CMIG Drawin

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

Stock Code: 726

Prefabricate for Quality of Living

2017 ANNUAL REPORT

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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

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

TSANG Ho Pong

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
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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 2017.

During the year, the Group deepened the industrial layout regarding the entire industrial chain of construction industrialisation to steadily support the layout of the technology parks across the country, to continuously strengthen the devotion in scientific research, and to maintain its leading position in the industry. As for the industrial park layout, on top of the six technology parks in Changsha, Kunshan, Huizhou, Hangzhou, Nanjing and Hengyang, which commenced operations last year, two additional technology parks in Hefei and Foshan had reached the state of production to ensure a steady growth of the business. In 2017, in an attempt to run on an asset-light operations model, the Group completed the transfer of premiums of parts of the equity interests of three technology parks in Hangzhou, Nanjing and Pingdingshan during the year. The Group will capitalise on technological advancement to continuously optimise its commercial model as well as enhance its production capacity and product quality, so as to maintain its leading competitiveness in the industry.

In future, the Company will stick to its development path led by advanced technology, continuously facilitating the transformation and upgrade of the industry with intelligent cutting-edge technology. With the supportive policies favoring the industry being introduced from state to local, prefabricated construction industry is ready to take on explosive growth in the next two to three years. Along with the improvement of the layout of the Company's technology parks across the country, as well as the continuous increase of production regions, product delivery capability will lay a solid foundation for the Company's revenue growth. In 2018, the Group planned to add no less than eight new production plants to increase its total capacity. By then, the production capacity of the Company's technology parks will fully cover the eastern, central and part of the western regions. Meanwhile, we will continue to improve the profitability of the Company by optimising our internal operational efficiency and innovating business models.

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 2018

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Strong Market Potential Continued as China Focused on Innovation, Industrial Upgrade and Reforms

It was a very strong year for equities in 2017. There are also clear signals that Euro Zones and Japanese policymakers are withdrawing from their QE stimulus in the near future. While the US Federal Reserve has started to raise interest rates, rates so far have remained at relatively soft-bottom levels throughout much of the world. In our views, we believe the moderate approach in guiding US interest rates hike, as it structured today, is in the right direction to bolster the global resilience and steady economic growth. The recent trade friction between China and the US had pulled major indexes into correction landscape, though the trade policy could take years to affect markets, the two nations are still aggressively dragging their feet on resolving the deal which in large part will do good to the global economy. Many analysts believe the conflict will sooner or later be eased or compromised as long as there is a good chance for them to get back to the negotiating table.

In China, the recent twin meetings of the Chinese People's Political Consultative Conference and the National People's Congress have laid out concrete economic targets and policy tasks for 2018. The core focus has shifted clearly to the supply-side, with an emphasis on innovation, industrial upgrade and reforms. The government will continue to focus on supply-side reforms, pushing for capacity cut, costs reduction and environmental control for businesses, positive to the industry leaders in the upstream sectors. GDP and CPI growth targets are kept at "around 6.5%" and "around 3%" respectively. Stable growth while maintaining basically stable macro leverage level should continue, generating upside to the overall employment and labor wages. On property, China will continue shanty town re-development and "long-term housing mechanism", including construction activities on rental projects and social units, these should help to increase our PC sales opportunities and market penetration.

Accelerating the Pace of Prefabricated Construction Across the Country

The Company is the first listed enterprise under China Minsheng Investment Corp. Ltd., focusing on the modernisation of construction industry in China. With its development of over three years, its concentration on the research and operations prefabricated construction industrial chain has made it equip with leading industrial and technological capabilities. With its increasing brand influence, the expanding market development, the effectiveness of the promotion of our featured products is significant. We have five major construction industrialised technology systems which lead the industry, with nearly 500 patent applications. The Group aims at products innovation and industry layout towards the national strategies of the construction supply side reform, made in China 2025, lifting the poor out of poverty through relocation, and the "Belt and Road" initiative. We have established the construction of green construction technology parks and prefabricated construction items across 18 provinces/municipalities and 29 cities including Changsha, Shanghai, Nanjing, Hangzhou, Huizhou, Foshan, Hengyang and Qingdao, and have started to cooperate with countries along the "One Belt, One Road" regions including Mongolia and South Africa, building up the technological export of construction work industry.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

Favorable Policies in Support of Prefabricated Construction

Green development, green planning and a green low-carbon economy have become part of the national strategies of Thirteenth Five-Year Plan of China. In recent years, the government has been actively promoting prefabricated construction and applying industrialised construction technologies in the construction of buildings, such that many policies are being introduced in various regions. According to the *Certain Opinions on Further Strengthening the Urban Planning and Construction Administration Work* (《關於進一步加強城市規劃建設管理工作的若干意見》) released by the State Council in February 2016, the central government had stated that it would strive to achieve that 30% of new buildings shall be constructed by using prefabricated units within the next 10 years or so. In September 2016, the *Guidance* on *Significantly Developing Prefabricated Construction* (《關於大力發展裝配式建築的指導意見》) was released by the State Council, which stated that the a cluster of cities including Beijing-Tianjin-Hebei region, Yangtze River Delta region, Pearl River Delta region would be the key regions for the implementation and development of prefabricated construction. As of now, quite a number of provinces and cities in China have launched the policies in favor of developing prefabricated construction, including the implementation of specific targets, increasing finance and taxation concession, providing funding subsidies, reduction of special funds, and requiring newly-granted land to be built by prefabricated construction.

	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 concrete 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 emphasises on pushing forward construction modernisation, such as promoting intelligent and prefabricated buildings, strengthening the technology R&D and its application and enhancing design standard.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

Favorable Policies in Support of Prefabricated Construction (continued)

	Key Policies Highlights at National Government Level
2017.03	The Action Plan of Prefabricated Construction under the "Thirteenth Five-Year Plan" (《"十三五"裝配式建築行動方案》), the Administrative Measures of Prefabricated Construction Model City (《裝配式建築示範城市管理辦法》) and the Administrative Measures of Prefabricated Construction Industry Base" (《裝配式建築產業基地管理辦法》) were formulated by MoHURD, which further specified the work objectives by phases, implemented the key tasks, and strengthened the protection measures. It was determined that, by 2020, the proportion of the national prefabricated construction in new buildings will reach over 15%, of which the major promotion areas will reach over 20%.
2017.05	The Integrated Work Plan for Energy-Saving and Emission Reduction under the "Thirteenth Five-Year Plan" (《"十三五"節能減排綜合工作方案》) was issued by the State Council, which indicated that, by 2020, the proportion of urban green construction area in new construction areas will be increased to 50%. The Company will implement the green construction development plan across the industrial chain, promote green construction method as well as energy-saving building materials, and prefabricated construction and steel structure constructions.
2017.05	The Thirteenth Five-Year Plan for Construction Industry (《建築業發展"十三五"規劃》) was issued by MoHURD, which indicated that, by 2020, the proportion of urban green construction in new constructions will reach 50%, the newly full renovated residential area will reach 30%, and the proportion of green building materials used will reach 40%. The proportion of prefabricated construction area in new construction area will reach 15%.
2017.06	The national standards of Technology Standards for Prefabricated Construction With Wood Structure (《裝配式木結構建築技術標準》), the Technology Standards for Prefabricated Construction With Steel Structure (《裝配式鋼結構建築技術標準》), and the Technology Standards for Prefabricated Construction with Concrete (《裝配式混凝土建築技術標準》) was issued by MoHURD. These three industrial technology standards of prefabricated construction will play a effective regulatory and guiding role to promote the sound, rapid and sustainable development of prefabricated construction in our country.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

Favorable Policies in Support of Prefabricated Construction (continued)

	Key Policies Highlights at National Government Level
2017.08	The Housing Urban and Rural Construction Science and Technology Innovation under "Thirteenth Five-Year" Special Plan (《住房城鄉建設科技創新"十三五"專項規劃》) was issued by MoHURD, which aimed at developing the structure, peripheral protection, equipment and pipelines, interior integration design theory and technology method of prefabricated construction, promoting the structural safety and reliable design of prefabricated construction and evaluating the progress of improvement, conducting research and development of production facilities of the standardised components of prefabricated construction, initially building up the industrial technology system of prefabricated construction for concrete, steel structure and wood structure, to form the integration development application model. The Company also conducted research on product quality certification technology system of prefabrication construction, and conducted research and development on the construction information platform of the design, production, construction, operation and maintenance of prefabricated construction across the entire chain.
2017.09	The Guidance on the Action to Enhance Quality (《關於開展質量提升行動的指導意見》) was promulgated by the State Council, which once again proposed to significantly develop prefabricated construction, and improve the quality and safety performance of the construction parts and components. MoHURD thoroughly implemented the relevant policies introduced by the 19th National Congress of the Party, the central government and the State Council by promulgating the Action Plan of Prefabricated Construction (《裝配式建築行動方案》) and a series of policies to promote prefabricated development.
2017.09	The Notice on Preparing the Work Plan for the National Construction Standard Design in 2017 (《2017年國家建築標準設計編製工作計劃的通知》) was issued by MoHURD, after the introduction of a number of national standards, such as the Technical Standards for Prefabricated Concrete Construction (《裝配式混凝土建築技術標準》), a number of prefabrication related standards were once again included in the plan, indicating that the efforts on promoting prefabrication were only increasing.
2017.11	MoHURD announced the first batch of 30 prefabricated construction model cities and first batch of 195 enterprises as the prefabricated construction industrial base. In order to build up an outstanding pilot model for prefabricated construction, it aimed at laying a solid foundation for the promotion of the sound and rapid development of prefabricated construction, and created a good layout.

Remarks:

MoHURD refers to the Ministry of Housing and Urban-Rural Development

MoIIT refers to the Ministry of Industry and Information Technology

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

Favorable Policies in Support of Prefabricated Construction (continued)

Province/City	Date	Key Policies Highlights at Local Government Level (only the provinces and cities covered by the Group's businesses are listed)
Foshan	2015.12	Issued "Foshan Green Construction 13th Five-Year Plan Draft", which recommended the use of industrialised construction for new residential and social housing projects.
Jiangsu/Nanjing	2016.05	Issued "Measures for Monitoring and Evaluating the Modernisation 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%.
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.
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.
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.
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.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

Favorable Policies in Support of Prefabricated Construction (continued)

Province/City	Date	Key Policies Highlights at Local Government Level (only the provinces and cities covered by the Group's businesses are listed)
Sichuan	2017.06	Issued "Implementation Opinion on Active Development of Prefabricated Construction" (《關於大力發展裝配式建築的實施意見》), requiring the utilisation of prefabricated construction for the investment projects of the Government, driving and encouraging social investment projects to increase the proportion of prefabricated constructions. By 2020, the proportion of new construction area in prefabricated construction in Sichuan Province will reach 30%.
Henan	2017.12	The "Implementation Opinion on Active Development of Prefabricated Construction issued by the General Office of The People's Government of Henan Province" (《河南省人民政府辦公廳關於大力發展裝配式建築的實施意見》), was formally published, which determined the development objectives of prefabricated construction in Henan Province. The proportion of prefabricated construction to new construction areas across the province will reach 20% by the end of 2020, and 40% by the end of 2025.
Hebei	2018.01	Issued the "Implementation Opinion on the Action of Enhancing Quality and Accelerate Quality" (《關於開展質量提升行動加快質量強省建設的實施意見》), which proposed the active promotion of prefabricated construction development, promoting the high degree of integration between green construction and prefabricated construction, driving the transformation and upgrade of the construction industry, fully enhancing construction quality. By 2020, the proportion of new urban green buildings will reach 50%, the proportion of prefabricated construction to new urban buildings will reach 20%, and the utilisation rate of green construction materials will reach above 40%.
Tianjin	2018.01	Issued the "13th Five-Year Development Plan for Tianjin prefabrication buildings" (《天津市裝配式建築「十三五」發展規劃》), which proposed that the proportion of prefabrication buildings to new construction areas across the city will be above 30% by 2020, and the implementation ratio of key promotion regions will reach 100%, establishing a model city for national prefabricated construction.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

Intelligent Design

In April 2017, the internal conference for the Group's iDrawin-BIM (Building Information Model) product was held at Changsha Technology Park. The conference showcased the latest theoretical exploration of artificial intelligence, and its trend of application in the area of industrialised construction. It showed iDrawin-BIM, the key product in the 5MAC system as the key product of the Group's 5MAC technology system. It has solved the localisation problem of foreign BIM softwares occurred in the country. It has also realised the compatibility and control with the manufacture and assemble process, achieving a zero error in design, a 60% reduction in coordination time, a 70% reduction in checklist process, a 80% reduction in manufacturing brief, a 90% reduction in labor budget, and a five-fold increase in overall efficiency, laying a solid foundation for the improvement of the Group's entire industrial chain management level.

《iDrawin-BIM Conference》

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

EMPC Full Industry Chain – General Contracting of Prefabricated Construction Work

The world's first iDrawin 5MAC information technology system, as self-developed by the Group, integrates the smart BIM design, VR, APP, and the management concept of industrial chain synergies. It is the first player to achieve the integration breakthrough based on the entire industry chain (e.g. integrated engineering, manufacturing, procurement and construction) of BIM and EMPC in China. As the research and development on information technology on EMPC industry chain network has proven to be successful, our overall informatisation level in the field is ahead of our peers. On top our informatisation technology, the Company will build up a big data computing platform combining "intelligent design cloud platform, intelligent manufacturing cloud platform, intelligent fabrication cloud platform and big data centre" with "three major platforms in one centre", creating an EMPC project management platform that leads the industry. The EMPC project control centre of the Company is a master control centre with on site construction monitoring and back office digital management and control functions, for the purpose of project management by using informatisation methods. As the projects progress, the Company controls the deviation rate of its project management in a timely and effective manner by conducting big data analysis.

In October 2017, Xiangya Students' Apartment Project in Central South University was successfully completed. The project is an EMPC construction project in which China Minsheng Drawin Construction Co., Ltd. has participated in the design and construction, whereas the prefabricated components of the project are manufactured by the Company. It is also the very first EMPC public construction project using prefabricated construction technology. The project's construction quality was widely accepted, and was ranked as the model prefabricated construction site in Hunan Province.

《Central South University Xiangya Student Apartment Project》

《Central South University Xiangya Student Apartment Project》

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

New Materials

At the end of September 2017, the first decoration board (彩力板) in China with an annual production capacity of 1 million sq.m. was in research and development and testing stage. Decoration board is an exterior wall decoration hanging panels made of ultra-high performance of cementitious composites, which are green and environmentally-friendly construction materials, with the advantages of aesthetic, durable, low water absorption, high duty, light weight and fireproof. It is applicable to all kinds of exterior walls of buildings, such as newly constructed, reformed or expanded. It is an important component of the Group's product systems. It marks the completion of its exterior wall technology system. The competitiveness of the Group's prefabricated construction products in the overall market is further elevated.

In December 2017, the thermal decoration boards, in which the intellectual property right is owned by the Company, have passed the relevant evaluation, and has been successfully listed in the *Promotion and Application Catalogue of Energy-Saving Technologies, Skills, Materials and Equipment of Construction in Hunan Province* (《湖南省建築節能技術、工藝、材料、設備推廣應用目錄》). The Catalogue, compiled and released by the Department of Housing and Urban-Rural Development of Hunan Province, is designed to build a construction system with the characteristics of low-carbon, to guide the promotion and application of building energy-saving technologies, skills, materials and equipment in Hunan Province, to improve the energy-saving technologies and management of construction, and to ensure the quality of construction projects. All products included in the Catalogue are required to have social benefits, with outstanding environmental benefits, excellent in application effect, and favorable response from consumers. With excellent product performance and social benefits, the thermal decorative boards are included successfully. It suggests that the thermal decorative boards will be supported by more policies and receive more market attention through the Promotion and Application Catalogue in the future, It will gain a lot more potential market opportunities, and create new points of growth for profit.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

National layout – Green Construction Technology Park to be Established in 18 Provinces/Municipalities and 29 Cities Across the Country

The Group has plan to establish green technology parks in a total of 18 provinces/municipalities including Guangdong, Zhejiang, Jiangsu, Shanghai, Shandong, Tianjin, Anhui, Hunan, Hubei, Hebei, Henan, Sichuan, Chongqing, Guangxi, Yunnan, Shaanxi, Hainan and Jiangxi.

Among which established cities in operations include Changsha, Hengyang, Hefei, Kunshan, Nanjing, Hangzhou, Huizhou and Foshan, and established cities to be developed and not yet in operations include Chongqing, Chengdu, Xi'an, Tianjin, Qingdao, Pingdingshan, Jiaozuo, Wuhan, Nanning, Kunming, Yuxi, Haikou, Nanchang, Wuxi, Shijiazhuang, Langfang, Huai'an, Xiangtan, Shaoyang, Bengfu and Lu'an.

In the future, the Group intends to establish layout in regions such as Xiamen, Quanzhou, Guiyang and Taiyuan, and to further extend nationalwide layout to 3 provinces in Fujian, Shanxi and Guizhou, enabling the Group to establish green technology parks in 21 provinces/municipalities across the country, so as to continuously improve the nationwide production capacity layout.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

High Technology Platform

《Research institute of construction technology》

The Group positions the prefabricated construction industry as a high-tech manufacturing sector in construction field. The Company has specifically established a construction technology research institute. Under which, there are five professional technical institutes, which are responsible for research and development of the most cutting-edge technologies and common technologies in the world, the promotion of the research and development of specific technologies and its implementation. Through self research and development, the Group has formed five major construction industrialisation technology systems (namely architectural design technology system, new material technology system, intelligent manufacturing technology system, building information technology system and on-site assembling technology system, in which the intellectual property is fully owned by the Company, and leads the industry. As at December 2017, the Company has nearly 500 patent applications.

《Technology system of industrialisation of the five major construction》

As always, the Company focuses on leading the development of the industry and business development by technology innovation. The Company has the most comprehensive scientific research system in the industry, which involves the five major areas of construction systems, new materials, intelligent equipment, digital technology, and engineering. In 2017, once again, we won a number of industry awards: being entitled as "the national advantageous intellectual property enterprise in 2017" by the State Intellectual Property Office, which is the only selected enterprise in prefabricated construction industry; being rate as the "benchmark innovative enterprise of Chinese prefabricated construction industry", which is the first prefabricated construction enterprise being rated successful in the province.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

High Technology Platform (continued)

The Company continues to build up a top-notch scientific research platform in the industry: have been granted as the "Prefabricated Energy-Saving Construction Engineering Research Centre", engaging in the research and development of the prefabricated energy-saving technology and is the only accredited enterprise in the province. In December 2017, the Company was awarded as "Fellow and Expert Workstation" by Changsha Municipal People's Government, which is the major actions of promoting the industry and academic collaboration, introducing and cultivating high level talent of technology, and enhancing the breakthrough of key technologies.

Technological Results

The self-developed wall panels structure system has passed the tests of magnitude 8 rare earthquake in the National Seismic Prevention Laboratory.

In October 2017, the "Versatile Residential Buildings"(「百變住宅」), the Company's innovative products of prefabricated construction, was officially launched. It provides a solution to the personalisation needs of the commodity housing owners, realising the complete openness of the residential living space. The residential versatility can be achieved through the innovation of building structural system, integrated interior system and exterior wall system. By using our self-developed versatile structure system, each unit is a large flat plate (excluding balcony) with no beam nor pillar, achieving the complete openness space within the unit. The idea is to totally return the right of building the interior space to build the right to the home buyers. Even in the same high-rise residential, each owner is able to allocate the space and decorate the layout by different functions according to his personal actual needs, and hence the personal needs of different age groups and different families can be satisfied.

《Drawin Building Technology Conference》

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND PROSPECTS (continued)

Business Prospects

Year 2018 will be a crucial year witnessing the rapid business growth of the Group. The Group will continue to build up the green Technology Parks by way of direct investment or technological license, to continuously improve our production layout nationwide. As our Technology Parks across the country are putting into operations, together with the policies in support of prefabricated construction by national and local governments of all levels, the Group expects that the production capacity of its PC components will increase to approximately 700,000 to 1,000,000 cubic meter. As the sales scale grows, our production capacity will be used effectively.

In 2018, the Group will continue to promote the asset-light operation model to release some of equity interests in Technology Parks to acquire better investment returns. At the same time, the Group will expand its licensing cooperation projects in the areas of policy-intensive and promising market prospects of prefabricated construction, conduct in-depth cooperation with local strong and capable enterprises to jointly promote the transformation and upgrading of the local prefabricated construction.

As of 28 February 2018, our Group has contracted an aggregate of third party sales of prefabricated units approximately RMB565.7 million which are RMB191.5 million already recognised as revenue and RMB374.2 million not yet satisfied the criteria on revenue recognition.

Looking forward, the Group will strive to growing steadily in terms of performance, enhance the management level of the modernised enterprise, further improve its financial and operating performance, and fully guarantee that all shareholders of the Company can enjoy the benefits brought from its performance growth.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Review of Results

The Group was principally engaged in the research and development, design, manufacture and sale of assembled building prefabricated units, licensing and property investment in the People's Republic of China (the "PRC").

Revenue

The revenue of the Group increased by approximately 5.85 times from approximately HK$37.0 million for the year ended 31 December 2016 to approximately HK$216.6 million for the year ended 31 December 2017. The significant increase in revenue were mainly attributable to the numbers of Technology Parks for the manufacturing and sale of prefabricated units increased from two to eight during the year of 2017. The revenue generated from licensing, sales of equipment and consulting services income for the year ended 31 December 2017 which were new revenue stream as compared with the year ended 31 December 2016. As a result, the Group recorded sales revenue for year ended 31 December 2017 of prefabricated units of approximately HK$173.6 million (2016: approximately HK$36.5 million), licensing of approximately HK$32.7 million (2016: Nil), sales of equipment of approximately HK$5.8 million (2016: Nil), consulting service income of approximately HK$2.9 million (2016: Nil) and rental income from investment properties of approximately HK$1.6 million (2016: approximately HK$0.5 million).

Cost of sales

The Group recorded cost of sales of approximately HK$207.6 million (2016: approximately HK$28.7 million) for the year ended 31 December 2017. The increase was primarily attributable by the sales increase of prefabricated units.

Gross profit and gross profit margin

The gross profit of the Group in 2017 was approximately HK$9.0 million, representing an increase of 6.9% from approximately HK$8.4 million in 2016. The gross profit margin decreased to 4.1% in 2017 from 22.6% in 2016, which was mainly attributable to the decrease of average selling price of prefabricated units, the increase in cost of prefabricated units resulting from increase in the raw materials price, and the increase in manufacturing cost due to the fact that new plants were still at the stage of trial production during the year.

Other income

Other income for the year ended 31 December 2017 increased from approximately HK$68.4 million for the year ended 31 December 2016 to approximately HK$69.8 million. Other income mainly comprised of (i) the government subsidies of approximately HK$62.8 million received by eight PRC subsidiaries of the Group; (ii) interest income arose from bank deposits of approximately HK$2.1 million and (iii) sundry income of surcharges return approximately HK$4.9 million.

Other gains/(losses) – net

For the year ended 31 December 2017, other gains (net) amounting to approximately HK$227.6 million mainly comprised of (i) gain on disposal of two subsidiaries amounting to approximately HK$212.3 million; (ii) the recovery of trade and other receivables amounting to approximately HK$30.5 million; (iii) fair value loss on investment properties amounting to approximately HK$16.3 million; (iv) net loss on disposal of investment properties amounting to approximately HK$2.1 million; (v) interest charged on recovered other receivables amounting to approximately HK$1.4 million; (vi) provision for onerous contract amounting to approximately HK$1.9 million and (vii) net realised gain on available-for-sale financial assets amounting to approximately HK$5.8 million.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW (continued)

Review of Results (continued)

Selling and distribution expenses

Selling and distribution expenses of approximately HK$17.4 million (2016: approximately HK$6.5 million) for the year ended 31 December 2017, 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 2017, the administrative expenses increased by 75.1% to approximately HK$159.1 million in 2017 from approximately HK$90.9 million in 2016, which was mainly attributable to the staff costs increased by 39.4% to approximately HK$83.9 million in 2017 from approximately HK$60.2 in 2016 and the remaining increase of approximately HK$44.5 million represented the increase in other general administrative expenses, such as rental expenses, entertainment, travelling expenses and legal and professional fee etc.

Finance costs

Finance costs of approximately HK$17.3 million for the year ended 31 December 2017 represented (i) the effective interest of approximately HK$13.2 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$4.1 million for the three bank borrowings made in 2017.

Liquidity and Financial Resources

The liquidity and financial position of the Group as at 31 December 2017 remained healthy, with cash and bank balances amounted to approximately HK$582.5 million (2016: approximately HK$784.5 million) and a current ratio of 3.3 (2016: 3.6).

As at 31 December 2017, the Group hold three bank borrowings amounted to approximately HK$119.6 million and the gearing ratio (expressed as a percentage of total borrowings over total assets) was 4.2% (2016: 9.1%).

On 6 November 2017, the convertible bond amounting to HK$200 million was fully exercised by the bond owner in exchange of 1 billion ordinary shares at HK$0.2 per share.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

Management Discussion and Analysis (continued)

HUMAN RESOURCES

As at 31 December 2017, the Group had a total of 1,013 (2016: 527) employees excluding the Directors. 1,007 (2016: 521) of them worked in the PRC and 6 (2016: 6) of them worked in Hong Kong.

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

CHARGES ON GROUP ASSETS

As at 31 December 2017, 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 31 to the consolidated financial statements.

LITIGATION

As at 31 December 2017, the Group was not involved in any material litigation threatened against the Group.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yin Jun ("Mr. Yin"), aged 47, 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 general manager and vice chairman of the board of Tianjin China Minsheng Drawin Technology Limited, director and general manager of China Minsheng Drawin Co., Ltd and director of 中住工投資有限公司 (CRIC Ltd*). Before joining the Company, 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 63, 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 47, was appointed as an executive Director on 3 July 2015. Mr. Mi is currently 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) the director of Sunshine City Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000671) from 15 July 2016 to 21 June 2017; (ii) Financial Controller and Secretary of the Board of Minsheng Royal Fund Management Co. Ltd. from 2012 to 2014; (iii) 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; (iv) Chief Financial Officer of Hinge Software Technology Co. Ltd. from 2007 to 2009; (v) Financial Controller of Dayang Technology Development Inc. from 2004 to 2007; (vi) Financial Manager and Financial Controller of 方正數碼有限公司 (Founder Holdings Limited) from 2001 to 2004; (vii) Financial Manager of 北京凌科電信技術有限公司 (Beijing Link Telecom Technology Co., Ltd) from 2000 to 2001; (viii) Financial Manager of China World Trade Centre Co. Ltd. from 1998 to 2000 and (ix) 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.

Biographies of Directors and Senior Management (continued)

NON-EXECUTIVE DIRECTORS

Mr. Chen Donghui ("Mr. Chen"), aged 45, 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 53, 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 39, was appointed as a non-executive Director on 28 June 2016. He was the vice general manager of CMJYI 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).

Biographies of Directors and Senior Management (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Hung, ("Mr. Chan"), aged 45, 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 51, was appointed as an independent non-executive Director on 2 February 2015. 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 Xiongan New Area, Guangdong – Hong Kong – Macau – Bay Area, urban and rural development, urban renewal and health (pension) industry. Mr. Jiang was an executive director of the Hong Kong Life Sciences and Technologies Group Limited (stock Code: 8085) from 1 December 2012 to 29 September 2017. 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 65, 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 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 was an independent non-executive director of China Baoli Technologies Holdings Limited (formerly known as Rex Global Entertainments Holdings Limited, stock code: 164) from 15 July 2015 to 26 September 2017. Mr. Lee is an independent non-executive director of Huatai Securities Company Limited (stock code: 6886) which is listed on the Stock Exchange.

Biographies of Directors and Senior Management (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Ma Lishan ("Mr. Ma"), aged 67, was appointed as an independent non-executive Director on 28 June 2016. He has extensive experience in 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 joint ventures and Great Wall Wine under China Oil & Foodstuff Corporation. From January 1996 to June 2003, 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 of China Foods Limited. From June 2000 to June 2003, 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 (now known as Elife Holdings 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). From September 2010 to August 2012, 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). He was the senior consultant in Hao Tian Development Group Limited from August 2012 to August 2016. From March 2016 to present, he is also an independent non-executive director of SRE Group Limited, a company listed on the Stock Exchange (stock code: 1207). From August 2016 to present, he is an independent non-executive director of Huarong International Financial Holdings Limited, a company listed on the Stock Exchange (stock code: 993).

SENIOR MANAGEMENT

Mr. Yang Hongwei ("Mr. Yang"), aged 52, 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 29 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 Organisation* (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.

Biographies of Directors and Senior Management (continued)

SENIOR MANAGEMENT (continued)

Mr. Yu Dayou ("Mr. Yu"), aged 56, was appointed as chief technology officer of the Company on 1 May 2016. Mr. Yu has over 28 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 Standardisation* (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).

Mr. Pang Zhenghao ("Mr. Pang"), aged 37, was appointed as chief financial officer of the Company on 1 May 2016. Mr. Pang has over 12 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 organised by the The Chinese University of Hong Kong and Tsinghua University.

* for identification purpose only

Corporate Governance Report

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 2017, 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 2017.

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, three non-executive Directors and four independent non-executive Directors, whose biographies are set out on pages 20 to 23 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 2017, 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.

Corporate Governance Report (continued)

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 2017 are as follows:

	Number of meetings attended/held during the respective tenure	
	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)	1/2	5/9
Mr. Chen Domingo (appointed on 5 December 2014)	2/2	9/9
Mr. Mi Hongjun (appointed on 3 July 2015, resigned as Chairman on 3 October 2016)	1/2	7/9
Non-executive Directors		
Mr. Chen Donghui (appointed on 28 June 2016)	0/2	6/9
Ms. Gan Ping (appointed on 28 June 2016)	1/2	8/9
Mr. Zhao Xiaodong (appointed on 28 June 2016)	0/2	6/9
Mr. Zhou Feng (appointed on 3 July 2015 and retired on 12 June 2017)	1/2	1/3
Independent non-executive Directors		
Mr. Chan Chi Hung (appointed on 30 December 2014)	2/2	8/9
Mr. Jiang Hongqing (appointed on 2 February 2015)	1/2	5/9
Mr. Lee Chi Ming (appointed on 30 December 2014)	1/2	7/9
Mr. Ma Lishan (appointed on 28 June 2016)	1/2	9/9

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. Yin Jun, Mr. Mi Hongjun, Mr. Chen Donghui, Ms. Gan Ping, Mr. Zhao Xiaodong, Mr. Zhou Feng, Mr. Jiang Hongqing and Mr. Ma Lishan were unable to attend the special general meeting of the Company held on 26 April 2017.

Due to their respective engagements, Mr. Chen Donghui, Mr. Zhao Xiaodong and Mr. Lee Chi Ming were unable to attend the annual general meeting of the Company held on 12 June 2017.

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.

Corporate Governance Report (continued)

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 an in-house seminar conducted by an international law firm in June 2017. Most of the Directors and certain senior management of the Company attended this seminar accordingly. For the year ended 31 December 2017, 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, three non-executive Directors, and four independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented. The Company may seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the chief executive officer in due course by considering the business needs and developments of the Group.

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

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.

Corporate Governance Report (continued)

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 2017, 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)	3/3
Mr. Chan Chi Hung	3/3
Mr. Lee Chi Ming	2/3
Mr. Ma Lishan	3/3

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 2017.

Corporate Governance Report (continued)

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 (including the skills, knowledge and experience), 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 2017, the Nomination Committee held one meeting 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 (Chairman)	1/1
Mr. Jiang Hongqing	1/1
Mr. Lee Chi Ming	1/1

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 2017, the Remuneration Committee held one meeting 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:

Corporate Governance Report (continued)

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

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

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 2017, 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 minimise material errors in order to provide financial information as accurately as possible.

During the year ended 31 December 2017, 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.

AUDITORS AND AUDITOR'S REMUNERATION

The auditor of the Company for the financial year under review is PricewaterhouseCoopers. During the year ended 31 December 2017, remuneration in respect of audit and non-audit services provided by the auditor of the Company to the Group was approximately HK$1.75 million and HK$66,800 respectively. The non-audit services mainly consist of review and consultancy services.

Corporate Governance Report (continued)

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 2017. 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 62 to 67 of this annual report.

COMPANY SECRETARY

On 14 June 2017, Mr. Tsang Ho Pong was appointed as the company secretary of the Company (the "Company Secretary") to replace Ms. Cheng Ka Yan after her resignation as the Company Secretary on 1 May 2017. 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.

Corporate Governance Report (continued)

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.

Corporate Governance Report (continued)

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 advocating innovation and green growth, the China Minsheng Drawin Technology Group Limited ("the Company" or "we" and together with its subsidiaries, collectively "our Group" or "the Group") has a mission to contribute to the reform of the conventional construction, making it more efficient, less energy intensive and less polluting. We, therefore, have focused our efforts on industrialised construction through the establishment of technology parks and the investment in innovative technology development. The large-scale construction mode with the extensive use of modular design and prefabrication not only reduces labour cost, but also effectively improves safety, enable effective use of resources and minimise impacts to the environment.

The Group is aware of the growing concerns from the stakeholders on issues related to environmental, social and governance ("ESG") issues, and that profit is no longer the only priority to sustain our business. To show our continuous dedication to being accountable to the environment and society, we prepared our ESG report to share our ESG performance covering the Group's core business which includes the six technology parks in Changsha, Hengyang, Huizhou, Kunshan, Hangzhou and Nanjing, our head office and a commercial property in Shandong for the financial year of 2017 ("FY2017"). The ESG report has been prepared in accordance with appendix 27 of the Rules Governing the Listing of Securities set out by the Hong Kong Exchanges and Clearing Limited ("HKEx"), and has been reviewed and approved by the board of directors.

The ESG report was formulated to align with the benefits of industrialised construction, as well as the major concerns from the stakeholders as identified during the stakeholder engagement process, with the following 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 industrialised construction technology system that covers different sections of the industrial chains and has been filed for hundreds of patent applications. We are confident that the modern technology we possess will help improve the quality and effectiveness of construction, as well as reduce carbon emissions to meet the needs of the community.

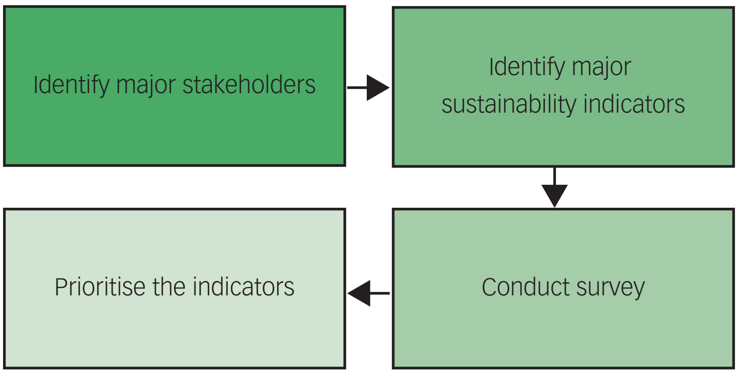
For any comment of this ESG report, please feel free to contact us through email at ir@cmdrawin.com.

Environmental, Social and Governance Report (continued)

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Every stakeholder plays a role in creating sustainable change in our business when applied appropriately. By listening carefully to our stakeholders, we are able to understand how they think of us regarding sustainability, which in turns help us to identify areas where we have to strengthen and improve strategically for living up to their expectations and needs.

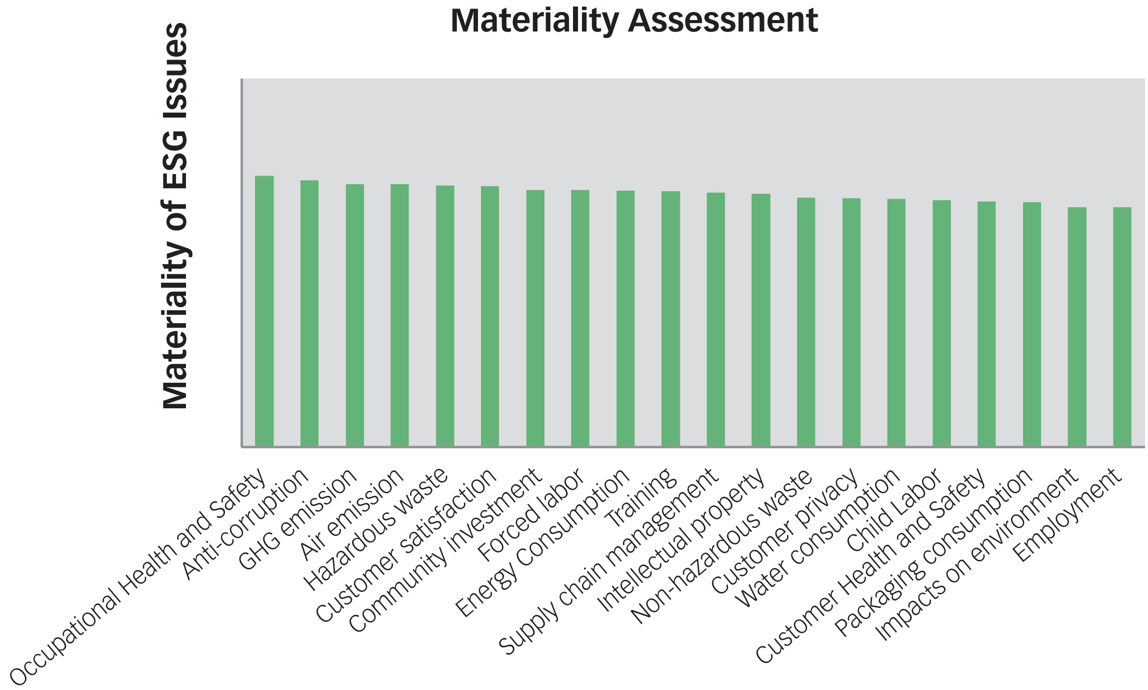
Apart from maintaining regular communication with our stakeholders, we have engaged a third party to create a dedicated online questionnaire where our stakeholders could share their feedback and suggestions on our sustainability performance this year. We have firstly identified five sustainability indicators (protecting the environment; caring for the employees; building ethical operation; managing with suppliers; and engaging with the communities), and then translated these indicators into a total of some twenty sustainability issues. Stakeholders were then invited to rank the sustainability issues based on the importance and relativity to our business operation, and provided suggestions for our continuous improvement. Through this interactive process, different stakeholder groups including the company owners, board of directors, investors, employees, shareholder, suppliers and distributor, customers, regulator, governmental and non-governmental organisation, media and community, are engaged.



Environmental, Social and Governance Report (continued)

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT (continued)

The stakeholder engagement process helps us determine and prioritise the material sustainability issues that are considered important to both our stakeholders and our business operations. According to the priorities of the stakeholders, we have formulated the following materiality assessment graph and identified issues that are considered material, as shown in "bold text" in the table below.



Environment		Employment		Operation	
1	***Air Emission***	9	Employment	15	Customer Health and Safety
2	***Greenhouse ("GHG") Emission***	***10***	***Occupational Health and Safety***	***16***	***Customer Satisfaction***
3	***Hazardous Waste***	11	Employee Training	17	Intellectual Property
4	Non-hazardous Waste	12	Child Labour	18	Customer Privacy
5	Energy Consumption	13	Forced Labour	***19***	***Anti-corruption***
6	Water Consumption	**Supplier Management**		**Community**	
7	Packaging Consumption	14	Supply Chain Management	20	Community Investment
8	Impacts on Environment				

Environmental, Social and Governance Report (continued)

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT (continued)

Following the results of the materiality assessment, we have identified the following material sustainability issues:

i) Our environmental performance in managing air emission, greenhouse gas ("GHG") emission and hazardous waste;

ii) Occupational health and safety of our people; and

iii) Increasing customer satisfaction and working against corruption in our business operation.

Through the survey, it has been clear that our stakeholders have shown their increasing attention to ESG practices, particularly in areas related to our environmental protection and social measures or practices. Precisely these include moving towards green operation by the adoption of renewable energy such as solar and wind energy; providing a decent working environment, as well as talent recruitment and retention; and continuing efforts in research and innovation of product design. With these results in mind, we will strive to continuously improve our performance and to meet the expectations of our stakeholders. The details of our efforts in FY 2017 are presented in the following sections.

OUR ENVIRONMENT

According to the National 13th five-year plan, green development, green planning and a low-carbon economy has been one of the key development directions of China. With our core business in residential building construction, we fully understand our heavy reliance on natural resources and thus we are committed to making a paradigm shift from conventional construction methods to industrialised ones, in order to save energy and resources, for better quality control, and higher productivity. To promote a low-carbon industry, our leading environmentally-friendly prefabrication technology cannot only improve productivity but enhance quality control and save tremendous amount of energy.

Realising the rising concerns from the society over the environmental challenges to our Earth due to resource depletion and climate change, we remain committed to minimising our direct environmental impacts, as well as reducing wastage of energy and other resources for greener and cleaner production.

During the reporting period, no non-compliance cases regarding to the air emission, wastewater discharge and waste disposal were identified.

Environmental, Social and Governance Report (continued)

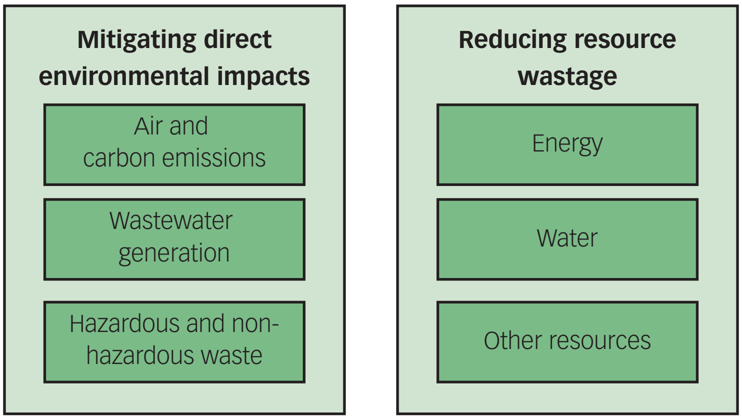
OUR ENVIRONMENT (continued)

Our Environmental Management

Our operating principle of "*giving priority to protection, focusing on preventing, conducting comprehensive treatment*" guides us regarding how to continually improve our environmental performance, in addition to fulfilling the legal requirements.

To achieve environmental sustainability, we manage our operations following the steps and procedures under our "Environmental Management Procedures". These procedures are followed systematically with an aim to make sure that our commitment to environmental protection is highly visible by setting out a Group-level approach for our people to follow. Every year, we identify significant environmental impacts within our operations, set ambitious targets and formulate corresponding control measures to prevent risks from non-compliance, and impacts due to hazardous waste, pollutant emissions, and to reduce resource usage. We are also continuously looking for improvement by listening to the feedback from our people. In response to their concerns, we provide various training to raise the employees' awareness and competence on environmental protection.

Our key directions in promoting green productions go in two main work streams: to mitigate direct impacts on the environment, and to reduce wastage of resources within operations.



Mitigating Direct Environmental Impacts

In our operations, via the extensive use of prefabricated units, our environmental impacts and waste productions have been significantly reduced as compared to traditional construction methods. Nevertheless, during site construction works, there are potential risks that may cause negative impacts to the natural environment. Thus, we emphasise the importance on good management in air, wastewater, as well as hazardous and non-hazardous wastes to keep our impacts to a minimum, as discussed below.

Environmental, Social and Governance Report (continued)

OUR ENVIRONMENT (continued)

Mitigating Direct Environmental Impacts (continued)

Air Emissions

The major type of air pollutant that we produce during the construction of technology parks and within our operation is dust. To prevent or reduce the generation of dust, raw materials such as cement, sand and gravel are transported by covered trucks or in enclosed containers, and are stored in designated areas that are fully enclosed. Water is regularly sprinkled to suppress potential dust emissions at different site areas. A number of systems and facilities for dust suppression are installed as follows:

Baghouse dust collectors	To collect and remove dust before it is emitting to the atmosphere in the mixing stations
Mist system	To maintain the air humidity of the finished product yard, and thus reduce the amount of dust produced in open air area
Water spray nozzle	To keep the moisture on the surface of the sand piles and thus reduce dust generation in sand yard

Welding fumes and cooking fumes are the other pollutants that are produced during our operations. To reduce the impacts due to the use of welding fumes, we opt for less toxic welding rods to minimise the soot concentration and its toxicity. A mechanical ventilation system is also installed to help to properly exhaust the welding fumes. Likewise, filtering systems are installed to help the purification of the kitchen fumes before they are released to the atmosphere at height.

Environmental, Social and Governance Report (continued)

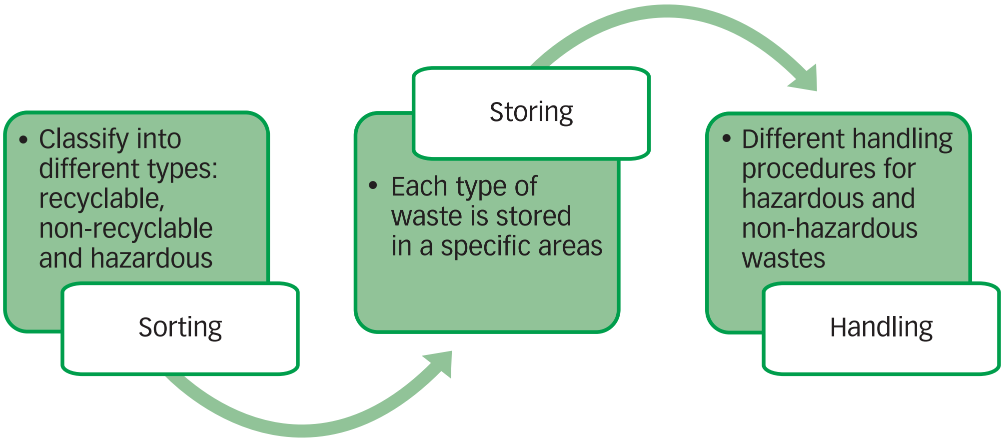
OUR ENVIRONMENT (continued)

Mitigating Direct Environmental Impacts (continued)

Waste Management

To promote waste minimisation at the source, waste that results from construction is mostly recycled and reused wherever possible. Even for the waste that is not suitable for recycling or reusing, they are properly stored and regularly disposed at the designated disposal points. Long-term stacking is not allowed to avoid dust emissions.

We provide clear instructions on how to handle, store and transport our waste during operation:



We inevitably produce some hazardous wastes such as water emulsion and waste oil in our operations. These wastes are stored at a specific storage location with clear labels on the containers, and are regularly collected and handled by a qualified third party.

For non-hazardous waste, we work hard to turn the waste into resources by recycling and reusing. For instance, we collect dust and waste scraps and reuse them back in the production processes, while the scrap and welding slag are sent to the manufacturers for further recycling. Other industrial wastes and domestic waste are stored at designated sites temporary and disposed of properly afterwards.

Water Use and Wastewater Generation

We do not use a significant amount of water during the construction and operation of the technology parks. Wastewater is generated mainly from ground washing in the facilities, equipment and machinery cleaning, vehicle washing and runoff, where suspended solids and oil are produced. To recycle the wastewater generated as much as possible, we have installed sedimentation tanks and grease traps. A "zero industrial water discharge" has been achieved at our Changsha factory where the wastewater generated is treated in the sedimentation tank and reused in the concrete blending and mortar production process.

For domestic wastewater, septic tanks and grease traps are installed for its treatment to make sure the discharged water quality meets with the regulatory standards before discharging them to the local sewage treatment plant.

Environmental, Social and Governance Report (continued)

OUR ENVIRONMENT (continued)

Optimising Resource Consumption

In our daily operational activities, we consume different resources including energy, water and other raw materials, which can lead to an increase in greenhouse gas concentration in our atmosphere and in turn irreversible consequences such as global warming and climate change. The Group is only determined to conserve resources within our operation but also find opportunities to conserve more resources in the future.

Conservation of resource consumption is one of our key priorities within our operations. We strive to implement low-carbon building technologies from product design to actual manufacturing operations. During the conceptual design on how buildings can be constructed and operated to save energy, we put substantial efforts in the development of new technologies in building materials, architectural design and manufacturing. For example, to reduce the amount of energy being used for heating and cooling, we opt for using building materials with better insulation.

We are also exploring new ways to improve energy efficiencies. In our operations, we constantly identify energy saving opportunities. Taking the production process of our technology park in Changsha as an example, we have fully embedded our idea of energy saving and emission reduction into the design. The production hub has been carefully designed, with the length of the pipeline reduced and hence reduces the amount of energy used. This earns us the recognition of level 2 in the national clean production standard.

In order to nurture long-lasting awareness and changes in resource consumption among our employees, we have deployed various awareness tools and activities, such as training and putting posters as well as reminders on conspicuous locations at our workplaces in promoting resource conservation and environmental protection.

Environmental, Social and Governance Report (continued)

OUR ENVIRONMENT (continued)

Optimising Resource Consumption (continued)

This year, we have commenced the measurements and tracking on the impacts of our operational activities to the environment, which further help us identify areas for improvement. Our environmental performance in FY 2017 is summarised as follows:

Greenhouse gas ("GHG") emissions[1]	Unit	FY 2017
Direct emissions ("Scope 1")[2]	Tonnes CO_2e	282.33
Energy indirect emissions ("Scope 2")[3]	Tonnes CO_2e	6,357.00
Other indirect emissions ("Scope 3")[4]	Tonnes CO_2e	40.60
Total GHG emissions	Tonnes CO_2e	6,679.93
Intensity		
Product sold	Tonnes CO_2e/m^3 of products	0.08
Revenue	Tonnes CO_2e/RMB'000	0.04

Resource use[1]	Unit	FY 2017
Consumed electricity	MWh	7,501.86
Energy intensity		
Product sold	MWh/m^3 of products	0.09
Revenue	MWh/RMB'000	0.05
Consumed water	m^3	143,984.21
Water intensity		
Product sold	m^3/m^3 of products	1.80
Revenue	m^3/RMB'000	0.87
Produced waste	Tonnes	114.78
Waste intensity		
Product sold	Tonnes/m^3 of products	0.0014
Revenue	Tonnes/RMB'000	0.0007

1 Our environmental data in FY 2017 included greenhouse gas emissions, energy, water and waste data presented in the environmental performance table. This included our core operations that pose material impacts to the environment.

2 Direct emissions ("Scope 1") only covered the greenhouse gas emissions generated from the combustion of fuels in stationary sources and mobile sources owned by China Minsheng Drawin Technology Group Limited.

3 Energy indirect emissions ("Scope 2") only covered the greenhouse gas emissions generated from the imported electricity.

4 Other indirect emissions ("Scope 3") only covered the greenhouse gas emissions generated from the air business travel by employees.

Environmental, Social and Governance Report (continued)

OUR PEOPLE

We fully rely on our dedicated workforce to help us fulfil our aim to become one of the most competitive players in the industrialised construction industry. With the rapid development of our production hubs over the years, we highly appreciate the importance and contribution from our workforce, and are determined to reward and maintain our talents through provision of attractive remuneration package, a safe working environment and good individual development support. We confirm that there was no violation of applicable laws and regulations on working hours, salary, benefits and other employment matters during the reporting period.

Recruitment and Employee Retention

We believe building the right team and retaining talent is essential to our continual success. To find the best candidate for the job, we have a clear Recruitment Policy under our "Recruitment Management Method" which stresses the priority on the good character and integrity of the potential candidates, and 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. The employment of child and forced labor is strictly prohibited within the Group. During the reporting period, no cases of child and forced labor were observed within the Group.

The Group plays high importance on the voices and well-being of employees and has organised staff communication meetings and various activities to promote work-life balance, and to build a caring environment for our staff. These activities include family day and various sport competitions.

Healthy and Safe Workplace

We strictly adhere to the rules and procedures in our "Occupational Health & Safety Management Procedures" to maintain a healthy and safe working environment for our employees. Upholding our Safety Policy of "Safety First, Prevention the Priority" in our occupational health and safety ("OHS") system, we stress the importance of clear lines of management and responsibilities at different working levels to prevent accidents from occurring at our workplaces.

We are committed to complying with all relevant OHS laws and regulations. All our Technology Parks strictly follow the "Three Simultaneities" principle – the safety and hygiene measures must be in line with national standards, and these measures must be designed, constructed and applied simultaneously with the core works, and irrespective of the nature of works, i.e. new projects, renovated ones or projects under expansion:

Design
Ensure the OHS facilities to be implemented in the project are in line with national or industry standards

Construction
Supervise the construction to ensure the OHS facilities are constructed appropriately and obtain the acceptance for operation

Operation
Conduct the occupational hazard control acceptance check in accordance with the national laws

Environmental, Social and Governance Report (continued)

OUR PEOPLE (continued)

Healthy and Safe Workplace (continued)

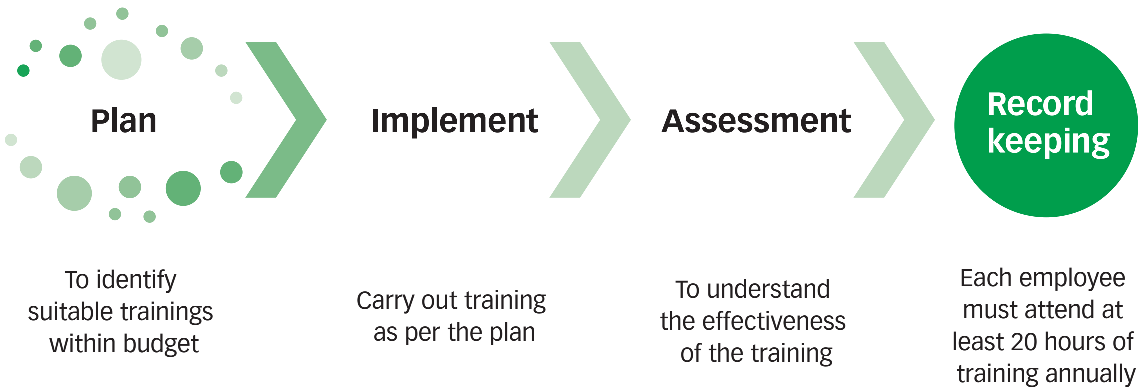
According to our OHS system, annual safety target is set and analysis of safety data is conducted to assess the overall safety performance at each sites. Besides, regular safety meetings are held at a frequency of at least quarterly to manage safety issues, to analyse safety working conditions, to summarise and deploy proper OHS measures at work. Other OHS measures carried out within the Group include conducting health inspection annually for workers who are exposed to toxic and hazardous materials, delivering OHS training, and organising emergency drills on a regular basis to safeguard employees' health and safety.

In 2017, the Group has organised a special "Safety Production Month" with various safety promotion activities, including safety declarations, trainings, emergency drills, competitions, etc, have been carried out to promote safety across the various subsidiaries:

During the reporting period, there were no non-compliance cases identified relevant to laws and regulations on occupational health and safety.

Training and Development

With our rapid 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 needs. In line with our "Training Management Method", we have implemented an effective training system, where training plans are developed for all employees annually, after evaluating the need of our employees and the Group's business development:



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

Environmental, Social and Governance Report (continued)

OUR OPERATION

We strive to provide a one-stop construction solution to our clients, including research and development, design, manufacturing and logistics. By seamlessly performing these connecting segments in one go, in particular, the manufacturing of the desirable building components that we have designed, we can have a much better control over the quality of our products and thus reduce the reliance on external service providers and suppliers, which is proven to be prone to taking more time and resources.

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. Our Quality Management Manual prescribes all the requirements for the production of good quality productions. 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 tests such as compressive strength and structural tests must be conducted. We also follow our "Failed Product Handling Process" to avoid the delivery of defective products to our customers, where any suspicious or unqualified products must be recorded and assessed.

In case of customer complaints, we would follow our "Customer Complaint Handling Process" as part of the Quality Management Manual to conduct analysis and develop corrective action plan promptly. In line with our procedures, a quality discussion meeting will be organised within 24 hours to find out the root cause of the problem, with proper feedback provided to our customers promptly to ensure customer satisfaction.

Supply Chain Management

To source the right machineries and resources, we need to optimise our supply chain which in turn improves the quality of our products. We manage our new and existing suppliers through a comprehensive assessment process following our "Supplier Management Method" and the "Supplier Assessment Rules".

Environmental, Social and Governance Report (continued)

OUR OPERATION (continued)

Product Stewardship (continued)

Supply Chain Management (continued)

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

Innovation and Intellectual Property

With our core strength in technological innovation, we are committed to pursuing and 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.

Five Architecture Science Institute	• Digital Technology Institute • Intelligent Manufacturing Institute • Material Technology Institute • Architecture Technology Institute • Architecture Construction Engineering Technology
Five Construction Industrialisation Systems	• Architectural design technology system • New material technology system • Intelligent manufacturing technology system • Construction information technology system • Field assembly technology system

We will continuously enhance our research and development and design capabilities through collaboration with universities or leading industry enterprises on industrialised construction technology research, and motivate our employees to invent new products by offering financial incentives for patent projects.

Environmental, Social and Governance Report (continued)

OUR OPERATION (continued)

Product Stewardship (continued)

Innovation and Intellectual Property (continued)

Intellectual property ("IP") is considered as one of our most valuable assets within our operation. With over one thousand patents, by closely following our "Patent Management Method" we are fully 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. In particular, for our procurement staff, we have put in place the "Ban for Procurement Staff" requirements in which outline the details the actions that are not allowed. 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.

During the reporting period, there were no cases identified regarding the violation of relevant laws and regulations on anti-corruption.

COMMUNITY

Apart from doing our part by continuously developing industrialised construction to contribute to the sustainable development of the society, where we strive to apply our resources and technical skills to contribute towards the betterment of our society, we strongly believe there is more we can do to further contribute to our community.

We believe we can contribute to education which is the key to development of the society. Collaborated with top universities to conduct researches and projects on industrialised construction technology, we contribute to accelerating the reform of the construction industry, and at the same time providing good opportunities for students to understand the construction industry and industrialised construction. Furthermore, the Group has continued to actively participate in industrial activities which help develop and promote industrialised construction through exchanging ideas and sharing experiences. This also spreads the message of environmental protection to the public.

In 2017, our focus was on the successful operations of the newly commenced technology parks, and the development of further establishments of similar nature in various regions of China. The Group is committed to contributing more to the society, and is in the process of further developing our community investment policy, and will disclose our efforts on community involvement projects in future.

Environmental, Social and Governance Report (continued)

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 Air Emission Guidelines Waste Management Guidelines Wastewater Management Guidelines	Our Environment – Mitigating Direct Environmental Impacts
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Environmental Management Procedures Use of Energy Guidelines Use of Water Guidelines	Our Environment – Optimising Resource
A3 The Environment and Natural Resources	Policies on minimising the operation's significant impact on the environment and natural resources.	Not applicable – the Group's operations do not have significant impacts on the environment and natural resources.	–
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 Method Recruitment Management Method Employee Performance Management Method	Our People – Recruitment and Employee Retention

Environmental, Social and Governance Report (continued)

HKEX ESG REPORTING GUIDE INDEX (continued)

HKEx ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/Reference section
Aspect B Social (continued)			
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	Our People – Healthy and Safe Workplace
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 Method	Our People – 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.	–	Our People – Recruitment and Employee Retention
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Supplier Management Method Supplier Assessment Rules	Our 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 Method	Our Operation – Product Stewardship

Environmental, Social and Governance Report (continued)

HKEX ESG REPORTING GUIDE INDEX (continued)

HKEx ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/Reference section
Aspect B Social (continued)			
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	Our 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

Report of the Directors

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the research and development, design, manufacture and sale of assembled building prefabricated units, licensing and property investment in the PRC.

BUSINESS REVIEW

The Group's revenue is derived primarily from business activities conducted in Hong Kong and the PRC.

A fair review of the Group's business, including the important events affecting the Group that have occurred since the end of 2017 and the likely future developments, is set out in the Business Review and Prospects and Financial Review sections of this Annual Report.

Disclosure related to the Group's environmental policies and performance and relationships with major stakeholders are included in the Environmental, Social and Governances Report.

FINANCIAL RESULTS

The profit and cash flows of the Group for the year ended 31 December 2017 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 68 to 153.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: 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 154.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2017 are set out in Note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

As at 31 December 2017, the Group revalued its investment properties by using the combinations of an income capitalisation approach and a direct comparison approach. The decrease in fair value amounting to approximately HK$16,264,000 (31 December 2016: fair value gain of HK$231,000) has been debited/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.

Report of the Directors (continued)

SHARE CAPITAL

Details of share capital for the year ended 31 December 2017 are set out in Note 25 to the consolidated financial statements.

During the year ended 31 December 2017, the Company has issued 1 billion ordinary shares at HK$0.2 per share due to exercising the convertible bond. All the shares issued during the year rank pari passu with the then existing shares in all respects.

RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 December 2017 are set out in the statement of changes in equity on page 71 and Note 26 to the consolidated financial statements.

CONVERTIBLE BOND

The convertible bond was fully converted into ordinary shares by the bond holders on 6 November 2017. Details of the convertible bond as at 31 December 2017 are set out in Note 28 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2017, 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 2017 and up to the date of this report were:

Executive Directors:
Mr. YIN Jun *(Chairman and Chief Executive Officer)*
Mr. CHEN Domingo
Mr. MI Hongjun

Non-executive Directors:
Mr. CHEN Donghui
Ms. GAN Ping
Mr. ZHAO Xiaodong

Independent Non-executive Directors:
Mr. CHAN Chi Hung
Mr. JIANG Hongqing
Mr. LEE Chi Ming
Mr. MA Lishan

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.

Report of the Directors (continued)

PERMITTED INDEMNITY PROVISION

The Directors and Officers Liability Insurance undertaken by the Company provides an indemnity to all the directors of the Company under which every director will be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto. Such insurance has been in force during the financial year ended 31 December 2017 and as of the date of this report.

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 8 to the consolidated financial statements.

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

As at 31 December 2017, 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 2017.

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.

Report of the Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year ended 31 December 2017 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 2017, 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	5,880,440,000 (note 2)	52.46%
Jiamin (Holding) Investment Limited	Beneficial owner	320,000,000 (note 2)	2.85%
Jianuo (Holding) Investment Limited	Beneficial owner	310,000,000 (note 2)	2.76%
Jiaxin (Holding) Investment Limited	Beneficial owner	305,000,000 (note 2)	2.72%
Jiaheng (Holding) Investment Limited	Beneficial owner	300,000,000 (note 2)	2.68%
Jiacheng (Holding) Investment Limited	Beneficial owner	65,000,000 (note 2)	0.58%
Jialing (International) Investment Limited	Interest of controlled corporation	1,300,000,000 (note 2)	11.59%
Jiayao	Interest of controlled corporation	1,300,000,000 (note 2)	11.59%
Jiaye Summit Global Investment Limited	Interest of controlled corporation	7,180,440,000 (note 2)	64.05%
Jiakai Investment (Shanghai) Co., Ltd	Interest of controlled corporation	7,180,440,000 (note 2)	64.05%

Report of the Directors (continued)

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

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

Name of Shareholders	Capacity	Number of Shares held	Percentage of the Issued Share Capital (note 1)
Tianjin China Minsheng Drawin Technology Limited ("TCMDT")	Interest of controlled corporation	7,180,440,000 (note 2)	64.05%
Jiayou (International) Investment Limited ("Jiayou")	Beneficial owner	109,520,000 (note 2)	0.98%
Jiahuang (Holdings) Investment Limited	Interest of controlled corporation	109,520,000 (note 2)	0.98%
Jiaxin Investment (Shanghai) Co., Ltd.	Interest of controlled corporation	109,520,000 (note 2)	0.98%
China Minsheng Jiaye Investment Co., Ltd. ("CMJYI")	Interest of controlled corporation	109,520,000 (note 2)	0.98%
China Minsheng Investment Corp., Ltd.	Interest of controlled corporation	7,289,960,000 (note 2)	65.03%
Express Master Holdings Inc.	Beneficial owner	1,000,000,000 (note 3)	8.92%
China Orient Asset Management Corporation	Interest of controlled corporation	1,000,000,000 (note 3)	8.92%
Zhu Yuehai	Beneficial owner	1,000,000,000	8.92%

notes:

1. It was based on 11,209,602,920 Shares as at 31 December 2017.

2. Jiayao beneficially owned 5,880,440,000 Shares, representing 52.46% of the issued share capital of the Company. Jiayao'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 11.59% of the issued share capital of the Company. Jiayou beneficially owned 109,520,000 Shares, representing 0.98% of the issued share capital of the Company. Each of Jiayao and Jiayou is a company indirectly and wholly owned by TCMDT and CMYJI respectively, which in turn is 100% and 69.4% owned by China Minsheng Investment Corp., Ltd.

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.

Save as disclosed above, and as at 31 December 2017, 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.

Report of the Directors (continued)

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 2017 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 August 2013, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the New Scheme.

(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.

Report of the Directors (continued)

SHARE OPTION SCHEME (continued)

(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 TRANSACTIONS

EPC Service Arrangement and Supply Arrangement

On 13 March 2017, the Company and CMDC ("China Minsheng Drawin Construction Co., Ltd.* (中民築友建設有限公司), a company established in the PRC and a wholly-owned subsidiary of China Minsheng Jiaye Investment Co., Ltd.* (中民嘉業投資有限公司) ("CMJYI")") entered into the Framework Agreement in relation to (i) the provision of EPC general contracting services by the CMDC Group to the Group for the development of the Group's several technology park in the PRC; and (ii) the supply of prefabricated construction components and products by the Group to the CMDC Group for the construction projects engaged by third party developers or contractors.

Pursuant to the EPC Service Arrangement, the contractual price of EPC general contracting services to be provided by the CMDC Group to the Group should be determined with reference to the estimated costs of a construction project plus a management fee of not more than 3% of the construction costs. As disclosed in the announcement dated 13 March 2017, the Company estimated 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).

Report of the Directors (continued)

CONNECTED TRANSACTIONS (continued)

EPC Service Arrangement and Supply Arrangement (continued)

Pursuant to the Supply Arrangement, the integrated unit price of the prefabricated construction components and products to be supplied by the Group to the CMDC Group should be the prevailing market price of each unit and the quotation of the merchandise provided by the Group should be determined with reference to the estimated costs of each unit plus a profit of not more than a single digit percentage margin of the unit cost. As disclosed in the announcement dated 13 March 2017, the Company is required under Rule 14A.53 of the Listing Rules to set an annual cap over the term of the Framework Agreement. Accordingly, such Proposed Annual Cap over the term of the Framework Agreement has been determined to be RMB476 million (equivalent to approximately HK$536 million).

CMDC is a wholly-owned subsidiary of TCMDT (Tianjin China Minsheng Drawin Technology Limited (天津中民築友科技有限公司)), and therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, each of the EPC Service Arrangement and the Supply Arrangement under the Framework Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the EPC Service Arrangement is capital in nature and one of the applicable percentage ratios in respect of the estimated maximum value of the EPC Service Arrangement over the term of the Framework Agreement exceeds 25% but is less than 100%, the EPC Service Arrangement constitutes a major and connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Further, as the Supply Arrangement is of revenue nature and certain applicable percentage ratios in respect of the Proposed Annual Cap of the Supply Arrangement exceed 5%, the contemplated transactions under the Supply Arrangement constitute continuing connected transactions which are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Report of the Directors (continued)

CONNECTED TRANSACTIONS (continued)

EPC Service Arrangement and Supply Arrangement (continued)

On 26 April 2017, a special general meeting was held. Under the ordinary resolution, shareholders are confirmed, approved and ratify the Framework Agreement dated 13 March 2017 and the transactions contemplated thereunder (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement).

The independent non-executive directors confirmed that they have reviewed the EPC Service Arrangement and Supply Arrangement under the Framework Agreement and confirmed that:

(i) the EPC Service Arrangement and Supply Arrangement was entered into in the Group's ordinary and usual course of business;

(ii) the EPC Service Arrangement and Supply Arrangement was entered into on normal commercial terms or on terms no more favourable than terms available to independent third parties; and

(iii) the EPC Service Arrangement and Supply Arrangement was entered into according to the Framework Agreement governing it on terms that are fair and reasonable and in the interests of Shareholders as a whole.

The Company's external auditor was engaged to report on the continuing connected transactions of the Group under the above EPC Service Arrangement and Supply Arrangement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The external auditor has issued an unqualified report containing its findings and conclusions in respect of the continuing connected transaction of the Group under the EPC Service Arrangement and Supply Arrangement disclosed above in accordance with Rule 14A.56 of the Main Board Listing Rules. The Company provided a copy of the report to the Stock Exchange.

The external auditor of the Company confirmed that nothing has come to their attention that causes them to believe that the continuing connected transactions for the year ended 31 December 2017 under the EPC Service Arrangement and Supply Arrangement:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the price policies of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) have exceed the annual cap as set by the Company.

Report of the Directors (continued)

CONNECTED TRANSACTIONS (continued)

Disposal of China Minsheng Drawin Building Technology Co. Limited

On 26 December 2017, China Minsheng Drawin Technology Investment Co., Limited* (中民築友科技投資有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, and Tianjin China Minsheng Drawin Technology Limited* (天津中民築友科技有限公司), a company incorporated in the PRC with limited liability and the indirect controlling shareholder of the Company, entered into the Sale and Purchase Agreement pursuant to which China Minsheng Drawin Technology Investment Co., Limited agreed to sell, and Tianjin China Minsheng Drawin Technology Limited agreed to purchase, the entire equity interest in our wholly owned subsidiary of China Minsheng Drawin Building Technology Co., Limited* (中民築友房屋科技有限公司) at the consideration of RMB52,020,500. As disclosed in the announcement dated 28 December 2017, such disposal enables the Group to realise cash resources and unlock the value in low-yielding assets held by the Target Company of this disposal at market value.

The above disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

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 2017.

RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group undertaken in the normal course of business are set out in Note 35 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017:

(i) The Group's largest customers and the five largest customers accounted for approximately 17.8% and 50.1% of the Group's total turnover respectively.

(ii) The Group's largest suppliers and five largest suppliers accounted for approximately 4.3% and 16.9% 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.

Report of the Directors (continued)

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 2017 and up to the latest practicable date prior to the issue 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 2018

Independent Auditor's Report

羅兵咸永道

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 68 to 153, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- 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 2017, 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.

Independent Auditor's Report (continued)

pwc 羅兵咸永道

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 matter identified in our audit are summarised as follows:

– Accounting for partial disposal of a subsidiary

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for the partial disposal of a subsidiary	
Refer to notes 7, 18 and 33 to the consolidated financial statements Included in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 is a gain of approximately HK$188 million, resulting from the disposal of the 51% of the equity interests of a subsidiary, Zhejiang China Minshen Drawin Technology ("Zhejiang CM Drawin"), to a third party while the Group retained the remaining 47% of the equity interests upon the completion of the transaction. The Group recognised the related disposal gain when the Group ceased to have control over Zhejiang CM Drawin. The Group's retained interests in the entity was recorded as an investment in an associate, which was remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value of the Group's share of the identifiable assets and liabilities in Zhejiang CM Drawin was determined based on the valuations performed by an independent professional valuer (the "Valuer") engaged by the Group.	We reviewed the legal documents associated with this transaction, including the share purchase agreement and related supplemental agreements (collectively, the "Agreement"), agreed the cash consideration to the Agreement and reviewed the documents evidencing fulfilment of the pre-conditions for this transaction, including the bank receipt record of the partial consideration received in 2017. We evaluated the Valuer's competence, capabilities and objectivity by considering its qualification, relevant experience and relationship with the Group. We assessed the methodologies used by the Valuer in assessing the fair value of the identifiable assets and liabilities of Zhejiang CM Drawin and compared the key inputs of the valuation with our independently formed market expectations. Where we considered necessary, we discussed with the Valuer to understand the estimate and assumptions used in the valuation, and assessed, based on all the available evidence, whether the estimate or assumptions used was justified.

Independent Auditor's Report (continued)

羅兵咸永道

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for the partial disposal of a subsidiary (continued)	
We focused on this transaction because of the significance of the disposal and re-measurement gain to the consolidated net profit of the Group. Furthermore, the initial recognition of the investment in an associate involved certain estimate and assumptions on the fair values attributed to the identifiable assets and liabilities.	We recomputed the gain relating to the partial disposal of Zhejiang CM Drawin. Based on the above procedures performed, we found the estimate and assumptions on the fair values attributed to the identifiable assets and liabilities of Zhejiang CM Drawin was supported by the evidence we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information set out in the Company's 2017 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 biographies, report of the directors, corporate governance report, environmental, social and governance 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 biographies, report of the directors, corporate governance report, environmental, social and governance 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.

Independent Auditor's Report (continued)

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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.

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.

Independent Auditor's Report (continued)

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

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.

- 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.

Independent Auditor's Report (continued)

羅兵咸永道

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

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 Mang Kwong Fung, Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	**Year ended 31 December 2017 HK$'000**	Year ended 31 December 2016 HK$'000
Revenue	5	**216,587**	37,042
Cost of sales	8	**(207,619)**	(28,654)
Gross profit		**8,968**	8,388
Other income	6	**69,797**	68,436
Other gains/(losses) – net	7	**227,622**	(24,879)
Selling and distribution expenses	8	**(17,408)**	(6,531)
Administrative expenses	8	**(159,110)**	(90,870)
Impairment loss on other receivables	21	**–**	(30,000)
Operating profit/(loss)		**129,869**	(75,456)
Finance costs	9	**(17,272)**	(14,953)
Profit/(loss) before income tax		**112,597**	(90,409)
Income tax credit/(expense)	11	**11,224**	(10,889)
Profit/(loss) for the year		**123,821**	(101,298)
Profit/(loss) for the year, attributable to			
– Owners of the Company		**131,719**	(101,136)
– Non-controlling interests		**(7,898)**	(162)
		123,821	(101,298)
Other comprehensive income/(loss), which may be reclassified subsequently to profit or loss			
– Changes in fair value of available-for-sale financial assets		**209**	9,669
– Currency translation differences		**122,141**	(50,153)
Other comprehensive income/(loss) for the year, net of tax		**122,350**	(40,484)
Total comprehensive income/(loss) for the year		**246,171**	(141,782)
Total comprehensive income/(loss) for the year, attributable to			
– Owners of the Company		**253,700**	(141,626)
– Non-controlling interests		**(7,529)**	(156)
		246,171	(141,782)
Earnings/(loss) per share attributable to owners of the Company (expressed in HK$ cents per share)			
– Basic and diluted	13	**1.27**	(0.99)

The notes on pages 73 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**928,708**	718,420
Land use rights	15	**628,458**	534,960
Investment properties	16	**18,543**	35,662
Intangible assets	17	**782**	886
Deferred income tax assets	29	**20,751**	594
Investment in an associate	18	**182,735**	–
		1,779,977	1,290,522
Current assets			
Inventories	20	**78,609**	16,467
Trade and other receivables and prepayments	21	**402,516**	120,525
Available-for-sale financial assets	19	**23,926**	121,252
Financial assets at fair value through profit or loss	23	**–**	44,968
Cash and cash equivalents	24	**582,511**	784,546
Restricted cash		**449**	46,953
		1,088,011	1,134,711
Total assets		**2,867,988**	2,425,233
EQUITY			
Equity attributable to owners of the Company			
Share capital (nominal value)	25	**1,120,960**	1,020,960
Reserves	26	**723,517**	350,551
		1,844,477	1,371,511
Non-controlling interests	27	**560,917**	553,677
Total equity		**2,405,394**	1,925,188

Consolidated Statement of Financial Position (continued)

As at 31 December 2017

	Notes	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible bond	28	–	177,426
Deferred income		23,475	–
Deferred income tax liabilities	29	7,962	17,014
Bank Borrowings	31	101,686	–
		133,123	194,440
Current liabilities			
Trade and other payables	30	266,537	256,830
Advances from customers		22,987	1,844
Current income tax liabilities		22,003	4,204
Bank Borrowings	31	17,944	42,727
		329,471	305,605
Total liabilities		462,594	500,045
Total equity and liabilities		2,867,988	2,425,233

The notes on pages 73 to 153 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 68 to 153 were approved by the Board of Directors on 28 March 2018 and were signed on its behalf by:

Yin Jun
Director

Mi Hongjun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Notes	Attributable to owners of the Company										
		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	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016		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	19	–	–	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
Comprehensive income												
Profit/(Loss) for the year		–	–	–	–	–	–	–	131,719	131,719	(7,898)	123,821
Other comprehensive income/(loss):												
Changes in fair value of available-for-sale financial assets	19	–	–	209	–	–	–	–	–	209	–	209
Currency translation differences		–	–	–	–	121,772	–	–	–	121,772	369	122,141
Total comprehensive income/ (loss) for the year		–	–	209	–	121,772	–	–	131,719	253,700	(7,529)	246,171
Transactions with owners in their capacity as owners												
Exercising of convertible bond		100,000	128,235	–	(37,600)	–	–	–	–	190,635	–	190,635
Disposal of ownership interest in subsidiaries without loss of control		–	–	–	–	–	–	28,631	–	28,631	17,324	45,955
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	(10,274)	(10,274)
Capital contribution by non-controlling interest of subsidiaries	27	–	–	–	–	–	–	–	–	–	7,719	7,719
Balance at 31 December 2017		1,120,960	859,695	–	–	77,976	131,166	28,631	(373,951)	1,844,477	560,917	2,405,394

The notes on pages 73 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Operating activities			
Cash used in operations	32	**(13,271)**	(50,081)
PRC income tax paid		**(7,374)**	(2)
Net cash used in operating activities		**(20,645)**	(50,083)
Investing activities			
Interest received	6	**2,081**	5,002
Proceeds from disposals of investments properties	16	**2,052**	–
Decrease/(increase) in restricted cash		**47,943**	(46,953)
Proceeds from disposals of subsidiaries	33	**47,984**	–
Purchase of available-for-sale financial assets	19	**(1,217,126)**	(123,050)
Proceeds from disposal of available-for-sale financial assets	19	**1,325,342**	97,659
Proceeds from disposal of property, plant and equipment		**–**	17
Purchase of property, plant and equipment (including payments for plant development)		**(487,068)**	(195,635)
Purchase of intangible assets	17	**(530)**	(294)
Recovery of trade and other receivables	21	**19,620**	72,026
Purchase of land use rights		**(100,275)**	(178,495)
Net cash used in investing activities		**(359,977)**	(369,723)
Financing activities			
Proceeds from bank borrowing	31,33	**155,255**	42,727
Bank loan interest paid		**(4,063)**	–
Repayment of bank loan	31	**(42,727)**	–
Sales of equity interests in subsidiaries without loss of control		**38,177**	–
Capital contributions by non-controlling shareholders		**7,719**	–
Net cash generated from financing activities		**154,361**	42,727
Net decrease in cash and cash equivalents		**(226,261)**	(377,079)
Cash and cash equivalents at beginning of the year		**784,546**	1,184,598
Net exchange gain/(loss) on cash and cash equivalents		**24,226**	(22,973)
Cash and cash equivalents at end of the year	24	**582,511**	784,546

The notes on pages 73 to 153 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1 GENERAL INFORMATION

China Minsheng Drawin Technology 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 main board of 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, licensing and property investment in the People's Republic of China (the "PRC").

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

The ultimate parent company of the Company is China Minsheng Investment Corp. Ltd., a company incorporated in the People's Republic of China.

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 years presented, unless otherwise stated.

2.1 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New amendments of HKFRSs adopted by the Group in 2017

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

The adoption of the above new amendments and improvements starting from 1 January 2017 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2017.

(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 2018 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' – Effective for annual periods beginning on or after 1 January 2018
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 Group's available for sale (AFS) financial assets would satisfy the conditions for classification as at fair value through profit or loss (FVPL) and hence there will be no change to the accounting for these assets. And the Group's financial assets currently measured at amortised cost would meet the conditions for classification at amortised cost under HKFRS 9.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 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' – Effective for annual periods beginning on or after 1 January 2018 (continued)

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

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 HKAS39. 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. The Group considers the new model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39.

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 15, 'Revenue from Contracts with Customers'– Effective for annual periods beginning on or after 1 January 2018

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

HKFRS 15, 'Revenue from Contracts with Customers'– Effective for annual periods beginning on or after 1 January 2018 (continued)

Management has assessed the effects of applying the new standard on the Group's financial statements and the Group does not expect the new guidance to have a significant impact:

Presentation of contract assets and liabilities – Reclassifications shall be made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15.

Accounting for revenue from sales of prefabricated units – Currently, revenue from sales of prefabricated units is recognised when the risk and rewards of the prefabricated units are transferred to the customers, which is when the group entity has delivered to the customers. There would not have significant impact under HKFRS 15 for revenue from sales of prefabricated units which the performance obligation was satisfied at a point in time when the group entity has delivered to the customers. Although prefabricated units are customised for each project, revenue will not be recognised over time due to the Group does not have an enforceable right to payment for performance completed to date according to current arrangement in contracts.

Accounting for revenue from licensing – Currently, revenue from granting licenses is recognized at one point time when the required training of the licensing is provided to the customers to use the licenses. There would not have significant impact under HKFRS 15 for licensing under which granting licenses by the Group is to provide the customers a right to use the group entity's intellectual property as it exists at the point in time at which the licence is granted.

Accounting for costs incurred to obtain a contract – Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, will be capitalised as contract assets.

The Group considers there will not significant impact upon adoption HKFRS 15 on 1 January 2018.

HKFRS 16, 'Leases'– Effective for annual periods beginning on or after 1 January 2019

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The accounting for lessors will not significantly change.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 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'– Effective for annual periods beginning on or after 1 January 2019 (continued)

The Group is a lessee of some buildings for industrial parks and office buildings, which are currently accounted for as operating leases under HKAS 17. HKFRS 16 provides new provisions for the accounting treatment of leases and will in future no longer allow lessees to recognise certain leases outside the consolidated statement of financial position. Instead, all non-current leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation).Thus, each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore result in an increase in right of use assets and an increase in payment obligation liabilities in the consolidated statement of financial position. In the statement of profit or loss and other comprehensive income, as a result, the operating lease expense under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The Group expects that certain right of use assets and payment obligation liabilities will be recognised in the Group's consolidated statement of financial position upon adoption HKFRS 16 on 1 January 2019. However, it is not expected to result in a significant impact on the Group's financial performance.

There are no other standards that are not yet effective and that would be expected to result in any significant impact on the Group's financial position and result of operation.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combinations (continued)*

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.

(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 2.10.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2.4 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 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 'Other gains/(losses) – net'. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 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'.

2.8 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.

2.9 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.

2.10 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets

2.11.1 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.

2.11.2 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

2.11.2 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.

2.11.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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.

2.11.4 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

2.11.4 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 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.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and related 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.

2.14 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.

2.15 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.

2.16 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 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.

2.18 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 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.

2.20 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 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.

2.22 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 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.

2.23 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 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) Licensing

Revenue from granting licenses is recognised at one point time when the required training of the licensing is provided to the customers to use the licenses.

(c) Rental income of investment properties

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

(d) Interest income

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

2.25 Dividend income

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

2.26 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 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.

2.27 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.

2.28 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).

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Related parties (continued)

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

2.29 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, 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 2017, 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$277,546 (2016: HK$10,773,691) higher/lower, mainly as a result of net foreign exchange losses/gains on translation of HKD denominated bank deposits.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(b) 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 and bank borrowings with variable interest rates in 2017 while the zero coupon rate convertible bond and the short term borrowings with fixed rate exposed the Group to fair value interest rate risk in 2016.

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

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

As at 31 December 2017 and 2016, if interest rates on interest-generating bank deposits and borrowings 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 2017 and 2016 would have changed as follows:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Post-tax profit increase/(decrease)		
– 50 basis points higher	**1,953**	3,703
– 50 basis points lower	**(1,953)**	(3,703)

3.1.2 Credit risk

As at 31 December 2017 and 2016, 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 given to the customers based on the terms in the contracts by making reference to the construction progress 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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 2017 and 2016:

Counter party	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Deposits with the state-owned banks of the PRC	502,843	649,888
Deposits with other listed banks of the PRC	65,950	48,577
Deposits with other banks	14,167	133,034
	582,960	831,499

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 disposal of subsidiaries, transaction with a minority interest, amount due from related parties. The Group closely monitors these other receivables to ensure actions are taken to recover these balances in the case of any risk of default.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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 2017, the Group held cash and cash equivalent of approximately HK$583.0 million.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period as at 31 December 2017 and 2016 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 31 December 2017				
Trade and other payables	**266,537**	**–**	**–**	**266,537**
Bank borrowings	**23,895**	**39,897**	**70,130**	**133,922**
	290,432	**39,897**	**70,130**	**400,459**
As at 31 December 2016				
Trade and other payables	256,830	–	–	256,830
Bank borrowings	43,539	–	–	43,539
Convertible bond (Note 28)	–	200,000	–	200,000
	300,369	200,000	–	500,369

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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 2017 and 2016 were as follows:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Bank borrowings (note 31)	**119,630**	42,727
Convertible bond (note 28)	**–**	177,426
Total borrowings	**119,630**	220,153
Less: Cash and cash equivalents	**(582,511)**	(784,546)
Net debt	**(462,881)**	(564,393)
Total equity (note (a))	**1,844,477**	1,371,511
Total capital	**1,381,596**	807,118
Gearing ratio	**-34%**	-70%

notes:

(a) 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).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets	–	–	23,926	23,926
At 31 December 2017	–	–	23,926	23,926
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

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

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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 2017 and the year ended 31 December 2016.

	Available-for-sale financial assets	
	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Opening balance	**119,619**	92,820
Additions	**1,217,126**	123,050
Disposals	**(1,323,605)**	(90,237)
Gains recognised in profit or loss	**5,925**	537
Currency transaction differences	**4,861**	(6,551)
Closing balance	**23,926**	119,619
Total gains for the year included in profit or loss for available-for-sale financial assets held at the end of the year under other gains/(losses) – net	**5,925**	537

	Quantitative information about fair value measurements using significant unobservable inputs (Level 3)			
Description	**Fair value at 31/12/2017 (HK$'000)**	**Valuation technique(s)**	**Unobservable input**	**Range (weighted average)**
Other equity securities:				
Structured deposit	23,926	Discounted cash flow	Discount rate	1.95%-5.05%

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance. 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.

(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) 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.

(d) Fair value attributed to the identifiable assets and liabilities

The Group determines the fair value of the Group's share of the identifiable assets, liabilities and goodwill in the associate of the Group based on valuation results. The valuation requires the use of estimates. If the key inputs of the estimate and assumptions used in the valuation changed, the fair value of the Group's share of identifiable assets and liabilities and goodwill as well as their subsequent measurement of Zhejiang CM Drawin will be different.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

5 REVENUE

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Revenue from sales of prefabricated units	**173,565**	36,547
Revenue from licensing	**32,711**	–
Revenue from sales of equipment	**5,815**	–
Revenue from consulting service income	**2,910**	–
Rental income from investment properties	**1,586**	495
	216,587	37,042

6 OTHER INCOME

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Government subsidies (note (a))	**62,789**	63,427
Interest income on bank deposits	**2,081**	5,002
Sundry income	**4,927**	7
	69,797	68,436

note:

(a) Government subsidies of HK$62,789,000 except HK$6,224,000 recorded in trade and other receivables and prepayments (Note 21) were received by eight PRC subsidiaries of the Group during the year ended 31 December 2017.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

7 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Gains on disposal of subsidiaries (Note 33)	**212,334**	–
Recovery of trade and other receivables (Note 21)	**30,488**	72,026
Net realised gain/(loss) on redemption of available-for-sale financial assets (Note 19)	**5,820**	(78,705)
Gain on recovery of other receivables – interest charged on late settlement	**1,420**	–
Fair value (loss)/gains on investment properties (Note 16)	**(16,264)**	231
Net loss on disposal of investment properties (Note 16)	**(2,073)**	–
Provision for onerous contract	**(1,857)**	–
Net exchange (losses)/gains	**(1,272)**	8,710
Net realised loss on financial assets at fair value through profit or loss (Note 23)	**(413)**	(27,144)
Gains on disposal of property, plant and equipment	**–**	1
Others	**(561)**	2
	227,622	(24,879)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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 2017 HK$'000	Year ended 31 December 2016 HK$'000
Employee benefits expenses (note (a))	**150,744**	66,684
Raw materials and consumables used	**104,000**	9,139
Depreciation (Note 14)	**42,357**	2,470
Operating lease rentals on buildings	**21,677**	12,197
Land use tax and value-added tax surcharges	**17,877**	2,131
Entertainment and travelling expenses	**16,543**	9,631
Amortisation of land use rights and intangible assets	**12,772**	901
Legal and professional fees	**10,788**	7,668
Utilities	**6,153**	2,228
Write down of inventories to net realisable value	**4,998**	–
Office expenses	**3,724**	1,186
Bank charges	**1,904**	44
Registration expenses	**1,403**	3,165
Auditors' remuneration		
– audit services	**1,750**	1,400
– non-audit services	**67**	250
Change in inventories of finished goods and work in progress	**(34,934)**	4,149
Others	**22,314**	2,812
Total of cost of sales, selling and distribution expenses and administrative expenses	**384,137**	126,055

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

8 EXPENSES BY NATURE (continued)

notes:

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

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Wages and salaries	**135,246**	42,125
Pensions	**7,970**	1,859
Other welfare benefit expenses	**7,528**	22,700
Charged to statement of profit or loss and other comprehensive income	**150,744**	66,684
Number of employees	**1,023**	538

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 2017 include three (year ended 31 December 2016: three) directors whose emoluments are reflected in the analysis shown in Note 10. Details of the remuneration for the year ended 31 December 2017 of the remaining two (year ended 31 December 2016: two) highest paid employees are as follows:

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Salaries and other short-term employee benefits	**1,177**	1,194
Contribution to pension scheme	**18**	30
	1,195	1,224

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

	Number of individuals	
	Year ended 31 December 2017	Year ended 31 December 2016
Nil to HK$1,000,000	**2**	2

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

9 FINANCE COSTS

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Interest expenses on convertible bond (Note 28)	13,209	14,650
Interest expenses on bank borrowings	4,063	303
	17,272	14,953

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 2017:

Name	Fees HK$'000	Salary HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors				
Yin Jun *(Chairman and CEO)*	–	1,698	–	1,698
Chen Domingo	–	1,544	18	1,562
Mi Hongjun	–	1,440	–	1,440
Non-Executive Directors				
Chen Donghui	60	–	–	60
Gan Ping	60	–	–	60
Zhao Xiaodong	60	–	–	60
Zhou Feng *(retired on 12 June 2017)*	54	–	–	54
Independent Non-Executive Directors				
Chan Chi Hung	240	–	–	240
Jiang Hongqing	240	–	–	240
Lee Chi Ming	240	–	–	240
Ma Lishan	240	–	–	240
	1,194	4,682	18	5,894

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

10 BENEFITS AND INTEREST OF DIRECTORS (continued)

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

For the year ended 31 December 2016:

Name	Fees HK$'000	Salary HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors				
Yin Jun *(Chairman and CEO)*	–	1,698	–	1,698
Chen Domingo	–	1,602	18	1,620
Mi Hongjun	–	1,000	–	1,000
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

For the year ended 31 December 2017 and the year ended 31 December 2016, the Group did not provide any termination benefits, or pay or receive any consideration to or from third parties for making available directors' service.

During the year ended 31 December 2017 and the year ended 31 December 2016, the Group did not have outstanding loan, quasi loan or other dealing enter into by the Company or its subsidiaries, in favour of directors of the Company or its controlling shareholder, or the body corporates controlled by such directors or entities connected with such 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 2017 and the year ended 31 December 2016.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

11 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Current income tax		
– PRC corporate income tax	**23,080**	3,675
– Hong Kong profits tax	**151**	529
	23,231	4,204
Deferred income tax (Note 29)	**(34,455)**	6,685
Total income tax (credit)/expense for the year	**(11,224)**	10,889

The income tax on the Group's profit/(loss) 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 2017 HK$'000	Year ended 31 December 2016 HK$'000
Profit/(loss) before income tax	**112,597**	(90,409)
Income tax calculated at respective statutory rates	**16,227**	(14,002)
Preferential income tax rate	**(3,870)**	–
Previously unrecognised tax losses recognised in current year as deferred tax assets	**(4,289)**	–
Adjustment of previously recognised deferred tax liabilities due to conversion of convertible bond	**(1,545)**	–
Non-deductible expenses	**2,243**	14,176
Non-taxable income	**(17,244)**	(89)
Research and development expenditure additional deduction	**(2,093)**	(1,925)
Utilisation of previously unrecognised tax losses	**(3,089)**	(350)
Utilisation of previously unrecognised temporary differences	**(5,270)**	(11,880)
Tax losses and temporary differences not recognised as deferred tax assets	**7,555**	24,410
Prior year's tax filing differences	**151**	549
Total income tax (credit)/expense for the year	**(11,224)**	10,889

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

11 INCOME TAX (CREDIT)/EXPENSE (continued)

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

	Year ended 31 December 2017			Year ended 31 December 2016		
	Before tax HK$'000	Tax charge HK$'000	After tax HK$'000	Before tax HK$'000	Tax charge HK$'000	After tax HK$'000
Fair value losses on available-for-sale financial assets	209	–	209	9,669	–	9,669
Currency translation differences	122,141	–	122,141	(50,153)	–	(50,153)
Other comprehensive income/(loss)	122,350	–	122,350	(40,484)	–	(40,484)
Current tax		–			–	
Deferred tax		–			–	

Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% (year ended 31 December 2016: 16.5%) on the estimated assessable profit derived in Hong Kong for the year.

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 have plan for distribution dividend to the Company, thus no such withholding tax was accrued (31 December 2016: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

12 DIVIDEND

The Board of Directors did not recommend any payment of dividend in respect of the year ended 31 December 2017 (year ended 31 December 2016: Nil).

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Year ended 31 December 2017	Year ended 31 December 2016
Consolidated earnings/(loss) attributable to owners of the Company (HK$'000)	**131,719**	(101,136)
Weighted average number of ordinary shares in issue ('000)	**10,360,288**	10,209,603
Basic earnings/(loss) per share (HK cents)	**1.27**	(0.99)

(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 the year ended 31 December 2016, which was the convertible bond (Note 28). The convertible bond was fully exercised by the bond owner in exchange of 1 billion ordinary shares at HK$0.2 per share on 6 November 2017.

The convertible bond is assumed to have been converted into ordinary shares from the beginning of the year, and the earnings attributable to owners of the Company is adjusted to eliminate the interest expense less the tax effect before the conversion. Given the impact of conversion of convertible bond on earnings per share is anti-dilutive for the year ended 31 December 2017 and 2016, diluted earnings/(loss) per share therefore is equal to basic earnings/(loss) per share.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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 2017								
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
Year ended 31 December 2017								
Opening net book amount	215,688	3,276	8,201	4,444	144,423	8,863	333,525	718,420
Additions	70,155	1,511	7,082	8,944	9,127	5,956	299,230	402,005
Transfers upon completion	409,559	–	–	–	91,410	–	(500,969)	–
Disposals	(93,964)	(722)	(5,394)	(596)	(55,957)	(203)	(38,522)	(195,358)
Depreciation charge	(14,191)	(875)	(1,944)	(1,810)	(19,448)	(4,089)	–	(42,357)
Currency translation differences	14,623	323	820	247	9,316	886	19,783	45,998
Closing net book amount	601,870	3,513	8,765	11,229	178,871	11,413	113,047	928,708
At 31 December 2017								
Cost	615,190	4,629	10,426	13,072	194,962	17,847	113,047	969,173
Accumulated depreciation	(13,320)	(1,116)	(1,661)	(1,843)	(16,091)	(6,434)	–	(40,465)
Net book amount	601,870	3,513	8,765	11,229	178,871	11,413	113,047	928,708

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	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

Depreciation of property, plant and equipment of HK$42,357,000 (year ended 31 December 2016: HK$2,470,000) has all been charged to administrative expenses and cost of sales in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2017, property, plant and equipment with a net book value of RMB85 million were pledged as collateral for the Group's borrowings (Notes 31).

There was no interest capitalised in plant under development for prefabricated construction business for the year ended 31 December 2017 (year ended 31 December 2016: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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 2017 HK$'000	Year ended 31 December 2016 HK$'000
Beginning balance	**534,960**	–
Additions	**154,306**	554,639
Amortisation	**(12,937)**	(2,435)
Disposals	**(84,921)**	–
Currency transaction differences	**37,050**	(17,244)
Ending balance	**628,458**	534,960

At 31 December 2017, one of the Group's subsidiary's (中民築友科技(衡陽)有限公司) land use right with a net book value of approximately RMB50 million (year ended December 2016: Nil) had been pledged as collateral for the subsidiary's bank borrowings (Note 31).

At 31 December 2017, one of the Group's subsidiary's (中民築友科技(江蘇)有限公司) land use right with a net book value of approximately RMB60 million (year ended December 2016: Nil) had been pledged as collateral for subsidiary's bank borrowings (Note 31).

At 31 December 2017, one of the Group's subsidiary's (中民築友科技(佛山)有限公司) land use right with a net book value of approximately RMB51 million (year ended December 2016: Nil) had been pledged as collateral for subsidiary's bank borrowings (Note 31).

During the year ended 31 December 2017, amortisation of land use rights of HK$12,314,000 (year ended 31 December 2016: HK$889,000) has been charged to cost of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income and HK$623,000 (year ended 31 December 2016: HK$1,546,000) has been capitalised to plant under development for prefabricated construction business.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

16 INVESTMENT PROPERTIES

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Beginning balance	**35,662**	37,723
Disposals	**(2,052)**	–
Net loss on disposal of investment properties (Note 7)	**(2,073)**	–
Net (loss)/gain from fair value adjustments (Note 7)	**(16,264)**	231
Currency translation differences	**3,270**	(2,292)
Ending balance	**18,543**	35,662

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

During the year, the investment properties have a significant decrease in value because the decline of retail property market in Zouping County. Zouping County is relatively less developed area in Shandong Province, demand for retail properties is low and vacancy rate remains at high level. In result, sales price of investment properties showed significant decrease in 2017.

The revaluation gains or losses are included in 'Other gains/(losses) – net' in the consolidated statement of profit or loss and other comprehensive income (Note 7).

There were no transfer among Level 1, Level 2 and Level 3 during the year. 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 2017 and 2016.

Valuation processes and techniques

All investment properties were revalued as at 31 December 2017 and 2016 by Grant Sherman Appraisal Limited, the independent professional qualified valuer.

The Group's finance team will review the valuation performed by the independent valuers, including:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report;
- holds discussions with independent valuers.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

16 INVESTMENT PROPERTIES (continued)

Valuation inputs and relationships to fair value

The valuations were performed based on the income approach (term and reversion method) or direct comparison approach for those investment properties. The following significant unobservable inputs for income approach have been used:

Description	Fair value at 31 December 2017 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial properties	18,543 (2016: 35,662)	Income approach	Term yield	Term yield of 4.0% (2016: 4.8%), taking into account of yield generated from comparable properties and adjustment to effect the certainty of term income secured and to be received	The higher the term yield, the lower the fair value
			Reversionary yield	Reversionary yield of 5.0% (2016: 5.3%), taking into account annual unit market rental income and unit market value of the comparable properties	The higher the reversionary yield, the lower the fair value
			Market unit rent of individual unit	RMB8-RMB18 (2016: RMB20–RMB28) per square metre per month	The higher the market unit rent, the higher the fair value

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate market yield rates. The market yield was developed based on the research on the rental evidences of the properties and assuming the existing tenancy will be extended. A significant increase/(decrease) in the estimated market yield would result in a significant decrease/(increase) in the fair value of the investment properties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

16 INVESTMENT PROPERTIES (continued)

Valuation inputs and relationships to fair value (continued)

Were the rental rate and yield rate required assumed to increase or decrease by 10% from management's estimate, the carrying amount of investment properties as at 31 December 2017 and 2016 would have changed as follows:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Investment properties increase/(decrease)		
–10 percent rental rate higher	**20,595**	39,213
–10 percent rental rate lower	**16,901**	32,159
Investment properties increase/(decrease)		
–10 percent yield rate higher	**17,618**	33,730
–10 percent yield rate lower	**19,603**	37,840

The following amounts relating to the investment properties have been recognised in the consolidated statement of profit or loss and other comprehensive income:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Rental income	**1,586**	495

As at 31 December 2017 and 2016, the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is not material.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

17 INTANGIBLE ASSETS

	Computer software HK$'000
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
Year ended 31 December 2017	
Opening net book amount	**886**
Additions	**530**
Amortisation charge	**(458)**
Currency translation differences	**19**
Disposals	**(195)**
Closing net book amount	**782**
At 31 December 2017	
Cost	**1,271**
Accumulated amortisation	**(489)**
Net book amount	**782**

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

18 INVESTMENT IN AN ASSOCIATE

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Share of net assets	**182,735**	–
Less: Provision for impairment	**–**	–
	182,735	–

As at the 31 December 2017, the Company had indirect interests in the following associate:

Name	Place of incorporation and operation	Proportion of ownership interest		Issued Share capital	Principal activities
		Held by the Company	Indirectly held		
Zhejiang China Minsheng Drawin Technology Company Limited 浙江中民築友科技有限公司	China	–	47%	HK$200,000,000	Construction industrialisation

(a) The Group disposed 2% and 51% of its equity interest in Zhejiang China Minsheng Drawin Technology Company Limited ("Zhejiang China Minsheng") in June 2017 and December 2017 respectively. Zhejiang China Minsheng become an associate of the Group after the transaction is completed (Note 33(a)). The associate was accounted for using the equity method and remeasured to its fair value with the change in the carrying amount recognised in other gains/(losses) – net (Note 7).

The financial year end dates of the above associate is coterminous with that of the Group.

There are no contingent liabilities relating to the Group's interests in the associate.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

18 INVESTMENT IN AN ASSOCIATE (continued)

Summarised financial information for an associate

The tables below provide summarised financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of Zhejiang China Minsheng and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Zhejiang China Minsheng

	As at 31 December 2017 HK$'000
Summarised statement of financial position	
Current assets	
Cash and cash equivalents	7,433
Other current assets	78,187
Total current assets	85,620
Non-current assets	237,734
Current liabilities	
Financial liabilities (excluding trade payables)	35,889
Other current liabilities	80,516
Total current liabilities	116,405
Non-current liabilities	4,223
Net assets	202,726
Group's share in%	47%
Group's share in HK$	95,281
Goodwill	87,454
Carrying amount	182,735

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Beginning balance	121,252	195,243
Acquisitions	1,217,126	123,050
Disposals	(1,325,342)	(121,454)
Net fair value change through other comprehensive income	209	9,669
Net realised gain/(loss) on redemption of available-for-sale financial assets (Note 7)	5,820	(78,705)
Currency transaction differences	4,861	(6,551)
Ending balance	23,926	121,252

Available-for-sale financial assets include the following:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Structured deposits (note (a))	23,926	119,619
Listed equity securities in Hong Kong, at fair value (Note 23(a))	–	1,633
	23,926	121,252

notes:

(a) The structured deposits represent principal-guaranteed short-term deposit products held by the Group for 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. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

20 INVENTORIES

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Raw materials	**38,548**	11,343
Finished goods	**38,226**	3,999
Low value articles	**153**	150
Work in progress	**728**	975
Goods in transit	**954**	–
	78,609	16,467

Write-downs of inventories to net realisable value amounted to HK$4,998,000 (2016: Nil). These were recognised as an expense for the year ended 31 December 2017 in the consolidated statement of profit or loss and other comprehensive income.

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Trade receivables – related parties	**38,344**	–
Trade receivables – third party	**78,765**	35,124
Notes receivable	**–**	4,099
Less: Provision for impairment of trade receivables	**–**	(472)
Total receivables, net	**117,109**	38,751
Earnest money for acquisition of a Shanghai property company (note (a))	**–**	28,000
Other receivables in relation to redemption of private funds (note (b))	**–**	23,795
Value-added tax recoverable	**46,258**	44,362
Government grant (Note 6)	**6,224**	–
Proceeds from disposal of a subsidiary – related party (Note 33)	**62,232**	–
Proceeds from disposal of a subsidiary – third party (Note 33)	**99,144**	–
Receivables relating to transaction with a minority interest (note (c))	**9,570**	–
Amounts due from related parties (Note 35(c))	**39,552**	2,207
Deposits	**6,128**	4,625
Prepayments	**11,575**	4,274
Others	**4,724**	4,511
	402,516	150,525
Less: Provision for impairment of other receivables (notes (a) & (b))	**–**	(30,000)
	402,516	120,525

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

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

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Less than 1 year	**117,109**	35,124
1 to 2 years	**–**	–
More than 2 years	**–**	472

The maximum exposure to credit risk as at 31 December 2017 and 2016 is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral security against the receivables.

As at 31 December 2017 and 2016, 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 2017 HK$'000	As at 31 December 2016 HK$'000
HK dollar	**3,192**	26,340
Renminbi	**399,324**	94,185
	402,516	120,525

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

notes:

(a) 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 interest of Jinhong Property Development Limited by the Group. Subsequently, a total HK$28 million was paid to Greenland as refundable earnest money. On 8 March 2016, the Group had decided not to proceed with the possible acquisition and the framework agreement had lapsed pursuant to its terms. In 2016, the Group recognised HK$21 million impairment for the above earnest money after unsuccessful claim for such refund for an extended period of time. On February 2017, the Group filed lawsuits against Greenland. On 22 May 2017, a court mediation letter which required Greenland to refund the earnest money to the Group was issued. On 31 May 2017, the entire earnest money of HK$28 million was recovered by the Group and the impairment loss of HK$21 million previously recognised was reversed in 2017 accordingly.

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

(c) In September 2017, the Group disposed 10% equity interest in China Minsheng Drawin Technology (Pingdingshan) Limited and the remaining consideration of HK$9.6 million is included in the other receivable.

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

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Opening balance	**30,472**	72,579
Additional provision for receivable impairment	**–**	30,000
Recovery of trade and other receivables (Note 7)	**(30,488)**	(72,026)
Currency transaction differences	**16**	(81)
Ending balance	**–**	30,472

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 gains/(losses) – net" in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

22 PARTICULARS OF SUBSIDIARIES

(a) The following is a list of the principal subsidiaries at 31 December 2017:

Name	Place of incorporation and operation and kind of legal entity	Principal activities	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* 佳益置業發展(上海)有限公司	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 Limited	Hong Kong, limited liability company	Investment holding	HKD2	100%	100%	–
South East (Shangdong) Property Limited* 東南(山東)置業有限公司	China, limited liability company	Property development	RMB15,000,000	100%	100%	–
Shangheng Limited	BVI, limited liability company	Investment holding	USD1	100%	100%	–
Commit Glory Investments Limited	Hong Kong, limited liability company	Investment holding	HKD1	–	100%	–
Lux Property Construction Technology (Shanghai) Limited* 佳優建築科技(上海)有限公司	China, limited liability company	Construction industrialisation	HKD200,000,000	–	100%	–
Giant Achiever Development Limited	Hong Kong, limited liability company	Investment holding	HKD1	–	100%	–
Fame Glory Investments Limited	Hong Kong, limited liability company	Investment holding	HKD1	–	100%	–
Noble Walk Limited	BVI, limited liability company	Investment holding	USD1	100%	100%	–
Noble Tide Limited	BVI, limited liability company	Investment holding	USD1	100%	100%	–
Guangdong China Minsheng Drawin Technology Limited* 廣東中民築友科技有限公司	China, limited liability company	Construction industrialisation	HKD200,000,000	–	100%	–

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

22 PARTICULARS OF SUBSIDIARIES (continued)

(a) The following is a list of the principal subsidiaries at 31 December 2017: (continued)

Name	Place of incorporation and operation and kind of legal entity	Principal activities	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 (%)
Zheyou Investment Limited	Hong Kong, limited liability company	Investment holding	HKD10,000	100%	100%	–
Guiyou Investment Limited	Hong Kong, limited liability company	Investment holding	HKD10,000	100%	100%	–
China Minsheng Drawin Technology (Jiangsu) Limited* 中民築友科技(江蘇)有限公司	China, limited liability company	Construction industrialisation	HKD200,000,000	–	97%	3%
China Minsheng Drawin Technology (Hengyang) Limited* 中民築友科技(衡陽)有限公司	China, limited liability company	Construction industrialisation	HKD100,000,000	–	100%	–
China Minsheng Drawin Technology Investment Limited* 中民築友科技投資有限公司	China, limited liability company	Construction industrialisation	HKD1,530,000,000	–	100%	–
China Minsheng Drawin Technology (Foshan) Limited* 中民築友科技(佛山)有限公司	China, limited liability company	Construction industrialisation	HKD100,000,000	–	100%	–
China Minsheng Drawin Technology (Hefei) Limited* 中民築友科技(合肥)有限公司	China, limited liability company	Construction industrialisation	HKD95,000,000	–	100%	–
China Minsheng Drawin (Changsha) Green Construction Technology Limited* 中民築友(長沙)綠建科技有限公司	China, limited liability company	Construction industrialisation	HKD1,108,000,000	–	51%	49%
China Minsheng Drawin Construction Technology (Kunshan) Limited* 中民築友建筑科技(崑山)有限公司	China, limited liability company	Construction industrialisation	RMB50,000,000	–	100%	–
China Minsheng Drawin Intelligent Equipment Technology Limited* (formerly known as Hunan China Minsheng Drawin Information Technology Limited) 中民築友智能裝備科技有限公司(前稱:湖南中民築友信息科技有限公司)	China, limited liability company	Construction industrialisation	HKD23,650,000	–	100%	–

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

22 PARTICULARS OF SUBSIDIARIES (continued)

(a) The following is a list of the principal subsidiaries at 31 December 2017: (continued)

Name	Place of incorporation and operation and kind of legal entity	Principal activities	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 (%)
Huizhou China Minsheng Drawin Technology Limited* 惠州中民住友科技有限公司	China, limited liability company	Construction industrialisation	RMB40,000,000	–	100%	–
China Minsheng Drawin Technology (Pingdingshan) Limited* 中民築友科技(平頂山)有限公司	China, limited liability company	Construction industrialisation	RMB80,000,000	–	90%	10%
Yuxi China Minsheng Drawin Technology Limited* 玉溪中民築友科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	–	100%	–
China Minsheng Drawin Technology (Jiaozhou) Limited* 中民築友科技(膠州)有限公司	China, limited liability company	Construction industrialisation	RMB70,000,000	–	100%	–
Haikou China Minsheng Drawin Technology Limited* 海口中民築友科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	–	100%	–
Xiangtan China Minsheng Drawin Technology Limited* 湘潭中民築友科技有限公司	China, limited liability company	Construction industrialisation	RMB70,000,000	–	100%	–
China Minsheng Drawin Technology (Jiaozuo) Limited* 中民築友科技(焦作)有限公司	China, limited liability company	Construction industrialisation	RMB70,000,000	–	100%	–
Huai'an China Minsheng Drawin Intelligence Technology Limited* 淮安中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB70,000,000	–	100%	–
Chongqing Shi Qijiang Qu China Minsheng Drawin Technology Limited* 重慶市綦江區中民築友科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	–	100%	–
Shaoyang China Minsheng Drawin Intelligence Technology Limited* 邵陽中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB100,000,000	–	100%	–
Jiangxi China Minsheng Drawin Intelligent Technology Limited* 江西中民築友智造科技有限公司	China, limited liability company	Construction industrialisation	RMB70,000,000	–	100%	–

* For identification purpose only

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

22 PARTICULARS OF SUBSIDIARIES (continued)

(b) Companies excluded from consolidation:

Details of the companies excluded from consolidation as at 31 December 2017 are as follows:

Name	Place of incorporation and operation	Issued share capital	Effective equity interest held before disposal	Principal activities
Indirect interest:				
Zhejiang China Minsheng Drawin Technology Company Limited* 浙江中民築友科技有限公司 (note (i))	China	Ordinary HK$200,000,000	100%	Construction industrialisation
China Minsheng Drawin Building Technology Company Limited* 中民築友房屋科技有限公司 (note (ii))	China	Ordinary RMB50,000,000	100%	Construction industrialisation

* For identification purpose only

notes:

(i) In June 2017, the Group firstly disposed 2% of its equity interest in Zhejiang China Minsheng Drawin Technology Company Limited ("Zhejiang China Minsheng") to 浙江環宇建設集團有限公司 and further disposed 51% of its equity interest in Zhejiang China Minsheng to Hangzhou Residential Area Development Centre Co., Limited in December 2017 and it result of loss of control in the Zhejiang China Minsheng. Zhejiang China Minsheng became an associate of the Group after the transactions. After the disposals of 2% and 51% of equity interest in Zhejiang China Minsheng, the 47% retained interest in Zhejiang China Minsheng held by the Group was re-measured to its fair value of approximately HK$182.7 million at the date when the control was lost (Note 33).

(ii) In December 2017, the Group disposed its 100% equity interest in China Minsheng Drawin Building Technology Company Limited ("Building Technology") to Tianjin China Minsheng Drawin Technology Limited, which is the immediate holding company of the Group (Note 33).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Equity securities, at fair value		
– Listed in Hong Kong	–	44,968

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 gains/(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.

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Beginning balance	**44,968**	90,169
Acquisitions	–	21,612
Disposals	**(44,555)**	(39,669)
Net realised loss on financial assets at fair value through profit or loss (Note 7)	**(413)**	(27,144)
Ending balance	–	44,968

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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

note:

(a) As at 31 December 2017, the Group does not hold any financial assets at fair value through profit or loss.

In January 2017, the Company disposed all of the remaining listed shares and the net realised loss on both available-for-sale investments and financial assets at fair value through profit or loss recognised in other gains/(losses) – net (Note 7).

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 HK$'000	Market value as at 31 December 2016 HK$'000	Percentage to the Group's net assets as at 31 December 2016	Net realised gain/(loss) for the year ended 31 December 2016 HK$'000
Available-for-sale investments (Note 19)								
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 gain/(loss) as listed in the table above.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

24 CASH AND CASH EQUIVALENTS

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Cash at bank and on hand		
– Denominated in HKD	**291,576**	605,578
– Denominated in RMB	**279,780**	176,147
– Denominated in USD	**11,155**	2,821
	582,511	784,546

25 SHARE CAPITAL

Authorised shares

	Number of authorised shares
As at 31 December 2016 and 2017	25,000,000,000

Issued shares

	Number of issued shares (at HK$0.1 each)	Ordinary shares (nominal value) HK$'000
As at 1 January 2017	10,209,602,920	1,020,960
Exercising of convertible bond	1,000,000,000	100,000
As at 31 December 2017	**11,209,602,920**	**1,120,960**

note:

(a) On 6 November 2017, 1,000,000,000 new shares were issued to Mr. Zhu Yue Hai at the price of HK$0.2 per share in result of exercise of a convertible bond.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

26 RESERVES ATTRIBUTABLE TO OWNERS OF THE GROUP

		Attributable to owners of the Company									
	Notes	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$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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	19	–	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
Balance at 1 January 2017		731,460	(209)	37,600	(43,796)	131,166	–	(505,670)	350,551	553,677	904,228
Comprehensive income											
Profit for the year		–	–	–	–	–	–	131,719	131,719	(7,898)	123,821
Other comprehensive income:											
Changes in fair value of available-for-sale financial assets	19	–	209	–	–	–	–	–	209	–	209
Currency translation differences		–	–	–	121,772	–	–	–	121,772	369	122,141
Total comprehensive income for the year		–	209	–	121,772	–	–	131,719	253,700	(7,529)	246,171
Transactions with owners in their capacity as owners											
Exercising of Convertible bond		128,235	–	(37,600)	–	–	–	–	90,635	–	90,635
Disposal of ownership interests in subsidiary without loss of control		–	–	–	–	–	28,631	–	28,631	17,324	45,955
Disposal of subsidiaries		–	–	–	–	–	–	–	–	(10,274)	(10,274)
Capital contribution by non-controlling interest of a subsidiary	27	–	–	–	–	–	–	–	–	7,719	7,719
Balance at 31 December 2017		859,695	–	–	77,976	131,166	28,631	(373,951)	723,517	560,917	1,284,434

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

27 NON-CONTROLLING INTERESTS

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

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
China Minsheng Drawin (Changsha) Green Construction Technology Limited ("CM Changsha")	**547,355**	553,677
China Minsheng Drawin Technology (Pingdingshan) Limited ("CM Pingdingshan")	**9,310**	–
China Minsheng Drawin Technology (Jiangsu) Limited ("CM Jiangsu")	**4,252**	–
	560,917	553,677

In June 2017, the Group disposed 3% equity interest in CM Jiangsu to a third party at a consideration of approximately HK$17.3 million. The carrying amount of the disposed equity interests in CM Jiangsu on the date of disposal was approximately HK$4.4 million. The Group recognised an increase in non-controlling interests of approximately HK$4.4 million and an increase in equity attributable to owners of the Company of approximately HK$12.9 million.

In June 2017, the Group disposed 10% equity interest in CM Pingdingshan at a consideration of approximately HK$14.8 million. The carrying amount of the disposed equity interests in CM Pingdingshan on the date of disposal was approximately HK$9.1 million. The Group recognised an increase in non-controlling interests of approximately HK$9.1 million and an increase in equity attributable to owners of the Company of approximately HK$5.7 million.

In June 2017, the Group disposed 2% of equity interest in Zhejiang China Minsheng to a third party 浙江環宇建設集團有限公司 at the consideration of approximately HK$13.8 million. The carrying amount of the disposed equity interests in Zhejiang China Minsheng on the date of disposal was approximately HK$3.8 million. The group recognised an increase in non-controlling interests of approximately HK$3.8 million and an increase in equity attributable to owners of the Company of approximately HK$10.0 million. The Group derecognised the minority interest amounting to HK$3.8 million due to loss of control of Zhejiang China Minsheng in December 2017 (Note 33).

In September 2017, the non-controlling interest of subsidiaries of China Minsheng Drawin Building Technology Company Limited made a capital contribution of HK$7.7 million.

The minority interests of China Minsheng Drawin Building Technology Company Limited was decreased by HK$6.8 million due to loss of control in December 2017 (Note 33).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

27 NON-CONTROLLING INTERESTS (continued)

Summarised financial information on subsidiary with material non-controlling interests

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

Summarised statement of financial position – CM Changsha

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Current		
Assets	**204,059**	23,521
Liabilities	**(58,373)**	(43,630)
Total current net assets	**145,686**	(20,109)
Non-current		
Assets	**695,137**	618,192
Liabilities	**(23,513)**	–
Total non-current net assets	**671,624**	618,192
Net assets	**817,310**	598,083

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

27 NON-CONTROLLING INTERESTS (continued)

Summarised statement of profit or loss and other comprehensive income – CM Changsha

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Revenue	**25,051**	97
Loss before income tax	**(16,515)**	(330)
Income tax credit	**4,051**	–
Other comprehensive income	**–**	–
Total comprehensive loss	**(12,464)**	(330)
Total comprehensive loss allocated to non-controlling interests	**(6,107)**	(162)
Dividends paid to non-controlling interests	**–**	–

Summarised statement of cash flows – CM Changsha

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Cash flows used in operating activities	**(24,977)**	–
Cash flows used in investing activities	**(20,436)**	–
Cash flows from financing activities	**45,770**	–
Net increase in cash and cash equivalents	**357**	–

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 35.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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.

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

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Nominal value of the convertible bond	**200,000**	200,000
Less: Equity component	**(45,118)**	(45,118)
	154,882	154,882
Interest expenses	**36,199**	22,990
Professional fees	**(446)**	(446)
	190,635	177,426
Less: Convertible bond exercised for the year	**(190,635)**	–
Liability component	**–**	(177,426)
Analysed for reporting purposes as non-current liabilities	**–**	(177,426)

The fair value of the liability component of the convertible bond 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. On 6 November 2017, the convertible bond amounting to HK$200 million was fully exercised by the bond owner in exchange of 1,000,000,000 ordinary shares at HK$0.2 per share.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

29 DEFERRED INCOME TAX

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Deferred tax assets		
– to be recovered after more than 12 months	**20,751**	594
– to be recovered within 12 months	**–**	–
	20,751	594
Deferred tax liabilities		
– to be settled after more than 12 months	**(7,962)**	(14,352)
– to be settled within 12 months	**–**	(2,662)
	(7,962)	(17,014)
Deferred tax assets/(liabilities) -net	**12,789**	(16,420)

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

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
At beginning of the year	**16,420**	10,269
(Credited)/charged to profit or loss (Note 11)	**(34,455)**	6,685
Disposal of subsidiary	**5,434**	–
Currency translation differences	**(188)**	(534)
At the end of the year	**(12,789)**	16,420

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

29 DEFERRED INCOME TAX (continued)

The movement in deferred income tax assets and liabilities for the year ended 31 December 2017 and the year ended 31 December 2016, 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 2017	**3,932**	**3,725**	**9,357**	**17,014**
Credited to profit or loss (Note 11)	**(4,066)**	**(3,725)**	**(1,981)**	**(9,772)**
Currency translation differences	**134**	**–**	**586**	**720**
At 31 December 2017	**–**	**–**	**7,962**	**7,962**
At 1 January 2016	4,127	6,142	–	10,269
Charged/(credited) to profit or loss (Note 11)	57	(2,417)	9,659	7,299
Currency translation differences	(252)	–	(302)	(554)
At 31 December 2016	3,932	3,725	9,357	17,014

Deferred income tax assets

Movements	Tax losses HK$'000	Elimination of intra-group unrealised profit HK$'000	Total HK$'000
At 1 January 2017	**–**	**594**	**594**
Credited			
– to profit or loss (Note 11)	**21,762**	**2,921**	**24,683**
– to other comprehensive income	**763**	**144**	**907**
Disposal of subsidiary	**(5,433)**	**–**	**(5,433)**
At 31 December 2017	**17,092**	**3,659**	**20,751**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

29 DEFERRED INCOME TAX (continued)

Deferred income tax assets (continued)

	Tax losses HK$'000	Elimination of intra-group unrealised profit HK$'000	Total HK$'000
At 1 January 2016	–	–	–
Credited to profit or loss (Note 11)	–	614	614
Currency translation differences	–	(20)	(20)
At 31 December 2016	–	594	594

Deferred tax assets arising from the unused tax losses has been recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to utilised this year in the consolidated financial statements.

The Group did not recognised deferred income tax relating to unused tax losses of approximately HK$205.8 million (31 December 2016: approximately HK$141.7 million). These tax losses amounting to HK$117.8 million (31 December 2016: HK$87.8 million) have no expiry dates and the remaining will expire within five years.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

30 TRADE AND OTHER PAYABLES

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Trade payables – related party	8,740	–
Trade payables – third party	77,281	9,015
Payable related to acquisition of Guangzhou plant (note (a))	6,171	6,171
Accrued payroll	18,927	14,055
Accrued tax payable (note (b))	1,671	24,995
Accrued payable for property, plant and equipment construction – third party	105,068	137,429
Accrued payable for property, plant and equipment construction – related party	24,484	–
Technology transfer contract fee (note (c))	–	38,144
Notes payable	2,299	–
Amounts due to related parties (Note 35(c))	–	21,030
Interest payable	–	294
Provision for onerous contract	1,857	–
Others	20,039	5,697
	266,537	256,830

notes:

(a) In 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 2017 (31 December 2016: HK$6,171,000).

(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 holds the newly set up entity 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 the entity. 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 licensing agreements with certain third parties to transfer technology related to prefabricated construction. As of 31 December 2017, the licensing agreement was terminated with the third party and the amount was repaid to the counter party

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

30 TRADE AND OTHER PAYABLES (continued)

The aging analysis of trade payables and notes payable as at 31 December 2017 and 2016 based on the invoice issue date are as follows:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Less than 1 year	**86,021**	9,015

As at 31 December 2017 and 2016, the fair value of trade and other payables approximate their carrying amounts.

As at 31 December 2017 and 2016, the carrying amounts of trade and other payables are primarily denominated in Renminbi.

31 BANK BORROWINGS

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Bank borrowings – current	**17,944**	42,727
Bank borrowings – non-current	**101,686**	–
	119,630	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.

In 2017, one of the Group's subsidiary (中民築友科技（衡陽）有限公司) borrowed a 36-month long-term loan of RMB40 million from a third party bank with a floating interest rate. The long term borrowing is pledged by the subsidiary's property, plant and equipment with a net book value of approximately RMB85 million and the Group's land use right with a net book value of approximately RMB50 million and is guaranteed by China Minsheng Drawin Co., Ltd.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

31 BANK BORROWINGS (continued)

In 2017, one of the Group's subsidiary (中民築友科技（江蘇）有限公司) borrowed a 36-month long-term loan of RMB20 million from a third party bank with a floating interest rate. The long term borrowing is pledged by the subsidiary's land use right with a net book value of approximately RMB60 million and is guaranteed by 中民築友科技投資有限公司.

In 2017, one of the Group's subsidiary (中民築友科技（佛山）有限公司) borrowed a 60-month long-term loan of RMB40 million from a third party bank with a floating interest rate. The long term borrowing is pledged by the subsidiary's land use right with a net book value of approximately RMB51 million and is guaranteed by 中民築友科技投資有限公司.

At 31 December, the Group's borrowings were repayable as follows:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Within 1 year	**17,944**	42,427
Later than 1 year but within 2 years	**35,889**	–
Later than 2 years but within 5 years	**65,797**	–
	119,630	42,427

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in operations

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Profit/(loss) before income tax	**112,597**	(90,409)
Adjustments for:		
Depreciation (Note 14)	**42,357**	2,470
Amortisation of land use rights and Intangible assets (Note 8)	**12,772**	901
Recovery of trade and other receivables (Note 7)	**(30,488)**	(72,026)
Fair value loss/(gains) on investment properties (Note 7)	**16,264**	(231)
Fair value losses on financial assets at fair value through profit or loss (Note 7)	**413**	27,144
(Gains)/losses on disposal of available-for-sale financial assets (Note 7)	**(5,820)**	78,705
Gains on disposal of fixed assets	**–**	(1)
Loss on disposal of investment properties (Note 7)	**2,073**	–
Gain on disposal of subsidiaries (Note 33)	**(212,334)**	–
Interest expenses (Note 9)	**17,272**	14,953
Interest income on bank deposits (Note 6)	**(2,081)**	(5,002)
Impairment loss on other receivables (Note 21)	**–**	30,000
Operating loss before changes in working capital	**(46,975)**	(13,496)
Increase in inventories	**(120,665)**	(14,084)
Increase in trade and other receivables and prepayments	**(154,684)**	(91,686)
Increase in trade and other payables	**178,611**	49,522
Increase in advances from customers	**85,887**	1,606
Purchase of financial assets at fair value through profit or loss	**–**	(21,612)
Proceeds from disposal on financial assets at fair value through profit or loss	**44,555**	39,669
Cash used in operations	**(13,271)**	(50,081)

(b) Major non-cash transaction

During the year ended 31 December 2017, the major non-cash transaction is the convertible bond amounting to HK$200 million was fully exercised by the bond owner in the exchange of 1,000,000,000 ordinary shares at HK$0.2 per share in Note 28.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	582,511	784,546
Borrowings – repayable within one year (including overdraft)	(17,944)	(42,727)
Borrowings – repayable after one year	(101,686)	–
Net debt	462,881	741,819
Cash and liquid investments	582,511	784,546
Gross debt – fixed interest rates	–	(42,727)
Gross debt – variable interest rates	(119,630)	–
Net debt	462,881	741,819

	Other assets	Liabilities from financing activities		
	Cash/bank overdraft HK$'000	Bank borrowings due within 1 year HK$'000	Bank borrowings due after 1 year HK$'000	Total HK$'000
Net debt as at 31 December 2016	784,546	(42,727)	–	741,819
Cash flows	(226,260)	42,727	(155,255)	(338,788)
Foreign exchange adjustments	24,225	–	(264)	23,961
Other non-cash movements				
– Reclassification from after 1 year to within 1 year	–	(17,944)	17,944	–
– Disposal of subsidiaries	–	–	35,889	35,889
Net debt as at 31 December 2017	582,511	(17,944)	(101,686)	462,881

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

33 DISPOSAL OF SUBSIDIARIES

(a) In June 2017, the Group firstly disposed 2% of its equity interest in Zhejiang China Minsheng to 浙江環宇建設集團有限公司 at a total consideration of HK$13.8 million. As the change in the Group's ownership interest in Zhejiang China Minsheng that do not result in the Group losing the control of Zhejiang China Minsheng is equity transaction, the difference with its carrying amount of approximately HK$10.0 million was recognised as a disposal gain in the other reserve.

In December 2017, the Group further disposed 51% of its equity interest in Zhejiang China Minsheng to another company, Hangzhou Residential Area Development Centre Co., Limited, and lost control in the Zhejiang China Minsheng. Zhejiang China Minsheng became an associate of the Group after the transaction. The consideration in relation to the 51% equity interest of Zhejiang China Minsheng was approximately HK$198.3 million. On the disposal date, the net assets value of Zhejiang China Minsheng was amounted to HK$190.0 million and approximately HK$97.9 million was recognised as a gain relating to the disposal of 51% of the equity interest of Zhejiang China Minsheng in the consolidated statement of profit or loss and other comprehensive income.

After the disposal of 2% and 51% of equity interest in Zhejiang China Minsheng, the 47% retained interest in Zhejiang China Minsheng held by the Group was re-measured to its fair value of approximately HK$182.7 million at the date when control was lost and approximated HK$90.2 million was recognised as a gain on the disposal of subsidiaries in the consolidated statement of profit or loss and other comprehensive income.

	2017 HK$'000
Net assets disposed of:	
Property, plant and equipment	150,311
Land use rights	68,528
Deferred income tax assets	2,002
Inventories	26,529
Trade and other receivables and prepayments	51,658
Cash and bank balances	7,433
Trade and other payables	(70,821)
Advances from customers	(9,695)
Borrowing	(35,889)
Non-controlling interests	(3,699)
Net assets attributed to owners of the Company	186,357
Fair value of 47% retained interest accounted for as an associate	(182,735)
Gain on disposal of the subsidiary recognised in profit and loss (Note 7)	188,171
Currency transaction differences	6,494
Satisfied by cash	198,287

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

33 DISPOSAL OF SUBSIDIARIES (continued)

(a) (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2017 HK$'000
Cash proceeds received	99,143
Cash and bank balances disposed of	(7,433)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	91,710

(b) In December 2017, Group disposed its 100% equity interest in China Minsheng Drawin Building Technology Company Limited ("Building Technology") to Tianjin China Minsheng Drawin Technology Limited (天津中民築友科技有限公司), which is the immediate holding company of the Group, at a total consideration of HK$62.2 million. On the disposal date the net asset value attributable to the Group of Building Technology was approximately HK$37.5 million. The Group recorded a gain on disposal of approximately HK$24.2 million.

	2017 HK$'000
Net assets disposed of:	
Property, plant and equipment	45,047
Land use rights	16,393
Intangible assets	195
Trade and other receivables and prepayment	53,930
Inventories	32,994
Cash and bank balances	43,726
Deferred income tax assets	3,431
Trade and other payables	(96,615)
Advances from customers	(55,049)
Non-controlling interests	(6,575)
	37,477
Gain on disposal of the subsidiary recognised in profit and loss (Note 7)	24,163
Currency translation differences	592
Satisfied by cash	62,232

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

33 DISPOSAL OF SUBSIDIARIES (continued)

(b) (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2017 HK$'000
Cash proceeds received	–
Cash and bank balances disposed of	(43,726)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(43,726)

34 COMMITMENTS

(a) Capital commitments

As at 31 December 2017 and 2016, capital expenditure contracted for but not yet incurred is as follows:

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Property, plant and equipment	**44,220**	196,280

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

34 COMMITMENTS (continued)

(b) Operating lease commitments

As at 31 December 2017 and 2016, 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 2017 HK$'000	As at 31 December 2016 HK$'000
Within 1 year	7,510	18,044
1 to 5 years	18,284	17,174
	25,794	35,218

(c) Operating lease rentals receivable

As at 31 December 2017 and 2016, 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 2017 HK$'000	As at 31 December 2016 HK$'000
Within 1 year	347	–
Over 1 year	5,599	5,523
	5,946	5,523

35 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)
Zhejiang China Minsheng Drawin Technology Company Limited	An associate company of the Group
China Minsheng Drawin Building Technology Company Limited	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)
Tianjin China Minsheng Drawin Technology Limited	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)
China Minsheng Drawin Architectural Design Limited	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)
Hunan China Minsheng Drawin Green Construction Investment Limited	Controlled by the same ultimate holding company (China Minsheng Investment Corp., Ltd)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

35 RELATED-PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

During the year ended 31 December 2017 and the nine months ended 31 December 2016, the Group has the following related party transactions:

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Paid on behalf of the Group by		
China Minsheng Drawin Construction Co., Ltd	36,422	–
China Minsheng Drawin Architectural Design Limited	1,387	–
Hunan China Minsheng Drawin Green Construction Investment Limited	1,058	–
	38,867	–
Received on behalf of the Group by		
China Minsheng Drawin Construction Co., Ltd	108	2,207
Disposal of a subsidiary		
Tianjin China Minsheng Drawin Technology Limited	62,232	–
Supply of prefabricated construction components and products by the Group		
China Minsheng Drawin Construction Co., Ltd	27,853	–
EPC general contracting services for PP&E provided by the related parties		
China Minsheng Drawin Construction Co., Ltd	171,752	–
China Minsheng Drawin Co., Ltd	266	–
	172,018	2,207
Guarantee for bank borrowings provided by the related party		
China Minsheng Drawin Co., Ltd	47,852	–

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

35 RELATED-PARTY TRANSACTIONS (continued)

(c) Related-party balances

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Amount due from related parties		
Tianjin China Minsheng Drawin Technology Limited	**62,232**	–
China Minsheng Drawin Construction Co., Ltd	**46,228**	2,207
China Minsheng Drawin Building Technology Company Limited (*)	**29,136**	–
China Minsheng Drawin Architectural Design Limited	**1,436**	–
Hunan China Minsheng Drawin Green Construction Investment Limited	**1,096**	–
	140,128	2,207
Amount due to related parties		
China Minsheng Drawin Construction Co., Ltd	**24,484**	–
Zhejiang China Minsheng Drawin Technology Company Limited (*)	**8,465**	–
China Minsheng Drawin Co., Ltd	**275**	21,030
	33,224	21,030

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

(*) The balance represents the transactions occurred before disposal of subsidiaries which is not settled.

(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 2017 HK$'000	Year ended 31 December 2016 HK$'000
Salaries and other short-term employee benefits	**6,453**	5,799
Employer's contribution to pension scheme	**18**	18
	6,471	5,817

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	353	1,724
Investments in subsidiaries	14,271	14,271
	14,624	15,995
Current assets		
Trade and other receivables and prepayments	1,244,649	1,166,506
Available-for-sale financial assets	–	1,633
Cash and cash equivalents	295,751	320,054
Financial assets at fair value through profit or loss	–	44,968
	1,540,400	1,533,161
Total assets	1,555,024	1,549,156
EQUITY		
Equity attributable to owners of the Company		
Share capital	1,120,960	1,020,960
Reserves (note (a))	432,017	344,548
Total equity	1,552,977	1,365,508
LIABILITIES		
Non-current liabilities		
Convertible bond	–	177,426
Deferred income tax liabilities	–	3,725
	–	181,151
Current liabilities		
Trade and other payables	2,047	2,497
Total liabilities	2,047	183,648
Total equity and liabilities	1,555,024	1,549,156

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2018 and was signed on its behalf by:

Yin Jun
Director

Mi Hongjun
Director

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2017

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 January 2016	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
Loss for the year	–	–	–	–	(3,375)	(3,375)
Other comprehensive income/(loss):						
Changes in fair value of available-for-sale financial assets	–	209	–	–	–	209
Total comprehensive loss for the year	–	209	–	–	(3,375)	(3,166)
Transactions with owners in their capacity as owners						
Exercising of convertible bond	128,235	–	(37,600)	–	–	90,635
At 31 December 2017	815,125	–	–	157,955	(541,063)	432,017

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 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	**For the year ended 31 December 2017 HK$'000**
Results					
Revenue	817	455	347	37,042	**216,587**
Profit/(loss) before income tax	(3,591)	(4,795)	(194,755)	(90,409)	**112,597**
Income tax (expense)/credit	(3,804)	(417)	1,546	(10,889)	**11,224**
Profit/(loss) for the period/year	(7,395)	(5,212)	(193,209)	(101,298)	**123,821**
Profit/(loss) attributable to owners of the Company	(7,395)	(5,212)	(193,209)	(101,136)	**131,719**

	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	**As at 31 December 2017 HK$'000**
Assets and liabilities					
Total assets	71,388	352,152	1,672,566	2,425,233	**2,867,988**
Total liabilities	(71,210)	(5,638)	(203,999)	(500,045)	**(462,594)**
Total equity	178	346,514	1,468,567	1,925,188	**2,405,394**