



China Minsheng Drawin Technology Group Limited
(Formerly known as South East Group Limited)
(Incorporated in Bermuda with limited liability)
Stock Code: 726

Interim Report 2016



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CORPORATE INFORMATION

Board of Directors

Executive Directors

MI Hongjun (*Chairman*)

YIN Jun

(*Deputy Chairman and Chief Executive Officer*)

CHEN Domingo

Non-executive Directors

CHEN Donghui

GAN Ping

ZHAO Xiaodong

ZHOU Feng

Independent Non-executive Directors

CHAN Chi Hung

JIANG Hongqing

LEE Chi Ming

MA Lishan

Board Committees

Audit Committee

JIANG Hongqing (*Chairman*)

CHAN Chi Hung

LEE Chi Ming

MA Lishan

Nomination Committee

MI Hongjun (*Chairman*)

JIANG Hongqing

LEE Chi Ming

Remuneration Committee

JIANG Hongqing (*Chairman*)

LEE Chi Ming

MI Hongjun

Company Secretary

CHENG Ka Yan

Authorised Representatives

CHEN Domingo

YIN Jun

Registered Office

Canon's Court, 22 Victoria Street

Hamilton HM 12, Bermuda

Head Office and Principal Place of Business in Hong Kong

Suites 1001-1004, 10th Floor

One Pacific Place, 88 Queensway

Hong Kong

Independent Auditor

PricewaterhouseCoopers

Certified Public Accountants

Principal Banker

The Bank of China Limited

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke, HM08

Bermuda

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited:

00726

Website

<http://cmdrawin.todayir.com/en/index.php>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Strong market potential under China’s “New Economy”

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

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

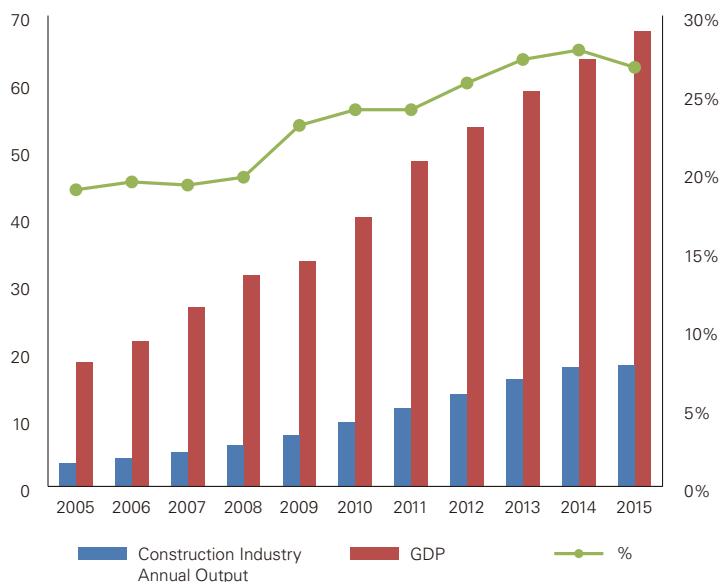
As an important national sector, the construction industry represents a huge market, which saw an annual output of RMB18 trillion in 2015, nearly 27% of China’s GDP. So far, the market is still dominated by traditional construction methods while the development of industrialized construction is still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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Prospects *(continued)*

Strong market potential under China's "New Economy" *(continued)*

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



Favorable policies in support of industrialized construction

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Prospects *(continued)*

Favorable policies in support of industrialized construction *(continued)*

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

Key Policies Highlights

National Government Level	2012.04	MoHURD published “Suggestion on Promotion of Green Construction Development” and mentioned to push forward industrialized housing.
	2013.01	The State Council issued “The Action Plan of Green Construction” which facilitates industrialized construction and supports the construction of bases that serve the functions of design, manufacture, and construction.
	2014.03	The State Council issued “The New Urbanization Plan (2014-2020)”, which supports the development of green construction material and industrialized construction.
	2014.07	MoHURD issued “The Opinions on the Promotion of Development and Reform of Construction Industry” and mentioned the needs to push forward the modernization of construction industry.
	2014.12	MoHURD proposed newly developed industrialized housing to be increased 2 percentage point y-o-y and newly commenced GFA constructed by industrialized method to be increased y-o-y.
	2015.08	MoIIT and MoURD 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 units within the next 10 years.
Local Government Level	2013 – Now	Nearly 40 to 50 cities and provinces in China have issued policies which support the development of prefabricated construction (including Beijing, Shanghai, Shenzhen, Jiangsu Province, Hunan Province, Fujian Province and Zhejiang Province).

Remarks:

MoHURD refers to Ministry of Housing and Urban-Rural Development

MoIIT refers to Ministry of Industry and Information Technology

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

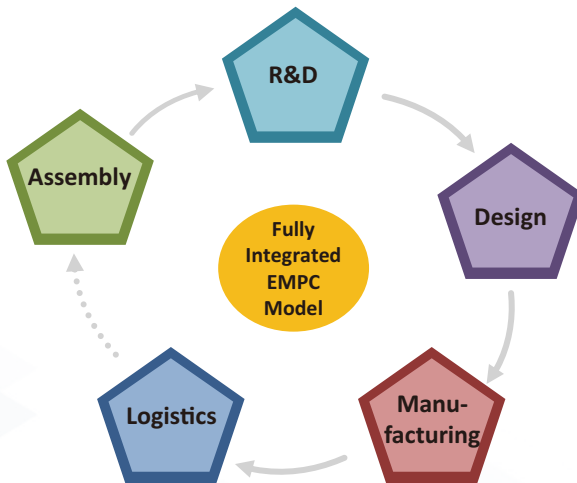
Business Review and Prospects *(continued)*

Becoming a competitive player in the industrialized construction industry

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

Fully integrated EMPC model as the new direction of the industry's transformation

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



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Prospects *(continued)*

Investment on technology parks – The advantage of scale

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

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



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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Prospects *(continued)*

Establishing industry leadership through technology innovation and information management

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

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

Business prospects

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review

Review of results

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Liquidity and financial resources

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

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

Capital structure

As at 30 June 2016, the total number of issued shares of the Company (the "Share(s)") was 10,209,602,920 Shares with a par value of HK\$0.1 each. Based on the closing price of HK\$0.36 per Share as at 30 June 2016, the Company's market value as at 30 June 2016 was approximately HK\$3,675.5 million.

Exposures to exchange rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The board of directors of the Company (the "Board") is of the view that the Group's exposure to currency risk is minimal and hence the Group does not have any currency hedging policy and has not entered into any hedging or other instruments to reduce currency risk. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Human Resources

As at 30 June 2016, the Group had a total of 215 (31 December 2015: 114) employees excluding directors of the Company (the "Directors"). 210 (31 December 2015: 109) of them worked in the PRC and 5 (31 December 2015: 5) of them worked in Hong Kong.

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

Charges on Group Assets

As at 30 June 2016, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group (31 December 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Capital Commitments and Contingent Liabilities

As at 30 June 2016, the Group had outstanding capital commitments in the aggregate amount of approximately HK\$234,448,000 (31 December 2015: HK\$104,706,000) and no material contingent liabilities (31 December 2015: Nil).

Changes in Information of Directors

Mr. Mi Hongjun has been appointed as a director of Sunshine City Group Co., Ltd.* (陽光城集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000671) with effect from 15 July 2016.

Mr. Ma Lishan ("Mr. Ma") has resigned as the senior consultant in Hao Tian Development Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 474) with effect from 8 August 2016. In addition, Mr. Ma has been appointed as an independent non-executive director of Huarong International Financial Holdings Limited, a company listed on the Stock Exchange (stock code: 993) with effect from 19 August 2016.

Save for the above, there is no other change in Directors' information since 30 March 2016, the date of the annual report of the Company for the nine months ended 31 December 2015, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

* for identification purposes only

CORPORATE GOVERNANCE

Corporate Governance Practices

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

During the Period under Review, the Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, except for:

- (a) code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term, subject to re-election. One of the non-executive Directors, Mr. Zhou Feng, is not appointed for a specific term, but is subject to retirement from office by rotation and re-election in accordance with the provisions of the Company’s bye-laws. At each annual general meeting, one-third of the directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. As such, the Company considers that such provision is sufficient to meet the underlying objective of this code provision; and
- (b) code provision A.6.7 of the Code which provides that independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Due to their respective engagements, Mr. Zhou Feng, and Mr. Jiang Hongqing were unable to attend the annual general meeting and special general meeting of the Company held on 13 June 2016.

Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. In response to the specific enquiry made by the Company, all the Directors confirmed that they fully complied with the required standard as set out in the Model Code throughout the Period under Review.

GENERAL INFORMATION

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Period under Review (six months ended 30 September 2015: Nil).

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, none of the Directors and chief executives of the Company had or was deemed to have interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code to the Listing Rules.

Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares

As at 30 June 2016, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares and underlying Shares of the Company

Name of Shareholder	Capacity	Number of Shares held	Percentage of the Issued Share Capital (Note 1)
Jiayao Global Investments Limited ("Jiayao")	(1) Beneficial owner	5,200,000,000 (Note 2)	50.93%
	(2) Interest of controlled corporation	1,300,000,000 (Note 2)	12.74%
		6,500,000,000	63.67%
China Minsheng Jiaye Investment Co., Ltd.	Interest of controlled corporation	6,500,000,000 (Note 2)	63.67%
China Minsheng Investment Corp., Ltd.	Interest of controlled corporation	6,500,000,000 (Note 2)	63.67%

GENERAL INFORMATION *(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 Shareholder	Capacity	Number of Shares held	Percentage of the Issued Share Capital (Note 1)
Honghu Capital Company Limited	Beneficial owner	1,000,000,000	9.79%
Deng Jun Jie	Interest of controlled corporation	1,000,000,000 (Note 3)	9.79%
Quantum China Asset Management Limited	Investment manager	826,680,000	8.10%

Notes:

1. It was based on 10,209,602,920 Shares as at 30 June 2016.
2. Jiayao beneficially owned 5,200,000,000 Shares, representing 50.93% of the issued share capital of the Company. Jiayao's five wholly-owned subsidiaries, namely Jiamin (Holding) Investment Limited, Jianuo (Holding) Investment Limited, Jiaxin (Holding) Investment Limited, Jiaheng (Holding) Investment Limited and Jiacheng (Holding) Investment Limited, beneficially owned in aggregate 1,300,000,000 Shares, representing 12.74% of the issued share capital of the Company. Jiayao is a company indirectly and wholly owned by China Minsheng Jiaye Investment Co., Ltd. which in turn is 78.56% owned by China Minsheng Investment Corp., Ltd.
3. The Shares were held by Honghu Capital Company Limited, a company wholly and beneficially owned by Mr. Deng Jun Jie.

Save as disclosed above, and as at 30 June 2016, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of Securities

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

GENERAL INFORMATION *(continued)*

Share Options

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 30 June 2016 and up to the date of this report, there were no outstanding share options that have been granted and remained outstanding and exercisable under both the Old Scheme and the New Scheme.

Review of Interim Results

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

Choice of Languages or Means of Receiving Corporate Communications

This interim report is now available in printed form in English and in Chinese, and on the website of the Company and on the website of the Stock Exchange.

If (i) shareholders, who have received or chosen to receive or are deemed to have consented to receive the Company’s corporate communications by electronic means, wish to receive printed copies or vice versa; or (ii) shareholders for any reason have difficulty in receiving or gaining access to the Company’s corporate communications, they may obtain printed copies free of charge by sending a request to the Company c/o the Share Registrar, Computershare Hong Kong Investor Services Limited, by post to 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong or by email at cmdrawin.ecom@computershare.com.hk.

For shareholders who wish to change their choice of languages or means of receiving the Company’s future corporate communications free of charge, they may at any time notify the Company by giving reasonable notice (of not less than 7 days) to the Company c/o the Share Registrar by post or by email.

By order of the Board
Mi Hongjun
Chairman

Hong Kong, 30 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	257	249
Cost of sales	7	(45)	(44)
Gross profit		212	205
Other income	5	1,856	646
Other (losses)/gains – net	6	(48,130)	43,551
Administrative expenses	7	(25,040)	(12,054)
Impairment losses on available-for-sale financial assets	15	(17,750)	(27)
Operating (loss)/profit		(88,852)	32,321
Finance costs	8	(7,013)	(1,333)
(Loss)/profit before income tax		(95,865)	30,988
Income tax credit	9	1,157	2
(Loss)/profit for the period, all attributable to owners of the Company		(94,708)	30,990
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss:			
– Changes in fair value of available-for-sale financial assets		457	(90)
– Currency translation differences		(9,991)	1,027
Item recycled to profit or loss:			
– Fair value losses on available-for-sale financial assets recycled to profit or loss upon redemption and included in other losses		9,289	–
Other comprehensive (loss)/income for the period, net of tax		(245)	937
Total comprehensive (loss)/income for the period, all attributable to owners of the Company		(94,953)	31,927
(Loss)/earnings per share attributable to owners of the Company (expressed in HK\$ cent per share)			
– Basic	11	(0.93)	0.63
– Diluted	11	(0.93)	0.63

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	182,293	81,398
Land use rights	13	168,287	–
Intangible assets		74	41
Investment properties	14	37,089	37,723
Available-for-sale financial assets	15	38,032	102,423
Other non-current assets		14,011	48,349
		439,786	269,934
Current assets			
Inventories		441	–
Trade and other receivables and prepayments	16	78,019	35,045
Financial assets at fair value through profit or loss	17	71,245	90,169
Available-for-sale financial assets	15	57,330	92,820
Cash and cash equivalents		998,415	1,184,598
		1,205,450	1,402,632
Total assets		1,645,236	1,672,566
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	1,020,960	1,020,960
Reserves		352,654	447,607
Total equity		1,373,614	1,468,567
LIABILITIES			
Non-current liabilities			
Convertible bond	19	169,789	162,776
Deferred government grants		48,532	–
Deferred income tax liabilities	20	9,043	10,269
		227,364	173,045
Current liabilities			
Trade and other payables	21	44,096	30,716
Advances from customers		162	238
		44,258	30,954
Total liabilities		271,622	203,999
Total equity and liabilities		1,645,236	1,672,566

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Available- for-sale financial assets revaluation reserve HK\$'000	Convertible bond - equity component HK\$'000	Exchange reserve HK\$'000	Contributed surplus reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2016 (audited)	1,020,960	686,890	(9,878)	37,600	6,363	131,166	(404,534)	1,468,567
Comprehensive income								
Loss for the period	-	-	-	-	-	-	(94,708)	(94,708)
Other comprehensive income/(loss)								
- Fair value losses on available-for-sale financial assets recycled to profit or loss upon redemption	-	-	9,289	-	-	-	-	9,289
- Changes in fair value of available-for-sale financial assets	-	-	457	-	-	-	-	457
- Currency translation differences	-	-	-	-	(9,991)	-	-	(9,991)
Total comprehensive income/(loss) for the period	-	-	9,746	-	(9,991)	-	(94,708)	(94,953)
Balance at 30 June 2016 (unaudited)	1,020,960	686,890	(132)	37,600	(3,628)	131,166	(499,242)	1,373,614

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Available- for-sale financial assets revaluation reserve HK\$'000	Convertible bond – equity component HK\$'000	Exchange reserve HK\$'000	Contributed surplus reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2015 (unaudited)	370,960	38,570	246	–	14,776	131,166	(216,630)	339,088
Comprehensive income								
Profit for the period	–	–	–	–	–	–	30,990	30,990
Other comprehensive income/(loss)								
– Changes in fair value of available-for-sale financial assets	–	–	(90)	–	–	–	–	(90)
– Currency translation differences	–	–	–	–	1,027	–	–	1,027
Total comprehensive income/(loss) for the period	–	–	(90)	–	1,027	–	30,990	31,927
Transactions with owners in their capacity as owners								
Issue of ordinary shares	650,000	648,320	–	–	–	–	–	1,298,320
Issue of convertible bond	–	–	–	45,118	–	–	–	45,118
Deferred tax liabilities arising from the issuance of convertible bond	–	–	–	(7,518)	–	–	–	(7,518)
Total transactions with owners in their capacity as owners	650,000	648,320	–	37,600	–	–	–	1,335,920
Balance at 30 June 2015 (unaudited)	1,020,960	686,890	156	37,600	15,803	131,166	(185,640)	1,706,935

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Operating activities		
Cash used in operations	(3,608)	(102,293)
PRC income tax paid	–	(383)
Net cash used in operating activities	(3,608)	(102,676)
Investing activities		
Proceeds from disposal or redemption of available-for-sale financial assets	61,680	–
Interest received	1,692	236
Proceeds from disposal of property, plant and equipment	17	–
Dividends received	–	330
Purchase of intangible assets	(38)	–
Prepayments for other non-current assets	(13,859)	–
Purchase of property, plant and equipment	(104,065)	(242)
Payments for land use rights	(120,771)	–
Purchase of available-for-sale financial assets	–	(200,000)
Net cash used in investing activities	(175,344)	(199,676)
Financing activities		
Proceeds from issue of ordinary shares	–	1,298,320
Proceeds from issue of convertible bond	–	199,554
Net cash generated from financing activities	–	1,497,874
Net (decrease)/increase in cash and cash equivalents	(178,952)	1,195,522
Cash and cash equivalents at beginning of the period	1,184,598	201,381
Exchange (loss)/gain on cash and cash equivalents	(7,231)	1,027
Cash and cash equivalents at end of the period	998,415	1,397,930

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1 Basis of Preparation

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

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

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

2 Accounting Policies

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

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

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

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

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

3 Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

4 Revenue

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

5 Other Income

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

6 Other (Losses)/Gains – Net

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

7 Expenses by Nature

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

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

8 Finance Costs

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on convertible bond	7,013	1,333

9 Income Tax Credit

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits in Hong Kong for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil). Taxation on PRC profits has been calculated on the estimated assessable profits for the periods at the rates of taxation prevailing in the PRC.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax – PRC corporate income tax	–	218
Deferred income tax (Note 20)	(1,157)	(220)
Total income tax credit for the period	(1,157)	(2)

10 Dividend

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

11 (Loss)/Earnings per Share

(a) Basic

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

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

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares for both the six months ended 30 June 2016 and 30 June 2015, which is the convertible bond (Note 19). The convertible bond is assumed to have been converted into ordinary shares, and the (loss)/profit attributable to owners of the Company is adjusted to eliminate the interest expense less the tax effect. For the six months ended 30 June 2016, the Group incurred a loss, the impact of conversion of convertible bond on loss per share is anti-dilutive and diluted loss per share therefore is equal to basic loss per share. For the six months ended 30 June 2015, the diluted earnings per share is calculated as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

12 Property, Plant and Equipment

	HK\$'000
Net book amount as at 1 January 2016 (audited)	81,398
Additions	104,065
Disposals	(16)
Depreciation charge	(959)
Currency translation differences	(2,195)
Net book amount as at 30 June 2016 (unaudited)	182,293
Net book amount as at 1 January 2015 (unaudited)	31
Additions	242
Depreciation charge	(21)
Net book amount as at 30 June 2015 (unaudited)	252

13 Land Use Rights

The balance represents land use rights to be used for construction of plant. As at 30 June 2016, no land use rights were pledged as collateral for the Group's borrowings.

During the six months ended 30 June 2016, the amortisation charges of HKD686,000 (six months ended 30 June 2015: Nil) on land use rights have been included in plant under development for prefabricated construction business.

14 Investment Properties

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Office buildings in Shandong, the PRC	37,089	37,723

15 Available-for-sale Financial Assets

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Private funds (note (a))	36,322	101,170
Structured deposits (note (b))	57,330	92,820
Listed equity securities in Hong Kong, at fair value (note (c))	1,710	1,253
	95,362	195,243
Less: Non-current portion	(38,032)	(102,423)
Current portion	57,330	92,820

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

15 Available-for-sale Financial Assets *(continued)*

notes:

- (a) The Group invested in the following private funds as at 30 June 2016:

Funds	Investment cost HK\$'000	Fair value at 30 June 2016 HK\$'000	Total impairment losses HK\$'000
Quantum Advantage	40,000	13,413	26,587
Taiping Quantum China Opportunities	40,000	14,680	25,320
Taiping Quantum Strategic	40,000	8,229	31,771
Total	120,000	36,322	83,678

For the six months ended 30 June 2016, fair value of the three funds as listed in the above table declined further more than 50% below its cost and hence additional impairment losses were recognised. The other two funds held as at 31 December 2015 were redeemed during the Period under Review.

The Group invested in the following private funds as at 31 December 2015:

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

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

The funds invested by the Group as at 30 June 2016 hold the shares of the Company as below:

Funds	Percentage
Quantum Advantage	2.33%
Taiping Quantum China Opportunities	0.86%
Taiping Quantum Strategic	3.41%

As the individual percentage of the Company's shares held by the above funds is below 5% and so the funds do not have significant influence over the Company, and hence are not the Company's related parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

15 Available-for-sale Financial Assets *(continued)*

notes: *(continued)*

- (b) The structured deposits represent principal-guaranteed short-term deposit products maintained in several well-known banks in the PRC by the Group for generating interest income on a rolling basis. The principal amount of the structured deposits may be withdrawn or taken out by the Company at any time. These structured deposits 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.
- (c) During the Period under Review, no additions made to the listed equity securities in Hong Kong and the changes solely represented the fair value movements of the listed equity securities.

16 Trade and Other Receivables and Prepayments

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

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

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

The maximum exposure to credit risk as at 30 June 2016 and 31 December 2015 is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral security against the receivables.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

16 Trade and Other Receivables and Prepayments *(continued)*

notes:

- (a) On 26 February 2014, the Group (as purchaser) entered into a non-legally binding framework agreement (as supplemented by four supplemental framework agreements dated 23 May 2014, 22 August 2014, 25 November 2014 and 30 December 2014) with Mr. Liu Shu (as vendor) relating to a possible acquisition of certain properties in Shenzhen, the PRC by the Group at a consideration to be determined with reference to the finalised market value of such properties, which shall be satisfied in the combination of cash, consideration shares, promissory notes and/or convertible notes of the Group; and the cash portion of which shall not be less than HK\$300 million. Subsequently, a total of HK\$72 million was paid to the vendor as earnest money. As no formal agreement was entered into by the long stop date on 25 February 2015, the framework agreement (as supplemented by the four supplemented framework agreements as mentioned above) lapsed on 25 February 2015. The Group had made full provision for bad debt of the refund of the abovementioned earnest money owed to the Group by Mr. Liu Shu after unsuccessful claim for such refund for an extended period of time.
- (b) On 24 December 2014, the Group entered into a non-legally binding framework agreement relating to a possible acquisition of the entire equity interest of Jinhong Property Development Limited (金鴻置業有限公司) by the Group. On 8 March 2016, the Group had decided not to proceed with the possible acquisition and the framework agreement had lapsed pursuant to its terms. Considering the current discussion with the seller, the Directors are of the view that the Group is likely to collect the refund of substantial part of the earnest money in due course and hence no provision was made.

17 Financial Assets at Fair Value through Profit or Loss

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Equity securities, at fair value – Listed in Hong Kong	71,245	90,169

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

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'Other (losses)/gains – net' in the consolidated statement of profit or loss and other comprehensive income (Note 6).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

18 Share Capital

	Number of shares '000	Share capital (nominal value) HK\$'000
Ordinary shares at nominal value of HK\$0.1 each		
Authorised:		
As at 1 January 2015	4,000,000	400,000
As at 30 June 2015, 1 January 2016 and 30 June 2016	25,000,000	2,500,000
Issued and fully paid:		
As at 1 January 2015	3,709,603	370,960
Issuance of ordinary shares (note (a))	6,500,000	650,000
As at 30 June 2015, 1 January 2016 and 30 June 2016	10,209,603	1,020,960

note:

- (a) On 27 May 2015, 6,500,000,000 new shares were allotted and issued to Jiayao (which is a subsidiary of China Minsheng Investment Corp., Ltd.) at the price of HK\$0.2 per share.

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

19 Convertible Bond

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

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

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

The fair value of the liability component of the convertible bond as at 30 June 2016 and 31 December 2015 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

20 Deferred Income Tax Liabilities

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

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

21 Trade and Other Payables

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Trade payables (note (a))	310	1,030
Amounts due to a related party (Note 23)	15,254	12,614
Construction deposits and payables	11,494	–
Payable related to acquisition of Guangzhou plant	10,031	10,974
Technology transfer contract fee	5,850	–
Accrued payroll	–	5,701
Others	1,157	397
	44,096	30,716

note:

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

22 Commitments

(a) Capital commitments

As at 30 June 2016 and 31 December 2015, capital expenditure contracted for but not yet incurred is as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Property, plant and equipment	234,448	57,582
Land use rights	–	47,124
	234,448	104,706

(b) Operating lease commitments

As at 30 June 2016 and 31 December 2015, the future aggregate minimum rental expenses in respect of certain office buildings held under non-cancellable operating leases are payable in the following periods:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Within 1 year	12,985	8,785
1 to 5 years	26,554	9,912
	39,539	18,697

(c) Operating lease rentals receivable

As at 30 June 2016 and 31 December 2015, the future aggregate minimum rental receipts under non-cancellable operating leases in respect of land and buildings are receivable in the following periods:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Within 1 year	–	252

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2016

23 Related-party Transactions

(a) Name and relationship with a related party

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

(b) Transactions with a related party

During the six months ended 30 June 2016 and 30 June 2015, the Group has the following related party transactions:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Payments made on behalf of the Group by		
China Minsheng Drawin Co., Ltd.	2,960	–

(c) Related-party balances

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
	Amounts due to a related party (Note 21)	
China Minsheng Drawin Co., Ltd.	15,254	12,614

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

(d) Key management compensation

Key management includes directors (executive and non-executive), chief financial officer, and other personnel who are considered critical to the Group's business. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries and other short-term employee benefits	2,671	3,342
Employer's contribution to pension scheme	15	35
	2,686	3,377