China Minsheng Drawin Technology Group Limited
中民築友科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Directors") of China Minsheng Drawin Technology Group Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016, together with the comparative figures for the nine months ended 31 December 2015 as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	**Year ended 31 December 2016** *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Revenue	*3*	**37,042**	347
Cost of sales	*6*	**(28,654)**	(73)
Gross profit		**8,388**	274
Other income	*4*	**68,436**	3,360
Other losses – net	*5*	**(24,879)**	(1,043)
Selling and distribution expenses	*6*	**(6,531)**	–
Administrative expenses	*6*	**(90,870)**	(27,465)
Impairment loss on available-for-sale financial assets	*14*	**–**	(89,541)
Impairment loss on other receivables	*15*	**(30,000)**	(72,000)
Operating loss		**(75,456)**	(186,415)
Finance costs	*7*	**(14,953)**	(8,340)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*
For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 HK$'000
Loss before income tax		**(90,409)**	(194,755)
Income tax (expense)/credit	*8*	**(10,889)**	1,546
Loss for the year/period		**(101,298)**	(193,209)
Loss for the year/period, attributable to			
– Owners of the Company		**(101,136)**	(193,209)
– Non-controlling interests		**(162)**	–
		(101,298)	(193,209)
Other comprehensive loss, which may be reclassified subsequently to profit or loss			
– Changes in fair value of available-for-sale financial assets		**9,669**	(9,983)
– Currency translation differences		**(50,153)**	(10,675)
Other comprehensive loss for the year/period, net of tax		**(40,484)**	(20,658)
Total comprehensive loss for the year/period		**(141,782)**	(213,867)
Total comprehensive loss for the year/period, attributable to			
– Owners of the Company		**(141,626)**	(213,867)
– Non-controlling interests		**(156)**	–
		(141,782)	(213,867)
Loss per share attributable to owners of the Company (expressed in HK$ cents per share)			
– Basic and diluted	*10*	**(0.99)**	(2.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	**As at 31 December 2016 *HK$'000***	As at 31 December 2015 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	718,420	81,398
Land use rights	*12*	534,960	–
Investment properties	*13*	35,662	37,723
Available-for-sale financial assets	*14*	–	102,423
Intangible assets		886	41
Deferred income tax assets	*18*	594	–
Other non-current assets		–	48,349
		1,290,522	269,934
Current assets			
Inventories		16,467	–
Trade and other receivables and prepayments	*15*	120,525	35,045
Available-for-sale financial assets	*14*	121,252	92,820
Financial assets at fair value through profit or loss	*16*	44,968	90,169
Cash and cash equivalents		784,546	1,184,598
Restricted cash	*20*	46,953	–
		1,134,711	1,402,632
Total assets		2,425,233	1,672,566
EQUITY			
Equity attributable to owners of the Company			
Share capital		1,020,960	1,020,960
Reserves		350,551	447,607
		1,371,511	1,468,567
Non-controlling interests		553,677	–
Total equity		1,925,188	1,468,567

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 31 December 2016

	Notes	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible bond	*17*	177,426	162,776
Deferred income tax liabilities	*18*	17,014	10,269
		194,440	173,045
Current liabilities			
Trade and other payables	*19*	256,830	30,716
Advances from customers		1,844	238
Current income tax liabilities		4,204	–
Borrowing	*20*	42,727	–
		305,605	30,954
Total liabilities		500,045	203,999
Total equity and liabilities		2,425,233	1,672,566

NOTES:

1 GENERAL INFORMATION

China Minsheng Drawin Technology Group Limited (formerly known as "South East Group Limited", hereinafter the "Company") was incorporated as an exempted company with limited liability in Bermuda on 28 February 1991 under the Companies Act 1981 of Bermuda and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effective 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 has been changed to Suites 1001-1004, Level 10, One Pacific Place, 88 Queensway, Admiralty, Hong Kong with effective from 9 January 2015.

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

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

The Company had changed its financial year end date from 31 March to 31 December in 2015.

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

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for twelve months ended 31 December 2016 but are extracted from those financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to the period and year 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

HKAS 1 (Amendments)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations
Annual improvements 2014	The amendments include changes from the 2012–2014 cycle of the annual improvement project that affect 4 standards of HKFRSs

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

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

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

HKFRS 9, 'Financial instruments'

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

The financial assets held by the Group include:

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

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

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.

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' (continued)

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

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

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

HKFRS 15, 'Revenue from contracts with customers'

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

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

HKFRS 16, 'Leases'

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

The accounting for lessors will not significantly change.

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' (continued)

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

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

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Accounting period

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

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

3 REVENUE

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

4 OTHER INCOME

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

Note:

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

5 OTHER LOSSES – NET

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Net realised (loss)/gain on redemption of available-for-sale financial assets *(Note 14)*	**(78,705)**	1,394
Net fair value loss on financial assets at fair value through profit or loss *(Note 16)*	**(27,144)**	(4,911)
Recovery of trade and other receivables	**72,026**	405
Net exchange gain	**8,710**	1,617
Fair value gains on investment properties *(Note 13)*	**231**	453
Gains on disposal of property, plant and equipment	**1**	–
Others	**2**	(1)
	(24,879)	(1,043)

6 EXPENSES BY NATURE

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

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Employee benefit expenses *(Note (a))*	**66,684**	13,896
Raw materials	**13,288**	–
Operating lease rentals on buildings	**12,197**	2,841
Legal and professional fees	**7,668**	3,302
Entertainment expenses	**6,168**	783
Travelling expenses	**3,463**	47
Registration expenses	**3,165**	706
Utilities	**2,228**	28
Value-added tax surcharges	**2,131**	–
Depreciation *(Note 11)*	**2,470**	1,022
Amortisation of land use rights and intangible assets	**901**	–
Auditors' remuneration	**1,400**	700
Others	**4,292**	4,213
Total of cost of sales, selling and distribution expenses and administrative expenses	**126,055**	27,538

Note:

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

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

All Chinese 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.

7 FINANCE COSTS

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Interest expenses on convertible bond *(Note 17)*	**(14,650)**	(8,340)
Interest expenses on bank borrowing *(Note 20)*	**(303)**	–
	(14,953)	(8,340)

8 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December 2016 *HK$'000*	Nine months ended 31 December 2015 *HK$'000*
Current income tax		
– PRC land appreciation tax	**–**	(125)
– PRC corporate income tax	**3,675**	(158)
– Hong Kong profits tax	**529**	–
	4,204	(283)
Deferred income tax *(Note 18)*	**6,685**	(1,263)
Total income tax expense/(credit) for the year/period	**10,889**	(1,546)

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

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

8 INCOME TAX EXPENSE/(CREDIT) *(continued)*

Hong Kong profits tax

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

PRC corporate income tax

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

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

Land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures, and is included in the consolidated statement of profit or loss and other comprehensive income as income tax expense.

9 DIVIDEND

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

10 LOSS PER SHARE

(a) Basic

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

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

10 LOSS PER SHARE *(continued)*

(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 year ended 31 December 2016 and nine months ended 31 December 2015, which is the convertible bond (Note 17). The convertible bond is assumed to have been converted into ordinary shares, and the loss attributable to owners of the Company is adjusted to eliminate the interest expense less the tax effect. For the year ended 31 December 2016 and the nine months ended 31 December 2015, the Group incurred a loss, the impact of conversion of convertible bond on loss per share is anti-dilutive. Diluted loss per share therefore is equal to basic loss per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Computer equipment	Motor vehicles	Furniture & fixtures	Equipment	Leasehold improvement	Plant under development for prefabricated construction business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

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

As at 31 December 2016, no property, plant and equipment were pledged as collateral for the Group's borrowing (Note 20).

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

12 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:

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

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

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

13 INVESTMENT PROPERTIES

	As at 31 December 2016 *HK\$'000*	As at 31 December 2015 *HK\$'000*
Beginning balance	**37,723**	39,468
Net gain from fair value adjustments *(Note 5)*	**231**	453
Currency translation differences	**(2,292)**	(2,198)
At 31 December 2016	**35,662**	37,723

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

An independent valuation of the Group's investment properties was performed by the valuer, Grant Sherman Appraisal Limited, to determine the fair value of the investment properties as at 31 December 2016 and 31 December 2015 respectively. The revaluation gains are included in 'Other losses – net' in the consolidated statement of profit or loss and other comprehensive income (Note 5).

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December 2016 *HK$'000*	As at 31 December 2015 *HK$'000*
Beginning balance	**195,243**	2,131
Acquisitions	**123,050**	292,820
Disposals	**(121,454)**	(184)
Net fair value change through other comprehensive income	**9,669**	(9,983)
Net realised loss on redemption of available-for-sale financial assets *(Note 5)*	**(78,705)**	–
Impairment losses on available-for-sale financial assets recognised in profit or loss	**–**	(89,541)
Currency transaction differences	**(6,551)**	–
Ending balance	**121,252**	195,243
Less: Non-current portion	**–**	(102,423)
Current portion	**121,252**	92,820

Available-for-sale financial assets include the following:

	As at 31 December 2016 *HK$'000*	As at 31 December 2015 *HK$'000*
Private funds *(Note (a))*	**–**	101,170
Structured deposits *(Note (b))*	**119,619**	92,820
Listed equity securities in Hong Kong, at fair value *(Note 16(a))*	**1,633**	1,253
	121,252	195,243

Notes:

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

Funds	**Fair value at 31 December 2015** *HK$'000*	**Redemption of funds** *HK$'000*	**Net realised loss on available-for-sale financial assets** *(Note 5)* *HK$'000*	**Fair value change through other comprehensive income** *HK$'000*	**Fair value at 31 December 2016** *HK$'000*
Quantum Advantage	18,588	4,899	13,689	–	–
Quantum Enhanced	30,711	18,232	21,768	(9,289)	–
Taiping Quantum China Opportunities	19,071	297	18,774	–	–
Taiping Quantum Prosperity	16,387	7,959	8,428	–	–
Taiping Quantum Strategic	16,413	367	16,046	–	–
Total	101,170	31,754	78,705	(9,289)	–

As at 31 December 2016, all of the private funds listed in the above table have been redeemed. The Group has recorded the outstanding receivables in relation to redemption of private funds in other receivables (Note 15(c)).

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Notes (continued):

(a) *(continued)*

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

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

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

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

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

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

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

The maximum exposure to credit risk as at 31 December 2016 and 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 31 December 2016 and 31 December 2015, the fair value of trade and other receivables approximate their carrying amounts.

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

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

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

15 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 refundable earnest money. As no formal agreement was entered into by the long stop date on 25 February 2015, the framework agreement (as supplemented by the four supplemented framework agreements as mentioned above) lapsed on 25 February 2015. As at 31 December 2015, the above-mentioned earnest money owed to the Group by Mr. Liu Shu was fully impaired. In late 2016, the earnest money in the amount of HK$72 million has been fully refunded to the Group pursuant to agreements entered into among the Company, Mr. Liu Shu, a third party paying on behalf of Mr. Liu Shu, and Jiayao Global Investments Limited ("Jiayao") (the parent company of the Company). According to the agreements, Jiayao only acted as an intermediary who received the amount from the third party on behalf of the Company. The full amount of HK$72 million had been transferred from Jiayao to the Company within in a short period of time and no direct benefits were taken by Jiayao under such arrangement. Accordingly, the entire amount of the above-mentioned earnest money was recovered by the Group and the impairment loss previously recognised was reversed in late 2016.

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

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

	As at 31 December 2016 *HK$'000*	As at 31 December 2015 *HK$'000*
Beginning balance	**90,169**	70,384
Acquisitions	**21,612**	116,394
Disposals	**(39,669)**	(91,698)
Net fair value (loss) on financial assets at fair value through profit or loss *(Note 5)*	**(27,144)**	(4,911)
Ending balance	**44,968**	90,169

Note:

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

Stock code	Name of investee company	Nature of Investment	Number of shares held as at 31 December 2016	Percentage of total share capital owned by the Group as at 31 December 2016	Investment cost *HK$'000*	Market value as at 31 December 2016 *HK$'000*	Percentage to the Group's net assets as at 31 December 2016	Net fair value gain/(loss) for the year ended 31 December 2016 *HK$'000*
Available-for-sale investments (Note 14)								
1171.HK	Yanzhou Coal Mining Company Limited	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 Company disposed these financial assets at fair value through profit or loss with a net realised fair value gain/(loss) as listed in the table above.

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

17 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 2016 *HK$'000*	As at 31 December 2015 *HK$'000*
Nominal value of the convertible bond	**200,000**	200,000
Less: Equity component	**(45,118)**	(45,118)
	154,882	154,882
Interest expenses	**22,990**	8,340
Professional fees	**(446)**	(446)
Liability component	**(177,426)**	(162,776)
Analysed for reporting purposes as non-current liabilities	**(177,426)**	(162,776)

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

18 DEFERRED INCOME TAX

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

18 DEFERRED INCOME TAX *(continued)*

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

	As at 31 December 2016 *HK$'000*	As at 31 December 2015 *HK$'000*
At beginning of the year/period	**10,269**	4,251
Income statement charge *(Note 8)*	**6,685**	(1,263)
Tax charge through equity	**–**	7,518
Currency translation differences	**(534)**	(237)
At end of the year/period	**16,420**	10,269

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

Deferred income tax liabilities

	Fair value gains arising from investment property *HK$'000*	**Convertible bond** *HK$'000*	**Government Grant** *HK$'000*	**Total** *HK$'000*
At 1 January 2016	4,127	6,142	–	10,269
Charged/(credited) to profit or loss *(Note 8)*	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
At 1 April 2015	4,251	–	–	4,251
Charged/(credited) to profit or loss *(Note 8)*	113	(1,376)	–	(1,263)
Deferred income tax liabilities arising the issuance of convertible bond	–	7,518	–	7,518
Currency translation differences	(237)	–	–	(237)
At 31 December 2015	4,127	6,142	–	10,269

Deferred income tax assets

	Elimination of intra-group unrealised profit *HK$'000*	**Total** *HK$'000*
At 1 January 2016	–	–
Charged/(credited) to profit or loss *(Note 8)*	(614)	(614)
Currency translation differences	20	20
At 31 December 2016	(594)	(594)

18 DEFERRED INCOME TAX *(continued)*

At the end of the reporting year, the Group has unused tax losses of approximately HK$141.7 million (31 December 2015: approximately HK$58.5 million) that are available for offsetting against future taxable profits. These tax losses have no expiry dates except for the tax losses of approximately HK$53.9 million (31 December 2015: approximately HK$9.2 million) which will expire at various dates up to and including year of 2020 (31 March 2015: year of 2019). Deferred tax asset arising from the unused tax losses has not been recognised in the consolidated financial statements as, in the opinion of the directors of the Company, it is not probable to determine whether sufficient future profits will be available to utilise the tax losses. In addition, no deferred tax asset was recognised on other items as at 31 December 2016 including mainly impairment provision on other receivables amounted to HK$30 million (31 December 2015: HK$72 million) and impairment provision on available-for sale financial assets which is nil in 2016 (31 December 2015: approximately HK$89.5 million) and, as it is uncertain whether such deferred tax asset can be recovered.

19 TRADE AND OTHER PAYABLES

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

Notes:

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

(b) As of 31 December 2016, accrued tax payable mainly referred to tax accrued for the formation of a joint venture named as China Minsheng Drawin (Changsha) Technology Company Limited ("CM Changsha") in 2016. During the year ended 31 December 2016, the Company and its related party, China Minsheng Drawin Co., Ltd. ("JV Partner") set up CM Changsha with each party holding 51% and 49% equity interest in CM Changsha respectively. The Group therefore holds CM Changsha as a subsidiary. As of 31 December 2016, the JV Partner has injected approximately HK$319.7 million land use right and approximately HK$298.5 million property, plant and equipment into CM Changsha. As of 31 December 2016, the Group has accrued approximately HK$22.3 million tax for this transaction mainly including deed tax in accordance with PRC tax laws and regulations.

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

19 TRADE AND OTHER PAYABLES *(continued)*

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

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

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

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

20 BORROWING

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

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

21 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Strong Market Potential under China's "New Economy"

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

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

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

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

Favorable Policies in Support of Prefabricated Construction

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

Key Policies Highlights at National Government Level

2012.04	MoHURD published "Suggestion on Promotion of Green Construction Development" and mentioned to push forward industrialized housing.
2013.01	The State Council issued "The Action Plan of Green Construction" which facilitates industrialized construction and supports the construction of bases that serve the functions of design, manufacture and construction.
2014.03	The State Council issued "The New Urbanization Plan (2014-2020)", which supports the development of green construction material and industrialized construction.
2014.07	MoHURD issued "The Opinions on the Promotion of Development and Reform of Construction Industry" and mentioned the needs to push forward the modernization of construction industry.
2014.12	MoHURD proposed newly developed industrialized housing to be increased 2 percentage point year-on-year and newly commenced GFA constructed by industrialized method to be increased year-on-year.
2015.08	MoIIT and MoHURD published "The Action Plan to Facilitate the Production and Application of Green Construction Material", which proposes to develop green construction, green city development and prefabricated concreate and components.

Key Policies Highlights at National Government Level

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

Remarks:

MoHURD refers to Ministry of Housing and Urban-Rural Development
MoIIT refers to Ministry of Industry and Information Technology

City	**Date**	**Key Policies Highlights at Local Government Level (Limited to the provinces and cities where the Group has businesses)**
Changsha	2016.11	Required all property projects invested by government to be constructed by prefabrication technology. It is targeted that from 2017 to 2020, among the newly granted land, the % of new commodity housing projects in the 5 districts and 4 counties (Chang, Wang, Liu, Ning) in Changsha constructed by prefabrication are no less than 40% and 20% respectively, and the prefabricated rate is no less than 30% per building. The above thresholds are targeted to be increased to 60%, 40% and 40% respectively from 2021 to 2025. Financial subsidy of RMB300-400/sq.m. will be provided to construction units that construct projects in accordance with the prefabrication requirements.
Shanghai	2016.10	Issued "13th Five Year Plan for Urban-Rural Development and Management in Shanghai", which proposed that all qualified newly-developed property projects should be constructed by prefabrication technology and announced the target to achieve prefabricated rate of 40% per building by 2020.

City	Date	Key Policies Highlights at Local Government Level (Limited to the provinces and cities where the Group has businesses)
Hangzhou	2016.08	Issued "13th Five Year Plan for Construction Industry" and announced its target to construct 30% of new buildings by 2022.
Shenzhen	2016.06	Issued "Notice on Accelerating Prefabricated Construction" and "Guidelines for EPC Tender" which supported and encouraged the involvement of prefabrication in the entire construction industrial chain.
Jiangsu/ Nanjing	2016.05	Issued "Measures for Monitoring and Evaluating the Modernization of Construction Industry in Jiangsu Province", which specified 5.2% of the newly constructed buildings in the province should be prefabricated in 2016, and that in Nanjing should reach 5.75%.
Foshan	2015.12	Issued "Foshan Green Construction 13th Five-Year Plan Draft", which recommended the use of industrialized construction for new residential and social housing projects.

Becoming a Competitive Player in the Prefabricated Construction Industry

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

Investment on Technology Parks to Achieve Economies of Scale

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

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

Modern Construction Technology to Develop High Quality Products

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

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

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

Business Prospect

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

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

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

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

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

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

FINANCIAL REVIEW

Review of Results

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

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Other income

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

Other losses – net

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Liquidity and Financial Resources

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

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

FINAL DIVIDEND

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

EVENTS AFTER THE REPORTING PERIOD

The Group has the following material subsequent events:

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

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

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

For further information regarding the Framework Agreement, please refer to the announcement of the Company dated 13 March 2017.

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

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

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices as the Board considers that good and effective corporate governance is essential for enhancing accountability and transparency of a company to the investing public and other stakeholders. During the year ended 31 December 2016, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for:

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

(b) 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

(c) 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 year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REVIEW OF THE RESULTS

The audit committee of the Company has reviewed with the management and the independent auditor of the Company the annual results and the consolidated financial statements of the Group for the year ended 31 December 2016.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

This final results announcement is also published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://cmdrawin.todayir.com). The annual report containing all information required by the Listing Rules will be dispatched to the Shareholders and will be available on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 March 2017

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

* *For identification purpose only*