers that such provision is sufficient to meet the underlying objective of this code provision.

According to the bye-laws of the Company (the "Bye-laws"), Directors appointed to fill casual vacancies shall hold office until the next following general meeting and can be eligible for re-appointment at that time.

Insurance of the Directors and Officers

The Company has bought liability insurance for Directors and officers in respect of legal action against the Directors and officers which is in compliance with Code provision A.1.8 of the Code.

BOARD OF DIRECTORS (continued)

Board Diversity Policy

Under code provision A.5.6 of the Code, the nomination committee (or the board) should have a policy concerning diversity of board member, and should disclose the policy in the Corporate Governance Report.

The Board adopted a board diversity policy (the "Board Diversity Policy") on 4 July 2014. The Company recognises and embraces the benefits of having a diverse Board and endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. In determining the optimum composition of the Board, diversity of Board members will be considered from a number of factors in order to maintain an appropriate range and balance of talents, skills, experience and knowledge on the Board. The Company will also take into account its own business model and specific needs from time to time.

BOARD COMMITTEES

Audit Committee

The Company has set up an audit committee (the "Audit Committee") with specific written terms of reference which clearly deal with its authorities and duties. The primary role and function of the Audit Committee is to assist the Board in providing an independent review of the Group's financial reporting and internal control systems as well as the internal and external audit functions.

The Audit Committee currently comprises all of the four independent non-executive Directors, namely Mr. Jiang Hongqing, Mr. Chan Chi Hung, Mr. Lee Chi Ming and Mr. Ma Lishan. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. Mr. Lee Chi Ming is an independent non-executive Director with appropriate professional accounting qualification as required under Rule 3.10(2) of the Listing Rules.

During the year ended 31 December 2016, the Audit Committee held three meetings to review with the management the Group's adopted accounting principles and practices, internal controls and financial reporting matters in conjunction with the external auditors, including reviews of the half-year and annual financial results and reports. The Audit Committee has also discussed on the financial, operational and compliance controls in particular the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of the external auditors. The attendance of each member of the Audit Committee is set out below:

Name of Members	Number of meetings attended
Mr. Jiang Hongqing (Chairman)	1/3
Mr. Chan Chi Hung	3/3
Mr. Lee Chi Ming	3/3
Mr. Ma Lishan (appointed as member on 28 June 2016)	2/2

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed the auditing, internal control and financial reporting matters, including a review of the annual results and the consolidated financial statements for the year ended 31 December 2016.

BOARD COMMITTEES (continued)

Nomination Committee

The Company has set up a nomination committee (the "Nomination Committee") with specific written terms of reference which clearly deal with its authorities and duties. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, to recommend to the Board on the selection of suitable candidates for directorships and on the succession planning for the Directors.

The Nomination Committee currently comprises one executive Director, namely Mr. Yin Jun; and two independent non-executive Directors, namely Mr. Jiang Hongqing and Mr. Lee Chi Ming.

During the year ended 31 December 2016, the Nomination Committee held three meetings to review the structure and composition and the succession plan of the Board, and to evaluate and make recommendations on individuals nominated for directorship. The attendance of each member of the Nomination Committee is set out below:

Name of Members	Number of meetings attended
Mr. Yin Jun (appointed as Chairman and member on 3 October 2016)	N/A
Mr. Mi Hongjun (ceased to be Chairman and member on 3 October 2016)	3/3
Mr. Jiang Hongqing	0/3
Mr. Lee Chi Ming	3/3

Remuneration Committee

The Company has set up a remuneration committee (the "Remuneration Committee") with specific written terms of reference which clearly deal with its authorities and duties. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and ensure no Director or any of his associates may be involved in any decisions as to his own remuneration.

The Remuneration Committee currently comprises one executive Director, namely Mr. Mi Hongjun; and two independent non-executive Directors, namely Mr. Jiang Hongqing and Mr. Lee Chi Ming.

During the year ended 31 December 2016, the Remuneration Committee held four meetings to review the remuneration packages of the executive Directors and senior management, consider and approve the renewal of the Company's service agreements with its executive Directors and matters relating to the early termination of such agreements upon change of Board composition of the Company. The attendance of each member of the Remuneration Committee is set out below:

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

Name of Members	Number of meetings attended
Mr. Jiang Hongqing (Chairman)	1/4
Mr. Lee Chi Ming	4/4
Mr. Mi Hongjun	4/4

The existing Remuneration Committee will continue to make recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management of the Group, and to ensure that no Director or any of his associates will participate in deciding his own remuneration.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the shareholders' interests and the Company's assets. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2016, the Group conducts an annual review on whether there is a need for an internal audit department. Given the Group's simple operating structure, as opposed to a separate internal audit department, the Board is directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board conducts a review on the internal control system of the Group on an annual basis and has the responsibility to maintain an effective internal control system. The Board also reviews and monitors the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate. The Group's internal control system is comprised of a system of controlled management wherein various authoritative limits are placed to ensure that the Group is able to supervise, control and assess various functions within Group. The system further permits the Group to safeguard its accounting records to minimize material errors in order to provide financial information as accurately as possible.

During the year ended 31 December 2016, the Company engaged an external independent consultant to conduct a review on the internal control system of the Group in order to maintain high standards of corporate governance. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Based on the above, the Board is of the view that the Company has established a proper internal control system which is effective and adequate.

AUDITOR'S REMUNERATION

During the year ended 31 December 2016, remuneration in respect of audit and non-audit services provided by the auditor of the Company to the Group was approximately HK$1.4 million and HK$250,000 respectively.

DIRECTORS AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016. The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the financial statement during the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern. The statement made by the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 46 to 51 of this annual report.

COMPANY SECRETARY

On 13 May 2016, Ms. Cheng Ka Yan was appointed as the company secretary of the Company (the "Company Secretary") to replace Mr. Lau Wing Chuen after his resignation as the Company Secretary on the same day. Both of them are full-time employees of the Company and have day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters and facilitating communication between Board members, the Shareholders and management of the Company.

SHAREHOLDERS' RIGHTS

Rights to convene special general meetings

(1) Under the Company's bye-laws

Pursuant to Bye-law 62 of the Company's bye-laws, a special general meeting ("SGM") shall be convened on requisition by shareholders of the Company (the "Shareholders", or individually the "Shareholder"), as provided by the Companies Act 1981 of Bermuda (as amended) (the "Companies Act"), or, in default, may be convened by the requisitionists.

(2) Under the Companies Act

Pursuant to Section 74 of the Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the Directors to forthwith proceed duly to convene a SGM by depositing a written requisition at the registered office of the Company.

The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

A SGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

SHAREHOLDERS' RIGHTS (continued)

Rights to convene special general meetings (continued)

(2) Under the Companies Act (continued)

Rights to put forward proposals at general meetings

Shareholders may put forward proposals at general meetings of the Company pursuant to the provisions of the Companies Act as follows:

Sections 79 and 80 of the Companies Act allow certain Shareholder(s) to requisition the Company to give notice to the Shareholders in respect of any resolution which is intended to be moved at an annual general meeting of the Company ("AGM") or circulate a statement in respect of any proposed resolution or business to be considered at a general meeting of the Company.

Under Section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:

(a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting.

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of Shareholders necessary to make the above requisitions to the Company shall be:

(aa) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(bb) not less than one hundred Shareholders. Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

SHAREHOLDERS' RIGHTS (continued)

Rights to convene special general meetings (continued)

(2) Under the Companies Act (continued)

Rights to put forward proposals at general meetings (continued)

Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give notice of any resolution or to circulate any statement. Pursuant to Section 80 of the Companies Act, the Company shall not be bound under Section 79 to give notice of any resolution or to circulate any statement unless:

(a) a copy of the requisition signed by the requisitionists, or two or more copies which between contain the signatures of all the requisitionists, is deposited at the registered office of the Company:

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting; and

(b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect thereto;

provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the abovementioned time shall be deemed to have been properly deposited for the purposes thereof.

Rights to put enquiries to the Board

Shareholders may at any time put enquiries to the Board. All enquiries shall be in writing and be sent by post to the principal place of business of the Company in Hong Kong at Suites 1001-1004, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

To manage its relationship with its Shareholders and the investment community, the Company communicates through publication of announcements, circulars and annual and interim reports. Such information is disseminated through the Stock Exchange at its designated website (http://www.hkexnews.hk), and can also be accessed via the Company's website (http://cmdrawin.todayir.com). The Directors, company secretary and other appropriate members of the senior management will also respond to inquiries from the Shareholders and the investment community put to the Company in the manner as mentioned under the heading "Shareholders' Rights" in the Corporate Governance Report.

During the year, the Company did not make any changes to the memorandum of association of the Company and Bye-laws, the current versions of which are available on the websites of the Stock Exchange and the Company.

Environmental, Social and Governance Report

To support the China national strategy on innovation and green growth, the Group has a mission to accelerate the reform of the conventional construction, which traditionally, is labeled as a labor intensive, dangerous, and polluting industry. We, therefore, have focused our development on industrialized construction through the establishment of Technology Parks in China and the investment in innovative technology development. The large-scale construction mode not only reduces labor cost, but also effectively improves safety and alleviates some of the burden to the environment.

The Group is aware of the shifting concerns from the stakeholders that profit is no longer the only priority to sustain our business. To show our dedication to being accountable to the environment and society, we prepared this first Environmental, Social and Governance (ESG) Report to share our ESG practices in the financial year of 2016. The ESG Report was prepared according to Appendix 27 of the Rules Governing the Listing of Securities set by the Hong Kong Exchanges and Clearing Limited (HKEx), in which the Group only makes reference to the General Disclosures. The information focuses on the six Technology Parks in Changsha, Hengyang, Huizhou, Kunshan, Hangzhou and Nanjing, and includes a commercial property in Shandong.

The ESG Report was formulated to align with the benefits of industrialized construction, as well as the major concerns from the stakeholders as identified during the stakeholder engagement process, with four main focuses:

Environmental	Quality	Safety	Community
Reduce resources use and waste generation	Innovative technology and better quality control	Construct offsite in enclosed environment	Fulfill the need of the community

With the desire to promote the transformation of the construction industry, we have developed a preliminary industrialized construction technology system that covers different sections of the industrial chains, as well as filed for more than 400 patent applications. As of now, the Group has completed the construction of and started trial operation of six Technology Parks and Industrial Park in total. We are confident that the use of modern technology will improve the quality and effectiveness of construction, as well as reduces carbon emissions to meet the community needs.

For any comment of this ESG report, please feel free to contact us through email at ir@cmdrawin.com.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

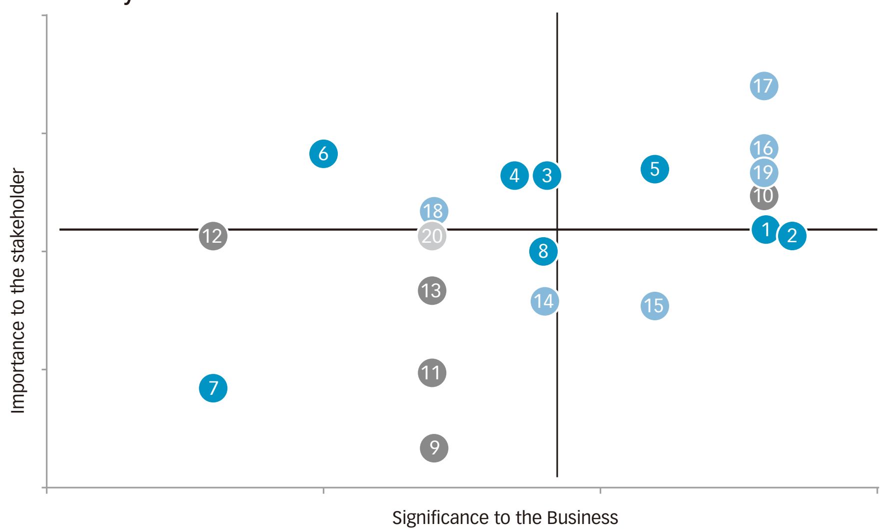
The opinions and views of our stakeholders are important guidances to shape our sustainability strategy and future plans. In order to understand stakeholders' view on ESG and identify which specific issues are the most influential topics to the Group from the stakeholders' perspectives, we launched an online questionnaire during the year. Throughout the process, opinions were collected from multiple fields of stakeholders, including the Directors, employees, and investors.

The questionnaire contained a set of rating questions that allowed stakeholders to determine the importance and relativity of each sustainability indicator to the operations. From the collected results, we have identified seven material issues that are both important to our business and our stakeholders.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT (continued)

During the engagement, stakeholders also expressed their ideas on how the Company could be improved in ESG aspects, which included promoting energy and water conservation, the use of renewable energy, reducing and recycling industrial waste, and organizing and participating in charitable activities. With the result and suggestions in mind, we will continue to strive to improve our performance. Details of our efforts in 2016 are presented in the later sections.

Materiality Matrix



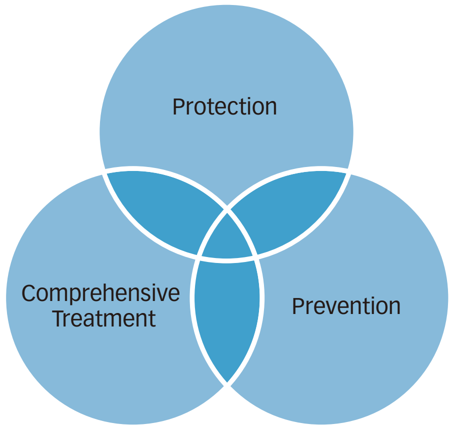
Environment	***1 Air emission*** ***2 GHG emission*** 3 Hazardous waste 4 Non-hazardous waste ***5 Energy Consumption*** 6 Water consumption 7 Packaging consumption 8 Impacts on environment	Operation	14 Supply chain management 15 Customer Health and Safety ***16 Customer satisfaction*** ***17 Intellectual property*** 18 Customer privacy ***19 Anti-corruption***
Employment	9 Employment ***10 OHS*** 11 Employee Training 12 Child Labor 13 Forced Labor	Community	20 Community investment

ENVIRONMENT

Industrialized construction of residential buildings has obvious advantages compared with the traditional construction methods. Apart from higher productivity and better quality control, the amount of energy saved is remarkable. Prefabrication is, therefore, an environment-friendly technology and a low-carbon industry. Apart from ensuring all relevant laws and regulations are met, we are committed to promoting clean production – to reduce generation of pollutants and conserve energy and other resources.

ENVIRONMENT (continued)

Adhering to the principle of "giving priority to protection, focusing on prevention, conducting comprehensive treatment", a group environmental management procedure was developed.



Every year, we identify the significant environmental impacts within our operation, set the targets and formulate control measures to address the issues and prevent risks from non-compliance, hazardous waste, pollutant emissions and resources usage.

Training was also provided to our employees to raise their awareness and competence on environmental protection.

Air Emissions

Dust is the major air pollutant during the construction of technology parks and within our operation. To prevent or reduce dust generation, raw materials such as cement, sand and gravel were transported by covered trucks or in enclosed containers, and stored in fully enclosed areas. Water was sprinkled regularly to alleviate potential dust emissions in various areas of the site. The following were also installed:

– Water spray nozzle in sand yard to keep the moisture of the sand pile surface and thus reduce dust generation;

– Baghouse dust collectors in mixing stations to remove dust before emitting to the atmosphere; and

– Mist system to maintain the air humidity of the finished product yard and thus, reduce the amount of dust produced in open air area.

Other pollutants generated during the operation include welding fumes and cooking fumes. A mechanical ventilation system was installed to exhaust welding fumes to the outdoor, while kitchen fumes were sent to a purification system before discharging to the atmosphere. We also used less toxic welding rods to minimize soot concentration and toxicity.

Energy Use and Carbon Emissions

We strive to implement low-carbon building technologies from product design to manufacturing, energy conservation is, therefore, the priority within our operation. We are not only concerned about energy saving within our operation, but we also care about how energy can be conserved during the construction and operation of buildings. Developing new technologies in building material, architectural design and manufacturing is, therefore, our emphasis, for example, the building materials we use provide a better insulation and hence, significantly reduce the heating and cooling required.

Within our operation, we identify saving opportunities, and encourage our staff to conserve energy through providing incentives. The production process of our Changsha technology park embodied the principle of energy saving and emission reduction, and reached level two of the national clean production standard. The production hub was carefully designed to reduce the length of the pipeline and hence, reduce energy consumption.

ENVIRONMENT (continued)

Water Use and Wastewater Generation

During the construction and operation of the technology parks, the amount of water use was not significant. Wastewater was mainly generated from ground washing in the facilities, equipment and machinery cleaning, vehicle washing and runoff, which the pollutants were mainly suspended solids and oil. We strive to recycle wastewater where possible and therefore, sedimentation tanks and grease traps were installed. Zero industrial water discharge was achieved at our Changsha factory – wastewater generated was treated in sedimentation tank and reused in the concrete blending and mortar production process.

For domestic wastewater, we have installed septic tanks and grease traps before discharging to the local sewage treatment plant.

Waste Management

We recycle or reuse construction waste wherever possible to promote waste minimization at the source. For waste that is not suitable for recycling or reusing, they are stored properly and disposed regularly at the designated disposal points. Long-term stacking is not allowed to avoid dust emissions.

During operation, hazardous waste includes water emulsion and waste oil was stored at a specific storage area, and the containers must be labeled; the waste was collected and treated by a qualified third party regularly. For non-hazardous waste, we reused the dust collected and waste scrap back in our production process and recycled scrap and welding slag by the manufacturers, other industrial wastes and domestic wastes were stored at the temporary storage site and disposed.

EMPLOYMENT

With an aim to become one of the most competitive players in the industrialized construction industry, together with the rapid development of the six production hubs over the year, we understand the importance of our workforce, and strive to maintain the talent through provision of attractive remuneration package, safe working environment and individual development support.

Recruitment and Employee Retention

We believe building the right team and retaining talent is essential for our success. To find the right person for the job, we have developed a recruitment policy which strictly abides the fair, open and just principle and prohibits discrimination. For any violation of the policy, the employee will be subject to penalties including dismissal.

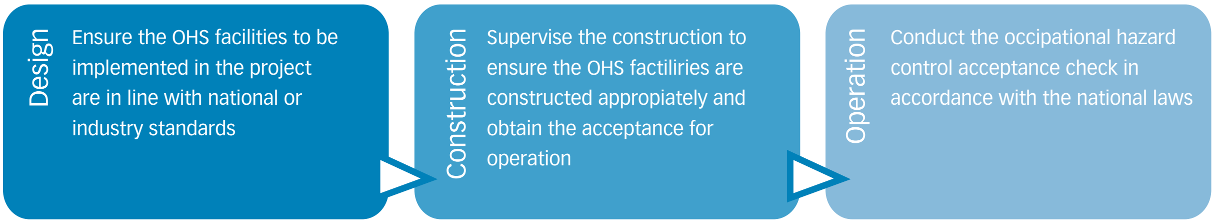
To retain skilled employees, competitive remuneration package was offered. Through our competitive compensation system, salary and welfare were decided based on the market, position and personal competence. We also had a performance management system to assess, track and monitor the performance of individual employees, which the assessment was conducted at least annually in a fair and consistent manner. Welfare included insurance, subsidies on housing, transportation and meal, annual leaves, and body check, etc.

EMPLOYMENT (continued)

Healthy and Safe Workplace

Upholding to the principle of "safety first, precaution crucial" in our occupational health and safety (OHS) system, we strive to strengthen the supervision and management of work safety to prevent accidents from occurring.

We are committed to complying with all relevant OHS laws and regulations. All our Technology Parks strictly follow the national "Three Simultaneities" principle – safety measures of a construction project must be designed, constructed and operated simultaneously with the main part of the project:

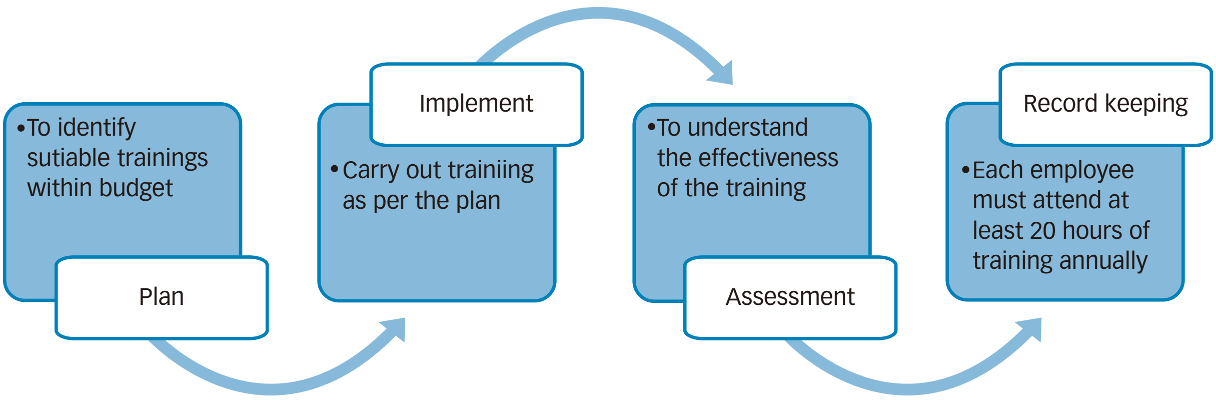


Annual safety target is set and analysis of safety data is conducted to assess the performance, regular safety meeting is held to analyze the safety working condition, summarize and deploy OHS work.

Other practices include conducting health inspection annually for workers who are exposed to toxic and hazardous materials, giving OHS trainings and organizing emergency drills on a regular basis to safeguard employees' health and safety.

Training and Development

With the expansion within the Group and positive prospects, we hope our employees will develop together with us to satisfy the Group's mid-long term development. We have built a training system, and a training plan was developed depending on the need of employees and the Group's business development, and reviewed annually:



Various types of training were provided, including new staff training, internal sharing, specialized training, team training and technical skill certified training. Our training was mostly conducted internally, using in-house trainers or sourcing professional instructors. We also sent our employees to the overseas to learn about new technical skills, obtain professional certifications or improve their management ability.

OPERATION

We strive to provide a one-stop construction solution to our clients, including research and development, design, manufacturing and logistics. By connecting the segments of research and development, design, procurement, manufacturing and logistics, we can have a better control over the quality of our products and reduce the reliance on external service providers and suppliers.

Product Stewardship

We are committed to providing our customers with better products experience and better services experience through managing our product quality and suppliers, as well as investing in innovative products.

Product Quality

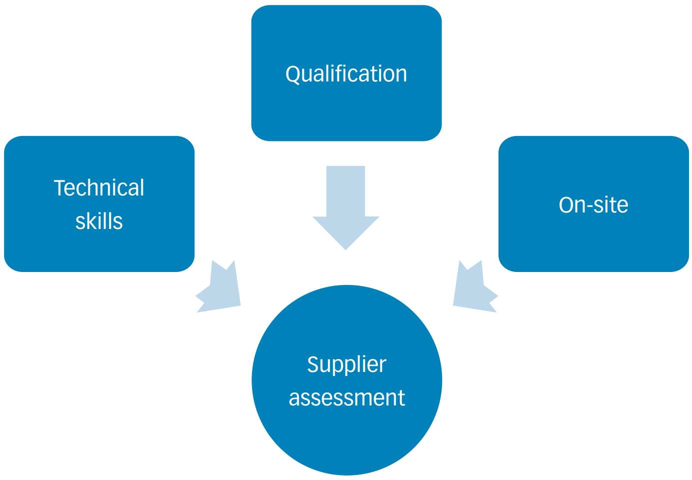
Maintaining the quality of our products is essential as it is in turn, protecting the public health and safety. To ensure the quality of prefabricated construction modules, we have an evaluation process before product delivery. Apart from obtaining all relevant certifications including quality and conformity certificates, various testings such as compressive strength and structural testings must be conducted. We also avoid the delivery of defective products to our customers, any suspicious or unqualified products must be recorded and assessed.

In case of customer complaints, we have a standardized procedure to conduct analysis and develop corrective action plan promptly.

Supply Chain Management

To optimize our supply chain which in turn improves the quality of products, we have developed a policy on managing new and existing suppliers through a comprehensive assessment process.

On top of technical skills, all suppliers must comply with the relevant national laws and regulations, as well as obtain certification on their quality management system such as ISO/QS9000. On-site visit is conducted to ensure suppliers have the ability to provide quality products with guaranteed lead time and services.



OPERATION (continued)

Product Stewardship (continued)

Innovation and Intellectual Property

With a focus on technological innovation, we are committed to promoting innovation and safeguarding intellectual property.

We are dedicated to the research and design of intelligent and green building construction technology and modules for prefabricated construction. We continuously enhance our R&D and design capabilities through collaboration with universities or leading industry enterprises on industrialized construction technology research, and motivate our employees to invent new products by offering financial incentives for patent projects.

Intellectual property (IP) is considered one of our most valuable assets within our operation. We are, therefore, devoted to protecting our own IP rights, whilst respecting the IP rights of others as well. We do not accept any form of patent infringement and will take legal actions for any violations of the intellectual property rights or misuse of its intellectual properties. Training was also provided to raise awareness and ensure our employees possess the proper understanding on intellectual property.

Anti-corruption

All forms of bribery and corruption are unacceptable and will not be tolerated. We have established a set of procedures to support the anti-fraud investigation system and encourage all employees to participate in the "anti-corruption" work. Training and awareness reminders on professional ethics are constantly provided to our employees, we have also established various channels including telephone, mail, WeChat and letter box for which employees can express their concerns about questionable activities. Employees who violate this policy will be subject to legal action.

COMMUNITY

Industrialized construction plays an important role in the future development of the society. With a mission to accelerate the reform of the construction industry, we use our resources and technical skills to contribute towards the sustainable development and economic growth of our society.

Education is the key factor of society development. We collaborate with famous universities to conduct researches and projects on industrialized construction technology, not only to accelerate the reform of the construction industry, but also to provide opportunities for students to understand the construction industry and industrialized construction. We also constantly participate in industrial activities which help to develop and promote industrialized construction through exchanging ideas and sharing experiences. This also spreads the message of environmental protection to the public.

In 2016, our focus was on the commencement of the Technology Parks. We expect to contribute more to the society, and will disclose our efforts on community involvement projects in the future.

HKEX ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/Reference section
Aspect A Environmental			
A1 Emission	Information on: – the policies; and – compliance and material non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.	Environmental management procedures	Environment – Air Emissions – Energy Use and Carbon Emissions – Water Use and Wastewater Generation – Waste Management
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Environmental management procedures	Environment – Energy Use and Carbon Emissions – Water Use and Wastewater Generation
A3 The Environment and Natural Resources	Policies on minimizing the operation's significant impact on the environment and natural resources.	Environmental management procedures	Environment
Aspect B Social			
B1 Employment	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Compensation and Benefits Management Recruitment Management Employee Performance Management	Employment – Recruitment and Employee Retention
B2 Health and Safety	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	OHS Management Procedures	Employment – Healthy and Safe Workplace

HKEX ESG REPORTING GUIDE INDEX (continued)

HKEx ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/Reference section
Aspect B Social (continued)			
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	Training Management	Employment – Training and Development
B4 Labour Standard	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	–	We are complied with all relevant laws and regulations, no child and forced labor are employed.
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Supplier Assessment Rules	Operation – Supply Chain Management
B6 Product Responsibility	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Failed Product Handling Process Customer Complaint Handling Process Patent Management	Operation – Product Stewardship
B7 Anti-corruption	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	Anti-corruption policy	Operation – Anti-corruption
B8 Community Investment	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	Community Investment Policy	Community

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Group are prefabricated construction work and property investment in the PRC.

FINANCIAL RESULTS

The loss and cash flows of the Group for the year ended 31 December 2016 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 52 to 123.

DONATIONS

During the year ended 31 December 2016, the Group had not made any charitable donations (nine months ended 31 December 2015: HK$128,000).

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (nine months ended 31 December 2015: Nil).

FINANCIAL SUMMARY

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years/period is set out on page 124.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2016 are set out in Note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

As at 31 December 2016, the Group revalued its investment properties by using the combinations of an income capitalisation approach and a direct comparison approach. The increase in fair value amounting to approximately HK$231,000 (31 December 2015: HK$453,000) has been credited to the consolidated statement of profit or loss and other comprehensive income.

Details of the investment properties of the Group are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital for the year ended 31 December 2016 are set out in Note 25 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 December 2016 are set out in the statement of changes in equity on page 55 and Note 36 to the consolidated financial statements.

CONVERTIBLE BOND

Details of the convertible bond as at 31 December 2016 are set out in Note 27 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

DIRECTORS

The Directors who held office during the year ended 31 December 2016 and up to the date of this report were:

Executive Directors:	
Mr. YIN Jun *(Chairman and Chief Executive Officer)*	(began to act as the Chairman on 3 October 2016)
Mr. CHEN Domingo	
Mr. MI Hongjun	(ceased to act as the Chairman on 3 October 2016)
Non-executive Directors:	
Mr. CHEN Donghui	(appointed on 28 June 2016)
Ms. FANG Rong	(resigned on 28 June 2016)
Ms. GAN Ping	(appointed on 28 June 2016)
Mr. ZHAO Xiaodong	(appointed on 28 June 2016)
Mr. ZHOU Feng	
Independent Non-executive Directors:	
Mr. CHAN Chi Hung	
Mr. JIANG Hongqing	
Mr. LEE Chi Ming	
Mr. MA Lishan	(appointed on 28 June 2016)

The Company has received from each of the existing independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of the scheme are set in the section headed "Share Option Scheme" below.

Details of the emoluments of the Directors and five individuals with highest remuneration are set out in Note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, none of the Directors and chief executives of the Company had or was deemed to have interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code to the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract, transaction or arrangement of significance to which the Company or any of its subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of all or any substantial part of the Group's business was entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year ended 31 December 2016 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouses or minor children to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares and underlying Shares of the Company

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Jiayao Global Investments Limited ("Jiayao")	Beneficial owner	5,700,000,000 (note 2)	55.83%
Jiamin (Holding) Investment Limited	Beneficial owner	320,000,000 (note 2)	3.13%
Jianuo (Holding) Investment Limited	Beneficial owner	310,000,000 (note 2)	3.04%
Jiaxin (Holding) Investment Limited	Beneficial owner	305,000,000 (note 2)	2.99%
Jiaheng (Holding) Investment Limited	Beneficial owner	300,000,000 (note 2)	2.94%
Jiacheng (Holding) Investment Limited	Beneficial owner	65,000,000 (note 2)	0.63%
China Minsheng Jiaye Investment Co., Ltd. ("CMJYI")	Interest of controlled corporation	7,000,000,000 (note 2)	68.56%
China Minsheng Investment Corp., Ltd.	Interest of controlled corporation	7,000,000,000 (note 2)	68.56%
Express Master Holdings Inc.	Beneficial owner	1,000,000,000 (note 3)	9.79%
China Orient Asset Management Corporation	Interest of controlled corporation	1,000,000,000 (note 3)	9.79%

notes:

1. It was based on 10,209,602,920 Shares as at 31 December 2016.

2. Jiayao beneficially owned 5,700,000,000 Shares, representing 55.83% of the issued share capital of the Company. CMJYI's five indirectly wholly-owned subsidiaries, namely Jiamin (Holding) Investment Limited, Jianuo (Holding) Investment Limited, Jiaxin (Holding) Investment Limited, Jiaheng (Holding) Investment Limited and Jiacheng (Holding) Investment Limited, beneficially owned in aggregate 1,300,000,000 Shares, representing 12.73% of the issued share capital of the Company. Jiayao is a company indirectly and wholly owned by CMJYI which in turn is 78.56% owned by China Minsheng Investment Corp., Ltd.

3. The Shares originally held by Honghu Capital Company Limited, a company wholly and beneficially owned by Mr. Deng Jun Jie, were pledged to Express Master Holdings Inc. which is a company wholly and beneficially owned by China Orient Asset Management Corporation under a deed of charge dated 26 August 2016.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in the Shares and underlying Shares of the Company (continued)

Save as disclosed above, and as at 31 December 2016, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 7 November 2003 (the "Old Scheme") was terminated pursuant to an ordinary resolution passed by the shareholders of the Company on 7 August 2013. A new share option scheme (the "New Scheme") in place of the Old Scheme was adopted pursuant to such resolution with effect from 7 August 2013 which has a term of 10 years. No share options have been granted, exercised, cancelled or lapsed under the New Scheme since its adoption on 7 August 2013. As at 31 December 2016 and up to the date of this report, there were no outstanding share options that have been granted and remained outstanding and exercisable under both the Old Scheme and the New Scheme. The following is a summary of the New Scheme:

(a) Purpose

The purpose is to enable the Company to grant options to eligible participants as incentives and/or rewards for their contribution or potential contribution to the growth and development of the Group.

(b) Eligible participants

Eligible participants include employees or officers (including executive Directors), non-executive Directors (including independent non-executive Directors), suppliers, customers, consultants or advisors, and securities holders of the Company, as to be determined by the Board at its absolute discretion within the categories.

(c) Total number of shares available for issue

The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time. The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the Shares in issue as at 7 November 2003, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the New Scheme.

SHARE OPTION SCHEME (continued)

(d) Maximum entitlement of each eligible participant

The total number of share issued and to be issued upon exercise of the share options granted under the New Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their associate must not exceed 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant. Subject to separate approval by the shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting provided the Company shall issue a circular to shareholders before such approval is sought, the Company may grant options to a eligible participant which would exceed this limit.

(e) Option period

The option period within which the shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(f) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board in its absolute discretion. The New Scheme itself does not specify any minimum holding period.

(g) Payment on acceptance of the option

HK$10 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 28 days from the date of grant.

(h) Basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion at the time of the grant but shall not be less than the higher of: (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares for the five business days immediately preceding the date of grant; and (iii) the par value of a share.

(i) Remaining life of the New Scheme

The New Scheme will remain valid for a period of ten years commencing on 7 August 2013 unless otherwise terminated by resolution of shareholders in general meeting.

CONNECTED TRANSACTION

On 3 March 2016, the Company and China Minsheng Drawin Co., Ltd.* (a non-wholly owned subsidiary of CMJYI, the "JV Partner") entered into an agreement (the "JV Agreement"), pursuant to which a joint venture (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 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.

Pursuant to the JV Agreement, the Company will contribute cash in the amount of approximately RMB476 million, and the JV partner will contribute assets consisting of land use right 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.

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

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 date of this annual report, construction of the Industrial Park (phase I) has been completed and started operations. With the capital and the assets to be contributed by the Company 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 provides 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 has been contributed into the Joint Venture to facilitate the development of its future business operation.

On 13 June 2016, the resolution in relation to the JV Agreement has been approved by the Shareholders in the special general meeting.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2016.

RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group undertaken in the normal course of business are set out in Note 34 to the consolidated financial statements. Save for the connected transaction as disclosed above, none of these related party transactions is required to be disclosed under Chapter 14A of the Listing Rules.

* for identification purpose only

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016:

(i) The Group's largest customers and the five largest customers accounted for approximately 61.3% and 93.0% of the Group's total turnover respectively.

(ii) The Group's largest suppliers and five largest suppliers accounted for approximately 15.9% and 22.8% of the Group's total cost of sales respectively.

None of the Directors, their associates, or any shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's share capital) has any beneficial interests in these major customers and suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in respect of the shares of the Company under the Company's byelaws although there are no restrictions against such rights under the laws of Bermuda.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 31 December 2016 and up to the date of this report.

AUDITOR

PricewaterhouseCoopers shall retire in the forthcoming annual general meeting and being eligible, will offer themselves for re-appointment. A resolution for re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting .

By Order of the Board of
China Minsheng Drawin Technology Group Limited
Yin Jun
Chairman

Hong Kong, 28 March 2017

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TO THE SHAREHOLDERS OF
CHINA MINSHENG DRAWIN TECHNOLOGY GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Minsheng Drawin Technology Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 123, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

1. Reversal of previously recognised impairment loss of other receivables and prepayments

2. Impairment losses of other receivables and prepayments

Key Audit Matter 1	How our audit addressed the Key Audit Matter
Reversal of previously recognised impairment loss of other receivables and prepayments	
Included in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 is a gain of HK$72 million, resulting from the recovery of earnest money for the acquisition of certain properties located in Shenzhen. Full provision was made for the earnest money in the amount of HK$72 million which was considered as fully impaired in the Group's consolidated financial statements for the year ended 31 December 2015 based on impairment events identified and the judgement made by the directors then. The total amount was eventually recovered by the Group in late 2016 and the impairment loss recognised in the prior year was reversed accordingly. See Note 4 (Critical accounting estimates and judgements) and Note 7 (Other gains) to the consolidated financial statements in which they are disclosed. Due to the fact that multiple parties were involved in this transaction, the directors made certain judgement over the timing of recognition and reversal of such impairment loss. We focused on this area due to the level of judgement made as well as its significance to the consolidated net profit.	We examined the contractual agreements and the relevant bank records to validate the existence of the transactions and the recovery of the amount. We interviewed certain counterparties to understand the facts existed during each of these years and the commercial rationale for each of their actions. We collaborated each of their representations with others. We obtained written confirmations from all relevant third-party counterparties to confirm the above settlement arrangement which was concluded in late 2016 after we issued our auditor's report on the Group's consolidated financial statements for the year ended 31 December 2015 and that there are no other arrangements that should have been considered or accounted for separately or collectively, or disclosed in the consolidated financial statements for the year ended 31 December 2016. We further challenged whether the reversal of the provision should be accounted for in the year ended 31 December 2016 due to change in circumstances in the year 2016, or whether the impairment in the year ended 31 December 2015 was made pre-maturely and that no impairment should have been made in the year 2015. We are satisfied with the directors' explanation of, and evidences obtained on the facts that led to the recognition of the impairment provision made in 2015 as well as the change in facts and circumstances that led to the reversal of the impairment provision during the year ended 31 December 2016.

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KEY AUDIT MATTERS (continued)

Key Audit Matter 2

Impairment losses of other receivables and prepayments

As at 31 December 2016, the Group had two significant other receivable balances of HK$28 million and HK$18 million, respectively, which were subject to high collectability risk due to their aging status and relevant disputes. The Group has filed lawsuits against the counterparties for the collection of these amounts and the outcome of the ongoing legal processes have significant uncertainties. The Group recognised HK$30 million of impairment losses at the year ended 31 December 2016 based on information available then and after duly considering legal counsels' advice. See Note 4 (Critical accounting estimates and judgements) and Note 21 (Trade and other receivables and prepayments) to the consolidated financial statements in which they are disclosed.

We focused on this area because the directors made significant judgement over both the timing of recognition and amount of impairment made.

How our audit addressed the Key Audit Matter

We obtained understanding of the latest development of the collection process and the basis of recognition of the impairment provisions. We considered whether key judgements applied by the directors were appropriate given the counterparties' circumstances.

In addition, we discussed with external legal counsels to understand the legal position and their basis. We also obtained legal opinions from the Group's external legal counsels and their understanding of the latest development of the legal process including court decisions available post year-end to corroborate with the directors' assessment for making the impairment provisions.

As set out in the consolidated financial statements, the outcome of the legal claims are dependent on the future outcome of continuing legal processes and the counterparties' circumstances. Consequently, the calculations of the receivable impairment are subject to inherent uncertainty.

Based on the evidences obtained above, we did not identify significant difference with respect to the judgements the directors made in determining the impairment provision.

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OTHER INFORMATION

The directors of the Company are responsible for the other information set out in the Company's 2016 Annual Report. The other information comprises the information included in the management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and the corporate information, chairman's statement, directors' and senior management biography, corporate governance report, environmental, social and governance report, directors' report and five year financial summary which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the corporate information, chairman's statement, directors' and senior management biography, corporate governance report, environmental, social and governance report, directors' report and five year financial summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the audit committee all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Arthur Chi Ping Kwok.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Revenue	5	**37,042**	347
Cost of sales	8	**(28,654)**	(73)
Gross profit		**8,388**	274
Other income	6	**68,436**	3,360
Other losses – net	7	**(24,879)**	(1,043)
Selling and distribution expenses	8	**(6,531)**	–
Administrative expenses	8	**(90,870)**	(27,465)
Impairment loss on available-for-sale financial assets	17	**–**	(89,541)
Impairment loss on other receivables	21	**(30,000)**	(72,000)
Operating loss		**(75,456)**	(186,415)
Finance costs	9	**(14,953)**	(8,340)
Loss before income tax		**(90,409)**	(194,755)
Income tax (expense)/credit	11	**(10,889)**	1,546
Loss for the year/period		**(101,298)**	(193,209)
Loss for the year/period, attributable to			
– Owners of the Company		**(101,136)**	(193,209)
– Non-controlling interests		**(162)**	–
		(101,298)	(193,209)
Other comprehensive loss, which may be reclassified subsequently to profit or loss			
– Changes in fair value of available-for-sale financial assets		**9,669**	(9,983)
– Currency translation differences		**(50,153)**	(10,675)
Other comprehensive loss for the year/period, net of tax		**(40,484)**	(20,658)
Total comprehensive loss for the year/period		**(141,782)**	(213,867)
Total comprehensive loss for the year/period, attributable to			
– Owners of the Company		**(141,626)**	(213,867)
– Non-controlling interests		**(156)**	–
		(141,782)	(213,867)
Loss per share attributable to owners of the Company (expressed in HK$ cents per share)			
– Basic and diluted	13	**(0.99)**	(2.18)

The notes on pages 57 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	**As at 31 December 2016 HK$'000**	As at 31 December 2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**718,420**	81,398
Land use rights	15	**534,960**	–
Investment properties	16	**35,662**	37,723
Available-for-sale financial assets	17	**–**	102,423
Intangible assets	18	**886**	41
Deferred income tax assets	29	**594**	–
Other non-current assets	19	**–**	48,349
		1,290,522	269,934
Current assets			
Inventories	20	**16,467**	–
Trade and other receivables and prepayments	21	**120,525**	35,045
Available-for-sale financial assets	17	**121,252**	92,820
Financial assets at fair value through profit or loss	23	**44,968**	90,169
Cash and cash equivalents	24	**784,546**	1,184,598
Restricted cash	31	**46,953**	–
		1,134,711	1,402,632
Total assets		**2,425,233**	1,672,566
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**1,020,960**	1,020,960
Reserves	26	**350,551**	447,607
		1,371,511	1,468,567
Non-controlling interests	27	**553,677**	–
Total equity		**1,925,188**	1,468,567

Consolidated Statement of Financial Position (continued)

As at 31 December 2016

	Notes	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible bond	28	**177,426**	162,776
Deferred income tax liabilities	29	**17,014**	10,269
		194,440	173,045
Current liabilities			
Trade and other payables	30	**256,830**	30,716
Advances from customers		**1,844**	238
Current income tax liabilities		**4,204**	–
Borrowing	31	**42,727**	–
		305,605	30,954
Total liabilities		**500,045**	203,999
Total equity and liabilities		**2,425,233**	1,672,566

The notes on pages 57 to 123 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 52 to 123 were approved by the Board of Directors on 28 March 2017 and the consolidated statement of financial position was signed on its behalf by:

Yin Jun
Director

Mi Hongjun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

		Attributable to owners of the Company									
	Notes	Share capital HK$'000	Share premium HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Convertible bond — equity component HK$'000	Exchange reserve HK$'000	Contributed surplus reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2015		370,960	38,570	105	–	17,038	131,166	(211,325)	346,514	–	346,514
Comprehensive income											
Loss for the period		–	–	–	–	–	–	(193,209)	(193,209)	–	(193,209)
Other comprehensive income/(loss):											
Changes in fair value of available-for-sale financial assets	17	–	–	(9,983)	–	–	–	–	(9,983)	–	(9,983)
Currency translation differences		–	–	–	–	(10,675)	–	–	(10,675)	–	(10,675)
Total comprehensive income/(loss) for the period		–	–	(9,983)	–	(10,675)	–	(193,209)	(213,867)	–	(213,867)
Transactions with owners in their capacity as owners											
Issue of ordinary shares	25	650,000	648,320	–	–	–	–	–	1,298,320	–	1,298,320
Issue of convertible bond	28	–	–	–	45,118	–	–	–	45,118		45,118
Deferred tax liabilities arising from the issuance of convertible bond	29	–	–	–	(7,518)	–	–	–	(7,518)	–	(7,518)
Total transactions with owners in their capacity as owners		650,000	648,320	–	37,600	–	–	–	1,335,920	–	1,335,920
Balance at 31 December 2015		1,020,960	686,890	(9,878)	37,600	6,363	131,166	(404,534)	1,468,567	–	1,468,567
Comprehensive income											
Loss for the year		–	–	–	–	–	–	(101,136)	(101,136)	(162)	(101,298)
Other comprehensive income/(loss):											
Changes in fair value of available-for-sale financial assets	17	–	–	9,669	–	–	–	–	9,669	–	9,669
Currency translation differences		–	–	–	–	(50,159)	–	–	(50,159)	6	(50,153)
Total comprehensive income/(loss) for the year		–	–	9,669	–	(50,159)	–	(101,136)	(141,626)	(156)	(141,782)
Transactions with owners in their capacity as owners											
Capital contribution by non-controlling interest of a subsidiary	27	–	44,570	–	–	–	–	–	44,570	553,833	598,403
Balance at 31 December 2016		1,020,960	731,460	(209)	37,600	(43,796)	131,166	(505,670)	1,371,511	553,677	1,925,188

The notes on pages 57 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Operating activities			
Cash used in operations	32	**(50,081)**	(28,750)
PRC income tax paid		**(2)**	(219)
Net cash used in operating activities		**(50,083)**	(28,969)
Investing activities			
Interest received	6	**5,002**	2,464
Increase in restricted cash	31	**(46,953)**	–
Dividends received	6	**–**	779
Purchase of available-for-sale financial assets		**(123,050)**	(292,820)
Proceeds from disposal of available-for-sale financial assets		**97,659**	1,578
Proceeds from disposal of property, plant and equipment		**17**	–
Prepayments for land use rights		**–**	(48,197)
Purchase of property, plant and equipment (including payments for plant development)		**(195,635)**	(71,436)
Purchase of intangible assets		**(294)**	–
Recovery of trade and other receivables	21	**72,026**	
Purchase of land use rights		**(178,495)**	–
Net cash used in investing activities		**(369,723)**	(407,632)
Financing activities			
Proceeds from bank borrowing	31	**42,727**	–
Proceeds from issue of ordinary shares	25	**–**	1,298,320
Proceeds from issue of convertible bond	28	**–**	199,554
Net cash generated from financing activities		**42,727**	1,497,874
Net (decrease)/increase in cash and cash equivalents		**(377,079)**	1,061,273
Cash and cash equivalents at beginning of the year/period	24	**1,184,598**	131,695
Net exchange loss on cash and cash equivalents		**(22,973)**	(8,370)
Cash and cash equivalents at end of the year/period		**784,546**	1,184,598

The notes on pages 57 to 123 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

China Minsheng Drawin Technology Group Limited (formerly known as "South East Group Limited", the "Company") was incorporated as an exempted company with limited liability in Bermuda on 28 February 1991 under the Companies Act 1981 of Bermuda and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") starting from 25 July 1991.

The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is Suites 1001-1004, Level 10, One Pacific Place, 88 Queensway, Admiralty, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are prefabricated construction work and property investment in the People's Republic of China (the "PRC").

On 27 May 2015, China Minsheng Jiaye Investment Co., Ltd., a subsidiary of China Minsheng Investment Corp., Ltd., became a substantial shareholder of the Company.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and rounded to the nearest thousand ("HK$'000"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to the year and period presented, unless otherwise stated.

2.1.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.1 Basis of preparation (continued)

(a) New amendments and improvements of HKFRSs adopted by the Group in 2016

HKAS 1 (Amendments)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 27 (Amendments)	Equity method in separate financial statements
HKA 28, HKFRS 10 and HKFRS 12 (Amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations
Annual improvements 2014	The amendments include changes from the 2012-2014 cycle of the annual improvement project that affect 4 standards of HKFRSs.

The adoption of the above new amendments and improvements starting from 1 January 2016 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2016.

(b) New standards and amendments of HKFRSs not yet effective and not early adopted by the Group

A number of new standards and amendments to existing standards of HKFRSs are effective for annual periods beginning on 1 January 2017 or later periods and have not been early adopted by the Group in preparing these consolidated financial statements. Those which are relevant to the Group's operations are set out below:

HKFRS 9, 'Financial Instruments'
The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The financial assets held by the Group include:

- equity instruments currently classified as AFS for which a FVOCI election is available; and
- equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.1 Basis of preparation (continued)

(b) New standards and amendments of HKFRSs not yet effective and not early adopted by the Group (continued)

HKFRS 9, 'Financial Instruments' (continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. Currently, the Group does not have any hedging relationship, and accordingly the new standard will not have a significant impact.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, 'Revenue from Contracts with Customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date. The management is currently assessing the full impact of HKFRS 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.1 Basis of preparation (continued)

(b) New standards and amendments of HKFRSs not yet effective and not early adopted by the Group (continued)

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. Some of the Group's operating lease commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Except for HKFRS 15 and HKFRS 16 which the Group is yet to conclude, there are no other HKFRSs that are not yet effective that would be expected to have a material impact on the Group.

2.1.2 Accounting period

In light of the Group's operations are to be carried out mostly through its subsidiaries established or to be established in the PRC, which are statutorily required to close their accounts with the financial year end date of 31 December, and the financial results of the PRC subsidiaries are to be consolidated into the Company's consolidated financial statements, the Company determined to change its financial year end date from 31 March to 31 December commencing from the financial period ended on 31 December 2015.

Due to the change of the end of the financial period, this set of consolidated financial statements is for a period of twelve months from 1 January 2016 to 31 December 2016. The comparative figures, however, are for nine months from 1 April 2015 to 31 December 2015, and hence are not comparable.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(b) *Changes in ownership interests in subsidiaries without loss of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Impairment testing of the investments in subsidiaries is also required according to Note 2.9.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company (the "Board of Directors") that makes strategic decisions.

The Group is managed centrally and the Directors are of the view that the whole Group is one single business segment and hence no segment information is presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HK dollars (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within 'Finance income or expenses'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'Other gains/(losses) – net'.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operations and partial disposals

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

– Buildings	30 years
– Computer equipment	3-6 years
– Motor vehicles	5 years
– Furniture and fixtures	5-7 years
– Equipment	10 years
– Leasehold improvements	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) – net' in the consolidated statement of profit or loss and other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment properties

Investment property, primarily comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of profit or loss and other comprehensive income as part of a valuation gain or loss in 'Other gains/(losses) – net'.

2.7 Land use rights

All land in PRC is state-owned or collectively-owned and no individual ownership rights exist. Land use rights represent upfront payments made for the leasehold land in the PRC. It is stated at cost less accumulative amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocated the cost of land use rights over the remaining period of the lease.

2.8 Intangible assets

Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise "Trade and other receivables and prepayments" and 'Cash and cash equivalents' in the statement of financial position.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of profit or loss and other comprehensive income within 'Other gains/(losses) – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss and other comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of profit or loss and other comprehensive income as "Other gains/(losses) – net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of profit or loss and other comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss and other comprehensive income as part of other income when the Group's right to receive payments is established.

2.10.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the relevant company or the counterparty.

2.10.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

2.10.4 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss and other comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised as profit or loss in the consolidated statement of profit or loss and other comprehensive income on equity instruments are not reversed through the consolidated statement of profit or loss and other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and rentals receivable. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and Company's statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, if mandatorily redeemable at a specific date or redeemable at the option of the holder, are classified as liabilities. The dividends on these preference shares are recognised in the consolidated statement of profit or loss and other comprehensive income as interest expense.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bond that can be converted to share capital of the Company at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised as profit or loss in the consolidated statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Also the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee benefits

(a) Pension obligations

The Group has participated in the Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for its Hong Kong staff. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The MPF Scheme is generally funded by payments from employees and by the Group. The Group's contributions to the MPF Scheme are expensed as incurred in accordance with the rules of the MPF Scheme and are not reduced by contributions forfeited by those employees who leave the MPF Scheme prior to vesting fully in the contributions.

In accordance with the PRC regulations, the Group is required to pay social security contributions for its PRC staff based on certain percentage of their salaries to the social security plan organised by related governmental bodies ("PRC plan").

The Group has no further payment obligations once the contributions have been paid to the MPF Scheme and PRC plan. The Group's contributions to the MPF Scheme and PRC plan are recognised as employee benefit expense in the consolidated statement of profit or loss and other comprehensive income when they are due.

(b) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2.21 Equity settled share option scheme

Equity settled share option payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity settled share option payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based payment reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Equity settled share option scheme (continued)

When share options are exercised, the amount previously recognised in employee share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in employee share option reserve will be transferred to retained earnings.

2.22 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Sales of prefabricated units

Sales of prefabricated units is recognised when a group entity has delivered prefabricated units to the customers, i.e. the general contractors of construction projects. The general contractors are given a right of return if the goods are not accepted by their customers. Revenue is adjusted for the value of expected returns. Delivery occurs when the prefabricated units have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the general contractor, and either the general contractor has accepted the products in accordance with sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

(b) Rental income of investment properties

Rental income of investment properties is recognised on a straight-line basis over the lease period.

(c) Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

2.24 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Leases (continued)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Related parties

A party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group, if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Related parties (continued)

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2.28 Subsequent events

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period ("adjusting events") are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1.1 Market risk

(a) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The majority of the Group's transactions and balances are denominated in HKD and RMB, which are the functional currencies of the Company and its non-PRC mainland subsidiaries, and its PRC mainland companies respectively.

The Company and its non-PRC mainland subsidiaries' assets and liabilities are mainly denominated in HKD, except for certain bank balances which are denominated in RMB and United State dollars ("USD"). As HKD are pegged to USD, it is assumed that there would be no material currency risk exposure between these two currencies.

The PRC mainland companies' assets and liabilities are mainly denominated in RMB, except for certain bank balances which are denominated in HKD. Accordingly, cash denominated in HKD is subject to foreign exchange risk. Fluctuations in the exchange rates of HKD against RMB will affect the Group's result of operations. The Group does not have any formal hedging policies. However, management closely monitors the foreign exchange exposure and will take actions when necessary.

As at 31 December 2016, if RMB had strengthened/weakened by 5%, against HKD with all other variables held constant, post-tax loss for the period would have been HK$10,773,691 (2015: HK$3,824,000) higher/lower, mainly as a result of net foreign exchange losses/gains on translation of HKD denominated bank deposits.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(b) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statements of financial position as available-for-sale financial assets or financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

Subsequent to 31 December 2016, the Group disposed all of the remaining listed shares recognised as both available-for-sale investments and financial asset at fair value through profit or loss held as of 31 December 2016 listed on the table below. Therefore, in the opinion of the directors, the Group's exposure to price risk with regard to its investments is not significant since it is the Group's policy not to invest significant amounts that might have a detrimental impact to the Group's financial results. All investments must be approved by the authorised director before they may be entered into.

The table below summarises the impact of increases/decreases of the two equity indexes on the Group's post-tax loss for the year/period and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

	Impact on post-tax profit in HK$'000		**Impact on other components of equity in HK$'000**	
Index	**Year ended 31 December 2016**	Nine months ended 31 December 2015	**Year ended 31 December 2016**	Nine months ended 31 December 2015
Available-for-sale financial assets	**–**	2,942	**68**	1,334
Financial assets at fair value through profit or loss	**1,877**	3,765	**–**	–

Post-tax loss for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(c) *Cash flow and fair value interest rate risk*

The Group's cash flow interest rate risk relates primarily to the Group's variable interest generating bank balances. The Group's interest rate risk arises from its convertible bond and short-term borrowing. The zero coupon rate convertible bond and the short-term borrowing obtained at fixed rate exposed the Group to fair value interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures.

Except for cash deposits in the bank, the Group has no other significant interest-bearing assets.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2016 and 2015, if interest rates on interest-generating bank deposits with floating rates had been 50 basis points higher/lower with all other variables held constant, the post-tax loss of the Group for the year ended 31 December 2016 and the nine months ended 31 December 2015 would have changed as follows:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Post-tax loss decrease/(increase)		
– 50 basis points higher	**3,254**	4,880
– 50 basis points lower	**(3,254)**	(4,880)

3.1.2 Credit risk

As at 31 December 2016 and 2015, the Group's maximum exposure to credit risk is trade and other receivables and bank balances.

The Group has no significant concentration of credit risk. In respect of trade receivables, credit is offered to customers following financial assessment and an established payment record. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. Credit limits are set for all customers and these are exceeded only with the approval of senior company officers. These credit evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers. General credit terms are payment by one to three months following the month in which sales took place. The Group will make specific provision for those balances which cannot be recovered. The management will monitor the outstanding trade receivables and follow up the collections. In the opinion of the directors of the Company, the default credit risk of the Group's trade receivables is considered to be low.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

In respect of other receivables, the directors of the Company closely monitor the collectability and assess the recoverability at each balance sheet date. The Group will make specific provision for those balances which cannot be recovered based on the collectability assessment.

The credit risk on bank deposits are limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies and are the PRC large state-controlled banks. As such, no significant credit risk from bank deposits is anticipated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Cash transactions are limited to high-credit-quality financial institutions. The table below shows the bank deposit balances as at 31 December 2016 and 2015:

Counter party	**As at 31 December 2016 HK$'000**	As at 31 December 2015 HK$'000
Deposits with the state-owned banks of the PRC	**649,888**	965,737
Deposits with other listed banks of the PRC	**48,577**	217,882
Deposits with other banks	**133,034**	979
	831,499	1,184,598

Management does not expect any losses from non-performance of these counterparties.

For credit risk arised from trade receivable balances, each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Other receivables mainly comprise receivables from refundable earnest money and receivables in relation to redemption of private funds. The Group closely monitors these other receivables to ensure actions are taken to recover these balances in the case of any risk of default.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk

Cash flow forecast is prepared by the finance department of the Company. Group finance monitors rolling forecast of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Surplus cash held by the Group over and above balance required for working capital are deposited with bank with good credit rating. As at 31 December 2016, the Group held cash and cash equivalent of approximately HK$784.5 million. In addition, the Group held listed equity securities for trading of approximately HK$46.6 million, which could be readily realised to provide a future source of cash if the need arose.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period as at 31 December 2016 and 2015 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016				
Trade and other payables	**256,830**	**–**	**–**	**256,830**
Borrowing	**43,539**	**–**	**–**	**43,539**
Convertible bond	**–**	**200,000**	**–**	**200,000**
	300,369	**200,000**	**–**	**500,369**
As at 31 December 2015				
Trade and other payables	–	30,716	–	30,716
Convertible bond	–	–	200,000	200,000
	–	30,716	200,000	230,716

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

3.2 Capital risk management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios of the Group at 31 December 2016 and 2015 were as follows:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Total borrowings (note (a))	**220,153**	162,776
Less: Cash and cash equivalents	**(784,546)**	(1,184,598)
Net debt	**(564,393)**	(1,021,822)
Total equity (note (b))	**1,925,188**	1,468,567
Total capital	**1,360,795**	446,745
Gearing ratio	**-41%**	-229%

notes:

(a) Borrowings include bank loans (Note 31) and convertible bond (Note 28).

(b) Equity includes all capital and reserves attributable to owners of the Company.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

– Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

3.3 Fair value estimation (continued)

The available-for-sale financial assets of the Group are measured at fair value by Level 3.

See Note 16 for disclosure of investment properties that are measured at fair value.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	**44,968**	**–**	**–**	**44,968**
Available-for-sale financial assets	**1,633**	**–**	**119,619**	**121,252**
At 31 December 2016	**46,601**	**–**	**119,619**	**166,220**
Financial assets at fair value through profit or loss	90,169	–	–	90,169
Available-for-sale financial assets	1,253	101,170	92,820	195,243
At 31 December 2015	91,422	101,170	92,820	285,412

There was no transfer between level 1 and 2 during the year/period.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The instrument is included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

3.3 Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The following table presents the changes in Level 3 instruments for the year ended 31 December 2016 and the nine months ended 31 December 2015.

	Available-for-sale financial assets	
	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Opening balance	**92,820**	–
Additions	**123,050**	92,820
Disposals	**(90,237)**	–
Gains recognised in profit or loss	**537**	–
Currency transaction differences	**(6,551)**	–
Closing balance	**119,619**	92,820
Total gains for the year/period included in profit or loss for available-for-sale financial assets held at the end of the year/period, under "Other losses – net"	**537**	–

	Quantitative information about fair value measurements using significant unobservable inputs (Level 3)			
Description	**Fair value at 31/12/2016 (HK$'000)**	**Valuation technique(s)**	**Unobservable input**	**Range (weighted average)**
Other equity securities:				
Structured deposit	119,619	Discounted cash flow	Discount rate	2.0%–3.7%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Critical accounting estimates and assumptions

(a) *Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(b) *Fair value of investment properties*

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 16.

(c) *Recoverability of receivables*

The Group estimates impairment losses for trade and other receivables due to their aging status and relevant disputes. The Group also filed lawsuit against certain counterparties for the collection of these amounts. The outcome of the legal claims are dependent on the future outcome of continuing legal processes and the counterparties' circumstances. The Group bases the estimates on the aging of the receivable balances, information available then and after duly considering legal counsels' advice. If the actual outcomes of legal claims and the financial conditions of debtors were to change, actual write offs would be different from what is estimated.

(d) *Income taxes*

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4.2 Critical judgement in applying the Group's accounting policies

(a) *Impairment of available-for-sale equity investments*

The Group follows the guidance of HKAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5 REVENUE

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Revenue from sales of prefabricated units	**36,547**	–
Rental income from investment properties	**495**	347
	37,042	347

6 OTHER INCOME

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Government subsidies (note (a))	**63,427**	–
Interest income on bank deposits	**5,002**	2,464
Dividend income from available-for-sale financial assets	**–**	779
Sundry income	**7**	117
	68,436	3,360

note:

(a) Government subsidies of HK$63,427,000 were received by two PRC subsidiaries of the Group during the year ended 31 December 2016.

7 OTHER LOSSES – NET

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Net realised (loss)/gain on redemption of available-for-sale financial assets (Note 17)	(78,705)	1,394
Net fair value loss on financial assets at fair value through profit or loss (Note 23)	(27,144)	(4,911)
Recovery of trade and other receivables	72,026	405
Net exchange gain	8,710	1,617
Fair value gains on investment properties (Note 16)	231	453
Gains on disposal of property, plant and equipment	1	–
Others	2	(1)
	(24,879)	(1,043)

8 EXPENSES BY NATURE

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

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Employee benefit expenses (note (a))	66,684	13,896
Raw materials	13,288	–
Operating lease rentals on buildings	12,197	2,841
Legal and professional fees	7,668	3,302
Entertainment expenses	6,168	783
Travelling expenses	3,463	47
Registration expenses	3,165	706
Utilities	2,228	28
Value-added tax surcharges	2,131	–
Depreciation (Note 14)	2,470	1,022
Amortisation of land use rights and intangible assets	901	–
Auditors' remuneration		
– audit services	1,400	700
– non-audit services	250	–
Others	4,042	4,213
Total of cost of sales, selling and distribution expenses and administrative expenses	126,055	27,538

8 EXPENSES BY NATURE (continued)

notes:

(a) Employee benefit expenses (including directors' and chief executive's emoluments)

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Wages and salaries	42,125	12,936
Pensions	1,859	344
Other welfare benefit expenses	22,700	616
Charged to statement of profit or loss and other comprehensive income	66,684	13,896
Number of employees	538	122

All PRC employees of the Group participate in defined contribution employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labour and social welfare authorities. The Group has no other substantial commitments to the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include three (nine months ended 31 December 2015: three) directors whose emoluments are reflected in the analysis shown in Note 10. Details of the remuneration for the year ended 31 December 2016 of the remaining two (nine months ended 31 December 2015: two) highest paid employees are as follows:

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Salaries and other short-term employee benefits	1,194	702
Contribution to pension scheme	30	24
	1,224	726

The remuneration to the remaining two highest paid employees fell within the following emolument band:

	Number of individuals	
	Year ended 31 December 2016	Nine months ended 31 December 2015
Nil to HK$1,000,000	2	2

9 FINANCE COSTS

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Interest expenses on convertible bond (Note 28)	**(14,650)**	(8,340)
Interest expenses on bank borrowing (Note 31)	**(303)**	–
	(14,953)	(8,340)

10 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below. There is no chief executive who is not also a director of the Company.

Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiaries:

For the year ended 31 December 2016:

Name	Fees HK$'000	Salary HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors				
Chen Domingo	–	1,602	18	1,620
Mi Hongjun	–	1,000	–	1,000
Yin Jun *(Chairman and CEO)*	–	1,698	–	1,698
Non-Executive Directors				
Chen Donghui (appointed on 28 June 2016)	31	–	–	31
Fang Rong (resigned on 28 June 2016)	59	–	–	59
Gan Ping (appointed on 28 June 2016)	31	–	–	31
Zhao Xiaodong (appointed on 28 June 2016)	31	–	–	31
Zhou Feng	120	–	–	120
Independent Non-Executive Directors				
Chan Chi Hung	240	–	–	240
Jiang Hongqing	240	–	–	240
Lee Chi Ming	240	–	–	240
Ma Lishan (appointed on 28 June 2016)	122	–	–	122
	1,114	4,300	18	5,432

10 BENEFITS AND INTEREST OF DIRECTORS (continued)

(a) Directors' and chief executive's emoluments (continued)

For the nine months ended 31 December 2015:

Name	Fees	Salary	Retirement benefit costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Chan Chi Yuen (resigned on 3 July 2015)	–	240	–	240
Chen Domingo	–	990	14	1,004
Mi Hongjun (appointed on 3 July 2015) *(Chairman and CEO)*	60	–	–	60
Yeung Chun Wai, Anthoy (resigned on 8 September 2015)	–	1,231	8	1,239
Yin Jun (appointed on 3 July 2015)	–	849	–	849
Non-Executive Directors				
Fang Rong (appointed on 3 July 2015)	60	–	–	60
Zhou Feng (appointed on 3 July 2015)	60	–	–	60
Independent Non-Executive Directors				
Chan Chi Hung	150	–	–	150
Jiang Hongqing	150	–	–	150
Lee Chi Ming	150	–	–	150
	630	3,310	22	3,962

For the year ended 31 December 2016 and the nine months ended 31 December 2015, the Group did not provide any termination benefits, or pay any consideration to third parties for making available directors' service.

During the year ended 31 December 2016 and the nine months ended 31 December 2015, the Group did not have outstanding loan, quasi loan or other dealing enter into by the Company or its subsidiaries, in favour of directors.

The emoluments of the directors are decided by the Board of Directors, having regard to the Group's operating results, individual performance and comparable market statistics as well as the recommendations of the Remuneration Committee of the Board of Directors.

No Significant transactions, arrangements and contracts in relation to the Group's business to which a company within the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the year ended 31 December 2016 and the nine months ended 31 December 2015.

11 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Current income tax		
– PRC land appreciation tax	–	(125)
– PRC corporate income tax	3,675	(158)
– Hong Kong profits tax	529	–
	4,204	(283)
Deferred income tax (Note 29)	6,685	(1,263)
Total income tax expense/(credit) for the year/period	10,889	(1,546)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Loss before income tax	(90,409)	(194,755)
PRC land appreciation tax	–	125
	(90,409)	(194,630)
Income tax calculated at respective statutory rates	(14,002)	(32,879)
Non-deductible expenses	14,176	308
Non-taxable income	(89)	(230)
Research and development expenditure additional deduction	(1,925)	–
Utilisation of previously unrecognised tax losses	(350)	–
Utilisation of previously unrecognised deferred tax assets	(11,880)	–
Tax losses and temporary differences not recognised as deferred tax assets	24,410	31,380
Prior year's tax filing differences	549	–
PRC land appreciation tax	–	(125)
Total income tax expense/(credit) for the year/period	10,889	(1,546)

11 INCOME TAX EXPENSE/(CREDIT) (continued)

The tax charge relating to components of other comprehensive income is as follows:

	Year ended 31 December 2016			Nine months ended 31 December 2015		
	Before tax	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Fair value losses on available-for-sale financial assets	**9,669**	**–**	**9,669**	(9,983)	–	(9,983)
Currency translation differences	**(50,153)**	**–**	**(50,153)**	(10,675)	–	(10,675)
Other comprehensive income	**(40,484)**	**–**	**(40,484)**	(20,658)	–	(20,658)
Current tax		**–**			–	
Deferred tax		**–**			–	

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% (nine months ended 31 December 2015: 16.5%) on the estimated assessable profit derived in Hong Kong for the year/period.

PRC corporate income tax

Under the Corporate Income Tax Law of the PRC ("CIT Law"), the CIT rate applicable to the Group's subsidiaries established in mainland China is 25%.

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Company's mainland China subsidiaries did not make any profit for the year ended 31 December 2016 and hence no such withholding tax was accrued (nine month ended 31 December 2015: Nil).

12 DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the year ended 31 December 2016 (nine months ended 31 December 2015: Nil).

13 LOSS PER SHARE

(a) Basic

Basic loss per share for the year/period is calculated by dividing the consolidated loss of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Consolidated loss attributable to owners of the Company (HK$'000)	**(101,136)**	(193,209)
Weighted average number of ordinary shares in issue ('000)	**10,209,603**	8,862,330
Basic loss per share (HK cents)	**(0.99)**	(2.18)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares for both the year ended 31 December 2016 and the nine months ended 31 December 2015, which is the convertible bond (Note 28). The convertible bond is assumed to have been converted into ordinary shares, and the loss attributable to owners of the Company is adjusted to eliminate the interest expense less the tax effect. For the year ended 31 December 2016 and the nine months ended 31 December 2015, the Group incurred a loss, the impact of conversion of convertible bond on loss per share is anti-dilutive. Diluted loss per share therefore is equal to basic loss per share.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Furniture & fixtures HK$'000	Equipment HK$'000	Leasehold improvements HK$'000	Plant under development for prefabricated construction business HK$'000	Total HK$'000
At 1 January 2016								
Cost	–	318	330	180	3,964	3,859	74,164	82,815
Accumulated depreciation	–	(62)	(313)	(77)	–	(965)	–	(1,417)
Net book amount	–	256	17	103	3,964	2,894	74,164	81,398
Year ended 31 December 2016								
Opening net book amount	–	256	17	103	3,964	2,894	74,164	81,398
Additions	107,516	3,429	8,638	4,574	41,365	7,497	491,812	664,831
Transfers upon completion	115,124	–	–	–	104,487	–	(219,611)	–
Disposals	–	–	(16)	–	–	–	–	(16)
Depreciation charge	–	(182)	(293)	(82)	(618)	(1,295)	–	(2,470)
Currency translation differences	(6,952)	(227)	(145)	(151)	(4,775)	(233)	(12,840)	(25,323)
Closing net book amount	215,688	3,276	8,201	4,444	144,423	8,863	333,525	718,420
At 31 December 2016								
Cost	215,688	3,568	8,484	4,536	145,034	11,122	333,525	721,957
Accumulated depreciation	–	(292)	(283)	(92)	(611)	(2,259)	–	(3,537)
Net book amount	215,688	3,276	8,201	4,444	144,423	8,863	333,525	718,420

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	Computer equipment HK$'000	Motor vehicles HK$'000	Furniture & fixtures HK$'000	Equipment HK$'000	Leasehold improvements HK$'000	Plant under development for prefabricated construction business HK$'000	Total HK$'000
At 1 April 2015							
Cost	38	349	129	–	–	–	516
Accumulated depreciation	(4)	(332)	(120)	–	–	–	(456)
Net book amount	34	17	9	–	–	–	60
Nine months ended 31 December 2015							
Opening net book amount	34	17	9	–	–	–	60
Additions	280	–	102	3,964	3,859	74,164	82,369
Disposals	–	–	(2)	–	–	–	(2)
Depreciation charge	(57)	–	–	–	(965)	–	(1,022)
Currency translation differences	(1)	–	(6)	–	–	–	(7)
Closing net book amount	256	17	103	3,964	2,894	74,164	81,398
At 31 December 2015							
Cost	318	330	180	3,964	3,859	74,164	82,815
Accumulated depreciation	(62)	(313)	(77)	–	(965)	–	(1,417)
Net book amount	256	17	103	3,964	2,894	74,164	81,398

Depreciation of property, plant and equipment of HK$2,470,000 (nine months ended 31 December 2015: HK$1,022,000) has all been charged to administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2016 and 2015, no property, plant and equipment were pledged as collateral for the Group's borrowings (Notes 28 and 31).

There was no interest capitalised in plant under development for prefabricated construction business for the year ended 31 December 2016 (nine months ended 31 December 2015: Nil).

15 LAND USE RIGHTS

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

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
At 1 January 2016	**–**	–
Additions	**554,639**	–
Amortisation of prepaid operating lease payments	**(2,435)**	–
Currency transaction differences	**(17,244)**	
At 31 December 2016	**534,960**	–

As of 31 December 2016, no bank borrowings are secured by land use rights.

During the year ended 31 December 2016, amortisation of land use rights of HK$889,000 (nine months ended 31 December 2015: Nil) has been charged to administrative expenses in the consolidated statement of profit or loss and other comprehensive income and HK$1,546,000 (nine months ended 31 December 2015: Nil) has been capitalized to plant under development for prefabricated construction business.

16 INVESTMENT PROPERTIES

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Beginning balance	**37,723**	39,468
Net gain from fair value adjustments (Note 7)	**231**	453
Currency translation differences	**(2,292)**	(2,198)
Ending balance	**35,662**	37,723

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

Investment properties have been fair valued as at 31 December 2016 and 2015 by Grant Sherman Appraisal Limited, professional valuer. The revaluation gains or losses are included in 'Other losses – net' in the consolidated statement of profit or loss and other comprehensive income (Note 7).

As at 31 December 2016 and 2015, the fair value of investment properties which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

There were no transfer among Level 1, Level 2 and Level 3 during the year/period. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. The investment properties are within level 3 of fair value hierarchy as of 31 December 2016 and 2015.

As at 31 December 2016 and 2015, the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is not material.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Beginning balance	195,243	2,131
Acquisitions	123,050	292,820
Disposals	(121,454)	(184)
Net fair value change through other comprehensive income	9,669	(9,983)
Net realised loss on redemption of available-for-sale financial assets (Note 7)	(78,705)	–
Impairment losses on available-for-sale financial assets recognised in profit or loss	–	(89,541)
Currency transaction differences	(6,551)	–
Ending balance	121,252	195,243
Less: Non-current portion	–	(102,423)
Current portion	121,252	92,820

Available-for-sale financial assets include the following:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Private funds (note (a))	–	101,170
Structured deposits (note (b))	119,619	92,820
Listed equity securities in Hong Kong, at fair value (Note 23(a))	1,633	1,253
	121,252	195,243

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

notes:

(a) The Group invested in the following private funds during the year ended 31 December 2016.

Funds	Fair value at 31 December 2015	Redemption of funds	Net realised loss on available-for-sale financial assets (Note 7)	Fair value change through other comprehensive income	Fair value at 31 December 2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Quantum Advantage	18,588	4,899	13,689	–	–
Quantum Enhanced	30,711	18,232	21,768	(9,289)	–
Taiping Quantum China Opportunities	19,071	297	18,774	–	–
Taiping Quantum Prosperity	16,387	7,959	8,428	–	–
Taiping Quantum Strategic	16,413	367	16,046	–	–
Total	101,170	31,754	78,705	(9,289)	–

As at 31 December 2016, all of the private funds listed in the above table have been redeemed. The Group has recorded the outstanding receivables in relation to redemption of private funds in other receivables (Note 21(c)).

The Group invested in the following private funds during the nine months ended 31 December 2015:

Funds	Investment cost	Fair value at 31 December 2015	Impairment losses	Fair value change through other comprehensive income
	HK$'000	HK$'000	HK$'000	HK$'000
Quantum Advantage	40,000	18,588	21,412	–
Quantum Enhanced	40,000	30,711	–	9,289
Taiping Quantum China Opportunities	40,000	19,071	20,929	–
Taiping Quantum Prosperity	40,000	16,387	23,613	–
Taiping Quantum Strategic	40,000	16,413	23,587	–
Total	200,000	101,170	89,541	9,289

For the nine months ended 31 December 2015, fair value of four out of five funds as listed in the above table declined more than 50% below its cost and hence impairment losses were recognised.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

notes: (continued)

(b) The structured deposits represent principal-guaranteed short-term deposit products maintained by the Group for generating interest income on a rolling basis. These structured deposits mainly invest in bonds or monetary market instruments with higher credit ratings and higher liquidity in the inter-bank market, including but not limited to assets such as treasury bonds, central bank bills, financial bonds, bond repurchases and inter-bank deposits. However, they do not have any conversion feature which converts any part of the structure deposits into any of the underlying assets or other equity or debt securities or instruments.

As at 31 December 2016, the structured deposit of HK$119,619,000 (equivalent to RMB107,000,000) represents one wealth management product with an expected annual yield rate of 3.7% maintained in Changsha Branch of China Construction Bank Corporation in the PRC by the Group. During the term of investment from 16 December 2016 to 16 February 2017 (62 days), the principal subscription amount can only be withdrawn at maturity and can be transferred to or taken out by a third party willing to take up the placement.

As at 31 December 2015, the structured deposit of HK$92,820,000 (equivalent to RMB78,000,000) represents one wealth management product with an expected annual yield rate of 3.2% maintained in Shanghai Branch of China Construction Bank Corporation in the PRC by the Group. During the term of investment from 13 November 2015 to 20 January 2016 (68 days), the principal subscription amount can only be withdrawn at maturity and can be transferred to or taken out by a third party willing to take up the placement.

18 INTANGIBLE ASSETS

	Computer software HKD'000
Nine months ended 31 December 2015	
Opening net book amount	–
Additions	41
Closing net book amount	41
At 31 December 2015	
Cost	41
Accumulated amortisation	–
Net book amount	41
Year ended 31 December 2016	
Opening net book amount	**41**
Additions	**886**
Amortisation charge	**(12)**
Currency translation differences	**(29)**
Closing net book amount	**886**
At 31 December 2016	
Cost	**897**
Accumulated amortisation	**(11)**
Net book amount	**886**

The Group's amortisation charges of intangible assets have all been included in administrate expenses.

19 OTHER NON-CURRENT ASSETS

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Prepayments for leasehold land in Hangzhou (note (a))	**–**	36,416
Prepayments for leasehold land in Hengyang (note (b))	**–**	11,781
Others	**–**	152
Total	**–**	48,349

notes:

(a) The Group acquired a parcel of land located in Hangzhou, Zhejiang Province for future development of plant with total consideration of approximately HK$36.4 million. As at 31 December 2015, approximately HK$36.4 million had been paid. The land use right certificate was subsequently obtained on 13 January 2016, and therefore the related prepayment amount was transferred to land use rights in 2016.

(b) The Group acquired a parcel land located in Hengyang, Hunan Province for future development of plant with total consideration of approximately HK$58.9 million. As of 31 December 2015, approximately HK$11.8 million had been paid. The land use right certificate was obtained on 4 May 2016, and therefore the related prepayment amount was transferred to land use rights in 2016.

20 INVENTORIES

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Raw materials	**11,343**	–
Finished goods	**3,999**	–
Low value articles	**150**	–
Work in progress	**975**	–
	16,467	–

The cost of inventories recognised as expense and included in 'Cost of sales' amounted to HK$13,288,000 (2015: Nil).

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Trade receivables	**35,124**	579
Notes receivable	**4,099**	–
Less: Provision for impairment of trade receivables	**(472)**	(579)
Total receivables, net	**38,751**	–
Earnest money for acquisition of certain properties located in Shenzhen (note (a))	**–**	72,000
Earnest money for acquisition of a Shanghai property company (note (b))	**28,000**	28,000
Other receivables in relation to redemption of private funds (note (c))	**23,795**	–
Value-added tax recoverable	**44,362**	–
Amount due from a related party (Note 34(c))	**2,207**	–
Deposits	**4,625**	3,516
Prepayments	**4,274**	2,329
Others	**4,511**	1,200
	150,525	107,045
Less: Provision for impairment of other receivables (notes (a) & (b))	**(30,000)**	(72,000)
	120,525	35,045

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

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
More than 2 years	**472**	579

The maximum exposure to credit risk as at 31 December 2016 and 2015 is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral security against the receivables.

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

As at 31 December 2016 and 2015, the fair value of trade and other receivables approximate their carrying amounts.

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

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
HK dollar	**26,340**	34,560
Renminbi	**94,185**	485
	120,525	35,045

notes:

(a) On 26 February 2014, the Group (as purchaser) entered into a non-legally binding framework agreement (as supplemented by four supplemental framework agreements dated 23 May 2014, 22 August 2014, 25 November 2014 and 30 December 2014) with Mr. Liu Shu (as vendor) relating to a possible acquisition of certain properties in Shenzhen, the PRC by the Group at a consideration to be determined with reference to the finalised market value of such properties, which shall be satisfied in the combination of cash, consideration shares, promissory notes and/or convertible notes of the Group; and the cash portion of which shall not be less than HK$300 million. Subsequently, a total of HK$72 million was paid to the vendor as refundable earnest money. As no formal agreement was entered into by the long stop date on 25 February 2015, the framework agreement (as supplemented by the four supplemented framework agreements as mentioned above) lapsed on 25 February 2015. As at 31 December 2015, the above-mentioned earnest money owed to the Group by Mr. Liu Shu was fully impaired. In late 2016, the earnest money in the amount of HK$72 million has been fully refunded to the Group pursuant to agreements entered into among the Company, Mr. Liu Shu, a third party paying on behalf of Mr. Liu Shu, and Jiayao Global Investments Limited ("Jiayao") (the parent company of the Company). According to the agreements, Jiayao only acted as an intermediary who received the amount from the third party on behalf of the Company. The full amount of HK$72 million had been transferred from Jiayao to the Company within in a short period of time and no direct benefits were taken by Jiayao under such arrangement. Accordingly, the entire amount of the above-mentioned earnest money was recovered by the Group and the impairment loss previously recognised was reversed in late 2016.

(b) On 24 December 2014, the Group entered into a non-legally binding framework agreement with Greenland Holding Group Company Limited ("Greenland") relating to a possible acquisition of the entire equity interest of Jinhong Property Development Limited (金鴻置業有限公司) by the Group. Subsequently, a total of HK$28 million was paid to Greenland as refundable earnest money. On 8 March 2016, the Group had decided not to proceed with the possible acquisition and the framework agreement had lapsed pursuant to its terms. In 2016, the Group recognised HK$21 million impairment loss for the above mentioned earnest money after unsuccessful claim for such refund for an extended period of time. On 10 February 2017, the Group filed lawsuits against Greenland to collect the amount. The outcome of the legal claim is dependent on the future outcome of continuing legal processes and the counterparties' circumstances. As of the financial statement issuance date, the lawsuit is still in process.

(c) This refers to outstanding redemption proceeds in relation to private funds redeemed by the Group during the year. Subsequent to 31 December 2016, the Company had collected HK$5,564,000 outstanding receivables, with HK$18,230,000 remained outstanding as of the financial statement issuance date. On 24 November 2016, the Company filed a lawsuit against Quantum Enhanced Fund ("QEF") to recover HK$18,230,000 outstanding principal and its related costs and interest expense. In 2016, the Group recognised HK$9 million impairment loss for the principal amount redeemable from QEF due to the unfavourable response after repeated requests. On 13 February 2017, a court judgement was entered against QEF in favour of the Company. However, as QEF has not responded to the statutory demands and the court judgement as of the date hereof, the Company considered that the outstanding principal may not be collected in full.

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Movements in provision for impairment of trade and other receivables and prepayments are as follows:

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Opening balance	**72,579**	984
Additional provision for receivable impairment	**30,000**	72,000
Recovery of trade and other receivables (Note 7)	**(72,026)**	(405)
Currency transaction differences	**(81)**	–
Ending balance	**30,472**	72,579

The creation of provision for impairment of receivables have been included in "Impairment loss on other receivables" in the consolidated statement of profit or loss and other comprehensive income. The recovery of provision for impairment of receivables have been included in "Other losses – net" in the consolidated statement of profit or loss and other comprehensive income.

22 PARTICULARS OF SUBSIDIARIES

(a) The following is a list of the principal subsidiaries at 31 December 2016:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Benelux Property Development (Shanghai) Limited	China, limited liability company	Property development	USD5,000,000	100%	100%	–
Sunshine Universal Development Ltd	BVI, limited liability company	Inactive	USD1	100%	100%	–
Perfect Gold Investments Ltd	Hong Kong, limited liability company	Inactive	HKD2	100%	100%	–
東南(山東)置業有限公司	China, limited liability company	Property development	RMB15,000,000	–	100%	–

22 PARTICULARS OF SUBSIDIARIES (continued)

(a) The following is a list of the principal subsidiaries at 31 December 2016: (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Shangheng Ltd	BVI, limited liability company	Property management	USD1	100%	100%	–
Commit Glory Investments Ltd	Hong Kong, limited liability company	Development and sale of properties	HKD1	–	100%	–
住優建築科技(上海)有限公司	China, limited liability company	Construction industrialization	HKD200,000,000	–	100%	–
Giant Achiever Development Ltd	Hong Kong, limited liability company	Asset operation and management	HKD1	–	100%	–
Fame Glory Investments Ltd	Hong Kong, limited liability company	Development and sale of properties	HKD1	–	100%	–
Noble Walk Ltd	BVI, limited liability company	Development and sale of properties	USD1	100%	100%	–
Noble Tide Ltd	BVI, limited liability company	Development and sale of properties	USD1	100%	100%	–
廣東中民築友科技有限公司	China, limited liability company	Construction industrialization	HKD200,000,000	–	100%	–
Zheyou Investment Limited	Hong Kong, limited liability company	Development and sale of properties	HKD10,000	100%	100%	–
Guiyou Investment Limited	Hong Kong, limited liability company	Construction design and consulting	HKD10,000	100%	100%	–
中民築友科技(江蘇)有限公司	China, limited liability company	Construction industrialization	HKD200,000,000	–	100%	–

22 PARTICULARS OF SUBSIDIARIES (continued)

(a) The following is a list of the principal subsidiaries at 31 December 2016: (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
浙江中民筑友科技有限公司	China, limited liability company	Construction industrialization	HKD200,000,000	–	100%	–
中民筑友科技(衡陽)有限公司	China, limited liability company	Construction industrialization	HKD100,000,000	–	100%	–
中民筑友科技投資有限公司	China, limited liability company	Construction industrialization	HKD1,530,000,000	–	100%	–
中民筑友科技(佛山)有限公司	China, limited liability company	Construction industrialization	HKD100,000,000	–	100%	–
中民筑友科技(合肥)有限公司	China, limited liability company	Construction industrialization	HKD95,000,000	–	100%	–
中民筑友房屋科技有限公司	China, limited liability company	Construction industrialization	RMB50,000,000	–	100%	–
中民筑友(長沙)綠建科技有限公司	China, limited liability company	Construction industrialization	HKD1,108,000,000	–	51%	49%
中民筑友建筑科技（昆山）有限公司	China, limited liability company	Construction industrialization	RMB50,000,000	–	100%	–
湖南中民筑友科技信息有限公司	China, limited liability company	Construction industrialization	HKD200,000,000	–	100%	–
惠州中民筑友科技有限公司	China, limited liability company	Construction industrialization	RMB40,000,000	–	100%	–

22 PARTICULARS OF SUBSIDIARIES (continued)

(b) Companies excluded from consolidation:

As reported in previous years, a claim was brought in July 1998 against Benelux Manufacturing Limited (in liquidation) ("BML") in which the Company has a direct wholly owned interest but not treated as a subsidiary, by its sub-contractor, Shenzhen Benelux Enterprise Co., Limited ("SBEC"), alleging that BML was liable for the payment of approximately HK$38 million, comprising charges in connection with the processing and assembling work rendered by SBEC and the breach of an alleged loan agreement relating to certain alleged letters of credit. SBEC further alleged that the Company had granted a guarantee to SBEC in respect of the alleged BML's indebtedness to SBEC (the "Purported Guarantee") in/around January 1999. Notwithstanding the allegation, SBEC has not initiated any proceedings against the Company based on the Purported Guarantee. BML was put into compulsory liquidation on 28 April 2000.

The directors of the Company have given due and careful consideration of the impact of the liquidation of BML on the Group's operations and financial position and are of the opinion that it will not have a material adverse effect on the Group. As BML was put under severe restrictions which significantly impaired control by the Company over BML's assets and operations, the directors of the Company have decided to exclude BML and the interest of BML from the consolidated financial statements from the date of appointment of the provisional liquidators since 2000.

Details of the companies excluded from consolidation as at 31 December 2016 and 2015 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid-up capital/ capital contribution	Effective equity interest held before liquidation	Principal activities
Direct interest:				
Benelux Manufacturing Limited (note (i))	Hong Kong	Ordinary HK$100 Non-voting deferred HK$5,000,000	100%	Liquidation in 2016
Indirect interest:				
Prime Standard Limited (note (ii))	Hong Kong	Ordinary HK$100,000	90%	Ceased operations
P.T. Beneluxindo (note (iii))	Indonesia	Ordinary US$10,000,000	100%	Ceased operations

22 PARTICULARS OF SUBSIDIARIES (continued)

(b) Companies excluded from consolidation: (continued)

notes:

(i) Benelux Manufacturing Limited (in liquidation) ("BML") is excluded from consolidation because of severe restrictions which significantly impaired control by the Group over BML's assets and operations.

(ii) Prime Standard Limited ("PSL") which is a subsidiary of BML, is excluded from consolidation because the Group's control over PSL has been significantly impaired following the appointment of provisional liquidators to BML.

(iii) P.T. Beneluxindo ("PTB") which is a wholly owned subsidiary of BML, is excluded from consolidation because the Group's control over PTB has been significantly impaired following the appointment of provisional liquidators to BML.

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Equity securities, at fair value		
– Listed in Hong Kong	**44,968**	90,169

Financial assets at fair value through profit or loss are presented within 'Operating activities' as part of changes in working capital in the consolidated statement of cash flows (Note 32).

Changes in fair value of financial assets at fair value through profit or loss are recorded in 'Other losses – net' in the consolidated statement of profit or loss and other comprehensive income (Note 7).

The fair value of all equity securities is based on their current bid prices in an active market.

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Beginning balance	**90,169**	70,384
Acquisitions	**21,612**	116,394
Disposals	**(39,669)**	(91,698)
Net fair value loss on financial assets at fair value through profit or loss (Note 7)	**(27,144)**	(4,911)
Ending balance	**44,968**	90,169

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

note:

(a) As at 31 December 2016, the Group had available-for-sale investments and financial assets at fair value through profit or loss with a market value of HK$1,633,000 and HK$44,968,000 respectively, representing the investment portfolio as follows:

Stock code	Name of investee company	Nature of Investment	Number of shares held as at 31 December 2016	Percentage of total share capital owned by the Group as at 31 December 2016	Investment cost	Market value as at 31 December 2016	Percentage to the Group's net assets as at 31 December 2016	Net fair value gain/(loss) for the year ended 31 December 2016
					HK$'000	HK$'000		HK$'000
Available-for-sale investments (Note 17)								
1171.HK	Yanzhou Coal Mining Company	Listed shares	100,000	0.01%	1,502	529	0.03%	167
1898.HK	China Coal Energy Company Limited	Listed shares	300,000	0.01%	4,516	1,104	0.06%	213
	Total				6,018	1,633	0.09%	380
Financial assets at fair value through profit or loss								
1106.HK	Sino Haijing Holdings Limited	Listed shares	7,000,000	0.07%	1,801	1,302	0.07%	182
1129.HK	China Water Industry Group Limited	Listed shares	13,816,000	0.87%	20,949	17,823	0.93%	(4,697)
404.HK	HSIN Chong Group Holdings Limited	Listed shares	15,000,000	0.26%	15,000	5,325	0.28%	(6,225)
370.HK	China Best Group Holding Limited	Listed shares	57,300,000	0.79%	14,182	10,600	0.55%	(3,438)
8148.HK	Aurum Pacific (China) Group Limited	Listed shares	8,780,000	0.97%	8,247	1,326	0.07%	(8,788)
866.HK	China Qinfa Group Limited	Listed shares	6,940,000	0.28%	1,978	1,464	0.08%	(236)
707.HK	Co-prosperity Holdings Limited	Listed shares	36,000,000	0.90%	8,976	7,128	0.37%	(1,848)
8047.HK	China Ocean Fishing Holdings Limited	Listed shares	–	–	–	–	–	2,194*
1089.HK	Leyou Technologies Holdings Limited	Listed shares	–	–	–	–	–	(698)*
8085.HK	Hong Kong Life Sciences and Technologies Group Limited	Listed shares	–	–	–	–	–	(3,590)*
	Total				71,133	44,968	2.35%	(27,144)

* During the year ended 31 December 2016, the Group disposed these financial assets at fair value through profit or loss with a net realised fair value gain/(loss) as listed in the table above.

Subsequent to 31 December 2016, the Company disposed all of the remaining listed shares recognised as both available-for-sale investments and financial assets at fair value through profit or loss listed in the table above. As of the date these consolidated financial statements are approved for issue, the Group does not hold any listed securities.

24 CASH AT BANK AND ON HAND

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Cash at bank and on hand		
— Denominated in HKD	**605,578**	1,131,354
— Denominated in RMB	**176,147**	50,323
— Denominated in USD	**2,821**	2,921
	784,546	1,184,598

25 SHARE CAPITAL

Authorised shares

	Number of authorised shares
As at 31 March 2015	4,000,000,000
As at 31 December 2015 and 2016	25,000,000,000

Issued shares

	Number of issued shares (at HK$0.1 each)	**Ordinary shares (nominal value)** HK$'000
As at 1 April 2015	3,709,603,000	370,960
Issuance of ordinary shares (note (a))	6,500,000,000	650,000
As at 31 December 2015 and 2016	**10,209,603,000**	**1,020,960**

note:

(a) On 27 May 2015, 6,500,000,000 new shares were allotted and issued to Jiayao at the price of HK$0.2 per share.

All the shares issued during the year/period rank pari passu with the then existing shares in all respects.

26 RESERVES ATTRIBUTABLE TO OWNERS OF THE GROUP

	Notes	Attributable to owners of the Company								
		Share premium HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Convertible bond — equity component HK$'000	Exchange reserve HK$'000	Contributed surplus reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2015		38,570	105	–	17,038	131,166	(211,325)	(24,446)	–	(24,446)
Comprehensive income										
Loss for the period		–	–	–	–	–	(193,209)	(193,209)	–	(193,209)
Other comprehensive income/(loss):										
Changes in fair value of available-for-sale financial assets		–	(9,983)	–	–	–	–	(9,983)	–	(9,983)
Currency translation differences		–	–	–	(10,675)	–	–	(10,675)	–	(10,675)
Total comprehensive income/(loss) for the period		–	(9,983)	–	(10,675)	–	(193,209)	(213,867)	–	(213,867)
Transactions with owners in their capacity as owners										
Issue of ordinary shares		648,320	–	–	–	–	–	648,320	–	648,320
Issue of convertible bond		–	–	45,118	–	–	–	45,118		45,118
Deferred tax liabilities arising from the issuance of convertible bond		–	–	(7,518)	–	–	–	(7,518)	–	(7,518)
Total transactions with owners in their capacity as owners		648,320	–	37,600	–	–	–	685,920	–	685,920
Balance at 1 January 2016		**686,890**	**(9,878)**	**37,600**	**6,363**	**131,166**	**(404,534)**	**447,607**	**–**	**447,607**
Comprehensive income										
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(101,136)**	**(101,136)**	**(162)**	**(101,298)**
Other comprehensive income/(loss):										
Changes in fair value of available-for-sale financial assets	17	**–**	**9,669**	**–**	**–**	**–**	**–**	**9,669**	**–**	**9,669**
Currency translation differences		**–**	**–**	**–**	**(50,159)**	**–**	**–**	**(50,159)**	**6**	**(50,153)**
Total comprehensive income/(loss) for the year		**–**	**9,669**	**–**	**(50,159)**	**–**	**(101,136)**	**(141,626)**	**(156)**	**(141,782)**
Transactions with owners in their capacity as owners										
Capital contribution by non-controlling interest of a subsidiary	27	**44,570**	**–**	**–**	**–**	**–**	**–**	**44,570**	**553,833**	**598,403**
Balance at 31 December 2016		**731,460**	**(209)**	**37,600**	**(43,796)**	**131,166**	**(505,670)**	**350,551**	**553,677**	**904,228**

27 NON-CONTROLLING INTERESTS

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

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
China Minsheng Drawin (Changsha) Technology Company Limited ("CM Changsha")	**553,677**	–

In December 2016, according to the relevant investment agreement, China Minsheng Drawin Co., Ltd., a related party which held 49% equity interest in CM Changsha, injected approximately HK$598.4 million capital assets in CM Changsha as discussed in Note 34 (b).

Summarised financial information on subsidiary with material non-controlling interests

Set out below are the summarized financial information for the subsidiary CM Changsha that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	As at 31 December 2016	As at 31 December 2015
Current		
Assets	**23,521**	–
Liabilities	**(43,630)**	–
Total current net assets	**(20,109)**	–
Non-current		
Assets	**618,192**	–
Liabilities	**–**	–
	618,192	–
Net assets	**598,083**	–

27 NON-CONTROLLING INTERESTS (continued)

Summarised statement of profit or loss and other comprehensive income

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Revenue	**97**	–
Loss before income tax	**(330)**	–
Income tax expense	**–**	–
Other comprehensive income	**–**	–
Total comprehensive loss	**(330)**	–
Total comprehensive loss allocated to non-controlling interests	**(162)**	–
Dividends paid to non-controlling interests	**–**	–

Summarised statement of cash flows

During the year ended 31 December 2016, the subsidiary CM Changsha has no cash transaction. The major non-cash transaction is the assets injected by China Minsheng Drawin Co., Ltd. following the set up of a joint venture as discussed in Note 34(b).

The information above is the amount before inter-company elimination.

28 CONVERTIBLE BOND

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

28 CONVERTIBLE BOND (continued)

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

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Nominal value of the convertible bond	**200,000**	200,000
Less: Equity component	**(45,118)**	(45,118)
	154,882	154,882
Interest expenses	**22,990**	8,340
Professional fees	**(446)**	(446)
Liability component	**(177,426)**	(162,776)
Analysed for reporting purposes as non-current liabilities	**(177,426)**	(162,776)

The fair value of the liability component of the convertible bond as at 31 December 2015 and 2016 approximates its book value. The fair value is calculated using cash flows discounted at a rate based on borrowing rate of 8.9% and are within level 2 of the fair value hierarchy.

29 DEFERRED INCOME TAX

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Deferred tax assets		
– to be recovered after more than 12 months	**594**	-
– to be recovered within 12 months	**-**	-
	594	-
Deferred tax liabilities		
– to be settled after more than 12 months	**(14,352)**	(7,910)
– to be settled within 12 months	**(2,662)**	(2,359)
	(17,014)	(10,269)
Deferred tax liabilities (net)	**(16,420)**	(10,269)

29 DEFERRED INCOME TAX (continued)

The gross movement on the deferred income tax account is as follows:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
At beginning of the year/period	**10,269**	4,251
Income statement charge (Note 11)	**6,685**	(1,263)
Tax charge through equity	**–**	7,518
Currency translation differences	**(534)**	(237)
At end of the year/period	**16,420**	10,269

The movement in deferred income tax assets and liabilities for the year ended 31 December 2016 and the nine months ended 31 December 2015, without taking into consideration the offsetting of balance within the same tax jurisdiction are as follows:

Deferred income tax liabilities

	Fair value gains arising from investment properties HK$'000	**Convertible bond** HK$'000	**Government Grant** HK$'000	**Total** HK$'000
At 1 January 2016	4,127	6,142	–	10,269
Charged/(credited) to profit or loss (Note 11)	57	(2,417)	9,659	6,685
Currency translation differences	(252)	–	(302)	(534)
At 31 December 2016	3,932	3,725	9,357	16,420
At 1 April 2015	4,251	–	–	4,251
Charged/(credited) to profit or loss (Note 11)	113	(1,376)	–	(1,263)
Deferred income tax liabilities arising the issuance of convertible bond	–	7,518	–	7,518
Currency translation differences	(237)	–	–	(237)
At 31 December 2015	4,127	6,142	–	10,269

29 DEFERRED INCOME TAX (continued)

Deferred income tax assets

	Elimination of intra-group unrealised profit HK$'000	Total HK$'000
At 1 January 2016	**-**	-
Charged/(credited) to profit or loss (Note 11)	**(614)**	(614)
Currency translation differences	**20**	20
At 31 December 2016	**(594)**	(594)

At the end of the reporting year, the Group has unused tax losses of approximately HK$141.7 million (31 December 2015: approximately HK$58.5 million) that are available for offsetting against future taxable profits. These tax losses have no expiry dates except for the tax losses of approximately HK$53.9 million (31 December 2015: approximately HK$9.2 million) which will expire at various dates up to and including year of 2021 (31 December 2015: year of 2020). Deferred tax asset arising from the unused tax losses has not been recognised in the consolidated financial statements as, in the opinion of the directors of the Company, it is not probable to determine whether sufficient future profits will be available to utilise the tax losses. In addition, no deferred tax asset was recognised on other items as at 31 December 2016 including mainly impairment provision on other receivables amounted to HK$30 million (31 December 2015: HK$72 million) and impairment provision on available-for-sale financial assets which is nil as at 31 December 2016 (31 December 2015: approximately HK$89.5 million) and, as it is uncertain whether such deferred tax asset can be recovered.

30 TRADE AND OTHER PAYABLES

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Trade payables	**9,015**	1,030
Payable related to acquisition of Guangzhou plant (note (a))	**6,171**	10,974
Accrued payroll	**14,055**	5,701
Accrued tax payable (note (b))	**24,995**	–
Accrued payable for property, plant and equipment construction	**137,429**	–
Technology transfer contract fee (note (c))	**38,144**	–
Amount due to a related party (Note 34(c))	**21,030**	12,614
Interest payable	**294**	–
Others	**5,697**	397
	256,830	30,716

30 TRADE AND OTHER PAYABLES (continued)

notes:

(a) During the nine months ended 31 December 2015, the Group acquired a plant, together with certain equipment in Guangzhou. Total consideration is HK$75,565,000, of which HK$6,171,000 has not yet been paid as of 31 December 2016 (31 December 2015: HK$10,974,000).

(b) As of 31 December 2016, accrued tax payable mainly referred to tax accrued for the formation of a joint venture named as China Minsheng Drawin (Changsha) Technology Company Limited ("CM Changsha") in 2016. During the year ended 31 December 2016, the Company and its related party, China Minsheng Drawin Co., Ltd. ("JV Partner") set up CM Changsha with each party holding 51% and 49% equity interest in CM Shangsha respectively. The Group therefore holds CM Changsha as a subsidiary. As of 31 December 2016, the JV Partner has injected approximately HK$297.7 million land use right (excluding related tax) and approximately HK$298.5 million property, plant and equipment into CM Shangsha. As of 31 December 2016, the Group has accrued approximately HK$22.3 million tax for this transaction mainly including deed tax in accordance with PRC tax laws and regulations.

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

The aging analysis of trade payables and notes payable as at 31 December 2016 and 2015 are as follows:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Less than 1 year	**9,015**	1,030

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

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

31 BORROWING

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Bank borrowing	**42,727**	–

In 2016, one of the Group's subsidiary borrowed a one-year short-term loan of approximately US$5.8 million from a third party bank carrying an annual interest rate of 1.9%. The short term borrowing is guaranteed by the Group's letter of credit of approximately US$6.2 million, which in turn is further guaranteed by HK$46,953,000 restricted cash of the Group as of 31 December 2016.

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in operations

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Profit before income tax	**(90,409)**	(194,755)
Adjustments for:	**–**	–
Depreciation (Note 14)	**2,470**	1,022
Amortisation of land use rights and Intangible assets (Note 8)	**901**	–
Recovery of trade receivables (Note 7)	**(72,026)**	(405)
Fair value gains on investment properties (Note 7)	**(231)**	(453)
Fair value losses on financial assets at fair value through profit or loss (Note 7)	**27,144**	4,911
Losses/(Gains) on disposal of available-for-sale financial assets (Note 7)	**78,705**	(1,394)
(Gains)/losses on disposal of fixed assets	**(1)**	2
Interest expenses (Note 9)	**14,953**	8,340
Interest income on bank deposits (Note 6)	**(5,002)**	(2,464)
Dividend income (Note 6)	**–**	(779)
Impairment loss on other receivables (Note 21)	**30,000**	72,000
Impairment loss on available-for-sale financial assets (Note 17)	**–**	89,541
Operating loss before changes in working capital	**(13,496)**	(24,434)
Increase in inventories	**(14,084)**	–
Increase/(decrease) in trade and other receivables and prepayments	**(91,686)**	1,622
Increase in trade and other payables	**49,522**	18,520
Increase in advances from customers	**1,606**	238
Increase in financial assets at fair value through profit or loss	**18,057**	(24,696)
Cash used in operations	**(50,081)**	(28,750)

(b) Major non-cash transaction

During the year ended 31 December 2016, the major non-cash transaction is the assets injected by China Minsheng Drawin Co., Ltd. following the set up of a joint venture as disclosed in Note 34(b).

33 COMMITMENTS

(a) Capital commitments

As at 31 December 2016 and 2015, capital expenditure contracted for but not yet incurred is as follows:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Property, plant and equipment	**196,280**	57,582
Land use rights	**–**	47,124
	196,280	104,706

(b) Operating lease commitments

As at 31 December 2016 and 2015, the future aggregate minimum rental expenses in respect of certain office buildings held under non-cancellable operating leases are payable in the following periods:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Within 1 year	**18,044**	8,785
1 to 5 years	**17,174**	9,912
	35,218	18,697

(c) Operating lease rentals receivable

As at 31 December 2016 and 2015, the future aggregate minimum rental receipts under non-cancellable operating leases in respect of land and buildings are receivable in the following periods:

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Within 1 year	**–**	252
Over 1 year	**5,523**	–

34 RELATED-PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
China Minsheng Drawin Co., Ltd.	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)
China Minsheng Drawin Construction Co., Ltd.	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)

(b) Transactions with related parties

During the year ended 31 December 2016 and the nine months ended 31 December 2015, the Group has the following related party transactions:

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
(i) Paid on behalf of the Group by		
China Minsheng Drawin Co., Ltd.	–	12,614
(ii) Received on behalf of the Group by		
China Minsheng Drawin Construction Co., Ltd.	**2,207**	–

(iii) Set up of a joint venture

On 3 March 2016, the Group and China Minsheng Drawin Co., Ltd. ("JV Partner") entered into a joint venture agreement to set up a joint venture named as China Minsheng Drawin (Changsha) Technology Company Limited ("CM Changsha") with each party owns 51% and 49% equity interest in the joint venture respectively. The Group holds CM Changsha as a subsidiary. The main operation of the entity is the product of property prefabricated units and building materials. During the year 2016, the JV partner has injected approximately HK$297.7 million land use right, approximately HK$298.5 million property, plant and equipment and approximately HK$2.2 million inventory into CM Changsha in exchange of paid-in capital of HK$511.0 million of CM Changsha with the excess of HK$87.4 million recognised as capital surplus of CM Changsha. As of 31 December 2016, the Group has accrued approximately HK$21.0 million value-added tax payable to the related party for this transaction in accordance with PRC tax laws and regulations.

34 RELATED-PARTY TRANSACTIONS (continued)

(c) Related-party balances

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Amount due from a related party (Note 21)		
China Minsheng Drawin Construction Co., Ltd.	2,207	–
Amount due to a related party (Note 30)		
China Minsheng Drawin Co., Ltd.	21,030	12,614

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

(d) Key management compensation

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

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Salaries and other short-term employee benefits	5,799	4,642
Employer's contribution to pension scheme	18	46
	5,817	4,688

35 EVENTS AFTER THE REPORTING PERIOD

The Group has the following material subsequent events:

On 13 March 2017, the Company and China Minsheng Drawin Construction Co., Ltd.* ("CMDC"), a company established in the PRC and a wholly-owned subsidiary of China Minsheng Jiaye Investment Co., Ltd.* which is the controlling shareholder of the Company, entered into a framework agreement ("Framework Agreement") in relation to (i) the provision of engineering, procurement and construction ("EPC") general contracting services by the CMDC group to the Group for the development of the Group's several technology parks in the PRC ("EPC Service Arrangement"); and (ii) the supply of prefabricated construction components and products by the Group to the CMDC group for construction projects engaged by third party developers or contractors ("Supply Arrangement"). The Framework Agreement is subject to independent shareholders' approval at the special general meeting to be convened on 26 April 2017.

On 17 March 2017 (after trading hours), the Company announced that the Company has made an application to the Shanghai Stock Exchange for the issuance of non-public domestic corporate bonds in the PRC in the maximum principal amount of RMB1 billion (equivalent to approximately HK$1.13 billion) (the "Domestic Bonds") to be issued in multiple tranches over a period of one year on an as-needed basis (the "Proposed Bond Issue"). The Domestic Bonds are proposed to be listed on the Shanghai Stock Exchange and if issued, would have a term of up to three years. Zhongshan Securities Co., Ltd.* (中山證券有限責任公司), an independent third party, will act as the lead manager for the Proposed Bond Issue.

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,724**	3,096
Investments in subsidiaries	**14,271**	14,271
Available-for-sale financial assets	**–**	102,423
Other non-current assets	**–**	350,104
	15,995	469,894
Current assets		
Trade and other receivables and prepayments	**1,166,506**	34,560
Available-for-sale financial assets	**1,633**	–
Cash and cash equivalents	**320,054**	1,031,184
Financial assets at fair value through profit or loss	**44,968**	90,169
	1,533,161	1,155,913
Total assets	**1,549,156**	1,625,807
EQUITY		
Equity attributable to owners of the Company		
Share capital	**1,020,960**	1,020,960
Reserves (note (a))	**344,548**	434,129
Total equity	**1,365,508**	1,455,089
LIABILITIES		
Non-current liabilities		
Convertible bond	**177,426**	162,776
Deferred income tax liabilities	**3,725**	6,142
	181,151	168,918
Current liabilities		
Trade and other payables	**2,497**	1,800
Total liabilities	**183,648**	170,718
Total equity and liabilities	**1,549,156**	1,625,807

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2017 and was signed on its behalf by:

Yin Jun	**Mi Hongjun**
Director	*Director*

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (continued)

note:

(a) Reserve movements of the Company

	Share premium HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Convertible bond — equity component HK$'000	Contributed surplus reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	38,570	105	–	157,955	(252,537)	(55,907)
Loss for the period	–	–	–	–	(185,901)	(185,901)
Other comprehensive income/(loss):						
Changes in fair value of available-for-sale financial assets	–	(9,983)	–	–	–	(9,983)
Total comprehensive loss for the period	–	(9,983)	–	–	(185,901)	(195,884)
Issuance of ordinary shares	648,320	–	–	–	–	648,320
Issue of convertible bond (Note 27)	–	–	45,118	–	–	45,118
Deferred tax liabilities arising from the issuance of convertible bond	–	–	(7,518)	–	–	(7,518)
At 31 December 2015	686,890	(9,878)	37,600	157,955	(438,438)	434,129
Loss for the year	–	–	–	–	(99,250)	(99,250)
Other comprehensive income/(loss):						
Changes in fair value of available-for-sale financial assets	–	9,669	–	–	–	9,669
Total comprehensive loss for the year	–	9,669	–	–	(99,250)	(89,581)
At 31 December 2016	**686,890**	**(209)**	**37,600**	**157,955**	**(537,688)**	**344,548**

Five Year Financial Summary

Summary of the results, assets and liabilities of the Group for the last five years/period is as follows:

	For the year ended 31 March 2013 HK$'000	For the year ended 31 March 2014 HK$'000 (restated)	For the year ended 31 March 2015 HK$'000	For the period from 1 April 2015 to 31 December 2015 HK$'000	**For the year ended 31 December 2016 HK$'000**
Results					
Revenue	732	817	455	347	**37,042**
Loss before income tax	(16,428)	(3,591)	(4,795)	(194,755)	**(90,409)**
Income tax (expense)/credit	(429)	(3,804)	(417)	1,546	**(10,889)**
Loss for the period/year	(16,857)	(7,395)	(5,212)	(193,209)	**(101,298)**
Loss attributable to owners of the Company	(16,857)	(7,395)	(5,212)	(193,209)	**(101,136)**

	As at 31 March 2013 HK$'000	As at 31 March 2014 HK$'000	As at 31 March 2015 HK$'000	As at 31 December 2015 HK$'000	**As at 31 December 2016 HK$'000**
Assets and liabilities					
Total assets	69,826	71,388	352,152	1,672,566	**2,425,233**
Total liabilities	(67,163)	(71,210)	(5,638)	(203,999)	**(500,045)**
Total equity	2,663	178	346,514	1,468,567	**1,925,188**