

Stock Code: 726

CMIG
Drawwin

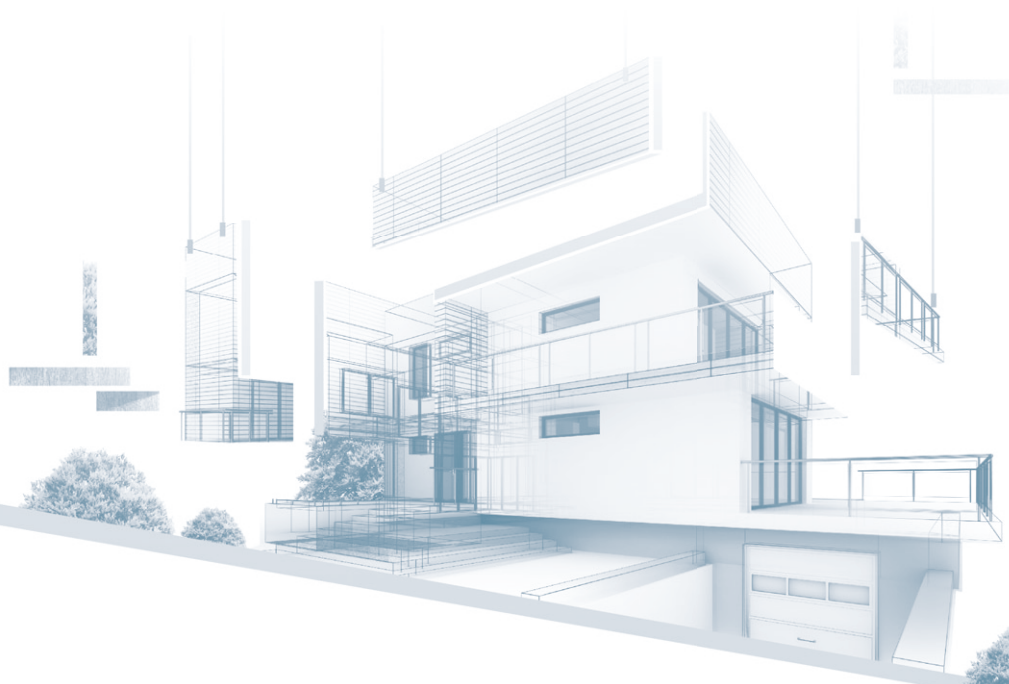
China Minsheng Drawwin Technology Group Limited
(Incorporated in Bermuda with limited liability)



2017
INTERIM REPORT

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CORPORATE INFORMATION

Board of Directors

Executive Directors

YIN Jun (*Chairman and Chief Executive Officer*)

MI Hongjun

CHEN Domingo

Non-executive Directors

CHEN Donghui

GAN Ping

ZHAO Xiaodong

Independent Non-executive Directors

CHAN Chi Hung

JIANG Hongqing

LEE Chi Ming

MA Lishan

Board Committees

Audit Committee

JIANG Hongqing (*Chairman*)

CHAN Chi Hung

LEE Chi Ming

MA Lishan

Nomination Committee

YIN Jun (*Chairman*)

JIANG Hongqing

LEE Chi Ming

Remuneration Committee

JIANG Hongqing (*Chairman*)

LEE Chi Ming

MI Hongjun

Company Secretary

TSANG Ho Pong

Authorised Representatives

CHEN Domingo

YIN Jun

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Banker

The Bank of China Limited

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services
Limited
Shops 1712-1716
17th Floor, Hopewell Centre
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

There has been an increase in global economic activity since the second half of 2016. The overall market sentiment remain on a solid footing whilst the US Federal Reserve raised its fund target interest rate by 25bps in June 2017. With US on a rate hiking cycle, the two central banks, Japan and Europe have taken on the responsibility of keeping quantitative easing going, which keeps stock and real estate moving higher and rates moving lower or stable. In considering inflation trends in the US and Eurozone remain subdued, and with a more positive economic outlook, these factors greatly support consumer spending and corporate investment. In July 2017, China reported a better than expected GDP growth rate. Despite China continued tight financial and property policies, it is expected that business activity growth in China should remain resilient in the near term. With the US, Eurozone and Japan invoking more sustainable development and merger and acquisition activities, we expect the global economic growth momentum will continue in the second half of 2017.

Looking forward, China Minsheng Drawin Technology Group Limited (“our Company” or “the Company” and together with its subsidiaries, collectively “our Group” or “the Group”) will stay focused on the research and operations of the full industry chain of fabricated construction work. Fully capitalizing the support under national policies, we follow the national strategies to undertake products innovation and industry layout, so as to enhance our Group revenues and profits with our highly competitive products in the market.

At present, the development of fabricated construction work industry is highly regarded in the PRC. The model of, and objectives for, the development of fabricated construction work industry has been expressly stated in many occasions by the Chinese government. Moreover, the EMPC Model (Engineering, Manufacturing, Procurement and Construction) (general contracting of fabricated construction work) as initiated and implemented by our Company is the development direction as clearly mentioned by the National Policy of Modernization on Construction Industry, as such development policy features a much larger capacity in the market, and entails a favourable industry prospects in the future.

In addition, relying on advanced fabricated construction technology, our Company aims at innovative application towards the national strategic directions of new materials, new rural constructions and intelligent manufacturing.

In respect of new materials, our Company focuses on the integrated-insulation-and-decoration boards for fabricated exterior walls which gain overwhelming support under national policies. Decoration Board (彩力板), an innovative technological product by the Group’s independent research and development, has achieved the integration of those functions such as wallboard decoration, thermal insulation and dedusting, which will be roll into market soon. This product is in line with the national policy in relation to the promotion of new wallboard material, which has a larger market capacity. In respect of new rural development, our Company proactively responds to the national strategy of construction of beautiful rural villages to develop new rural housing with energy-saving and environmental features suitable for rural markets in the PRC. We also develop specialized products such as public service platform at village level by integrating policies such as targeted poverty alleviation and bringing culture to rural regions, so as to fully enhance the rural construction quality in China. Such products have gathered notable attention from the market. In respect of intelligent manufacturing, “Made in China 2025” is the highly-emphasized industry direction of China. With the absence of specialized enterprises in respect of intelligent manufacturing, the construction industry has enormous market opportunities. Our Company has conducted independent research and development on advanced intelligent equipment and informatization technology. Satisfactory results have been obtained after completion of preliminary pilot operations at the self-owned technology park. Upon introduction to the market, such advanced intelligent equipment and information technology will substantially enhance the intelligence standard of fabricated construction work industry in China.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Prospects *(continued)*

Regarding domestic expansion, our Company has completed the fundamental layout in major developed regions in the middle-east of the PRC. However, our Company shall continue its expansion, striving to completing the layout in most provincial cities and other cities at vice-provincial level in China within two years. At the same time, through the radiation effects of core cities, targeted investments will be undertaken in second- and third-tier cities to extend the industry chain of the Company.

While continuing its domestic layout, our Company plans to set up operation centers in regions such as Africa and Southeast Asia to give proactive response to the “Belt and Road” initiative of China, to strengthen the cooperation with renowned scientific research institutions and enterprises across the globe, creating an advanced research and development platform for global technologies, jointly exploring the markets across the globe, and shouldering up the responsibility to lead the second march of construction work industry in China.

Facing favourable prospects in the market, our Company will continue to explore the area of fabricated construction. Adhering to the strategy of “Lead with technology. Excel by scale”, our Company continues to enhance the research and development of high-end technologies in the industry to launch products with better quality and lower cost as early as possible. With its own efforts, our Company wishes to accelerate the development and growth of the industry in full gear.

For the seventh months period up to 31 July 2017, our Group has contracted an aggregate of third party sales of prefabricated units approximately RMB357.6 million not yet recognised as revenue.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Prospects *(continued)*

| Sales revenue of prefabricated units – by region | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Kunshan | 14,477 | – |
| Changsha | 14,329 | – |
| Nanjing | 3,256 | – |
| Hangzhou | 2,510 | – |
| Huiyang | 1,610 | – |
| Hefei | 46 | – |
| Total | 36,228 | – |

| Sales revenue of prefabricated units | Six months ended 30 June | |
|--------------------------------------|--------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Sales revenue from third parties | 22,579 | – |
| Sales revenue from related parties | 13,649 | – |
| Total | 36,228 | – |

Business Review and Prospects *(continued)*

The Group proactively seeks development opportunities

To develop prefabricated energy-saving constructions, promote the upgrade in industry structure, a series of development policies have been initiated in China in recent years, of which, the State Council has expressly stated in the "Certain Opinions on further strengthening management on City Planning Construction" (《關於進一步加強城市規劃建設管理工作的若干意見》) that prefabricated constructions has to be greatly promoted, such that the ratio of prefabricated constructions to new constructions will reach 30% in 10 years.

Being the first company with full industry chain operations within the industry and has good results, the Group positions itself as an advanced technology manufacturing company in the area of prefabricated energy-saving constructions, focusing on research, manufacturing and operations on construction industrialization of full industry chain. We have established a leading core technology system on the industrialization of the Five Major Construction Categories (五大類建築) with fully self-owned intellectual property rights in China. With our solid technology capability, we are top-ranked in respect of the number of patent applications for two consecutive years across the entire industry. Having a top of the class technology team and professionals in the industry, we have participated in the compilation of a number of industry standards at state and local levels. We have confidence in equipping our Company with the best manufacturing capability in the industry, and building an unparalleled cost advantages and production capacity advantages.

Technology trademarks and patents obtained by the Group during the first half of 2017

Patents: During the first half of the year, 136 applications for patents have been made, and 158 patents were granted. As at the end of June 2017, there were approximately 644 accumulated application for patents, and 242 patents were granted.

Trademarks: During the first half of the year, no application for trademarks was approved. As at the end of June 2017, there were 21 accumulated successful trademark applications.

Plants in operations

| Regions | Utilized capacity (approximate'000 cubic metre) | Estimated capacity (approximate'000 cubic metre) | Area (approximate mu) | Area of plants (approximate square metre) |
|----------------|---|--|--------------------------|---|
| Changsha Plant | 15 | 300 | 325 | 33,841 |
| Hangzhou Plant | 18 | 300 | 176 | 35,958 |
| Nanjing Plant | 18 | 300 | 151 | 35,981 |
| Hengyang Plant | 22 | 250 | 150 | 24,905 |
| Huiyang Plant | 13 | 200 | 120 | 42,105 |
| Kunshan Plant | 60 | 100 | 110 | 16,874 |
| Total | 146 | 1,450 | 1,032 | 189,664 |

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Prospects *(continued)*

Plants under construction

| Regions | Estimated capacity (approximate'000 cubic metre) | Area (approximate mu) | Area of plants (approximate square metre) |
|--------------|--|--------------------------|---|
| Hefei Plant | 300 | 158 | 22,398 |
| Foshan Plant | 200 | 128 | 19,353 |
| Total | 500 | 286 | 41,751 |

Land permits and other relevant licenses have been obtained for Hefei Plant and Foshan Plant.

Disposal of equity interests in subsidiaries during the first half of the year

| Transferred party | Subject company | Transferee | Proportion of transfer | Transferred price |
|--|--------------------|------------------|---------------------------|-------------------|
| China Minsheng Drawin Technology Investment Co., Ltd.* (中民築友科技投資有限公司) | 浙江中民築友科技 有限公司 | 浙江環宇建設集團 有限公司 | 2% | RMB12 million |
| China Minsheng Drawin Technology Investment Co., Ltd.* (中民築友科技投資有限公司) | 中民築友科技(江蘇) 有限公司 | 江蘇欣納建設發展 有限公司 | 3% | RMB15 million |

* For identification purpose only

The Group strives to build up itself as a hi-tech company operated with light assets. Disposal of a small amount of equity allows strengthening of the cooperation with conventional enterprises. By alliance between industry giants, it promotes the transformation and upgrade of the industry, and accelerate the contracted projects with dual benefits.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Prospects *(continued)*

Government grants received in the first half of the year

As construction industrialization companies have received strong support from China, local governments are initiating relevant ancillary policies, offering tax concessions and fund subsidies. At the same time, as a hi-tech enterprise, the technology innovation capability of the Group is widely recognized by the government authorities. We closely follow the state strategies, such as the supply side reform, intelligent manufacturing, the “Belt and Road” initiative, and targeted poverty alleviation. We have also made great contributions on environmental energy-saving engineering, promotion of industry upgrade and transformation, and intelligent manufacturing, while exerting positive effects on achieving local employment and facilitating industry development. In this regard, local governments are offering direct cash incentives.

| | Six months ended 30 June | |
|----------------------------|---------------------------------|----------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Government grants received | 22,963 | – |

The Group has satisfied and complied with relevant requirements and regulations in the PRC to receive the above government grants.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

For the six-months ended 30 June 2017, the revenue generated from sales of prefabricated units and consulting service income are new revenue stream as compared with the six months period ended 30 June 2016. As a result, the Group recorded sales revenue for the six months period ended 30 June 2017 of prefabricated units of approximately HK\$36.2 million (six months ended 30 June 2016: Nil), consulting service income of approximately HK\$1.6 million (six months ended 30 June 2016: Nil) and rental income from investment properties of approximately HK\$0.2 million (six months ended 30 June 2016: HK\$0.3 million).

Cost of sales

The Group recorded cost of sales of approximately HK\$37.0 million (six months ended 30 June 2016: HK\$45,000) for the six months period ended 30 June 2017. 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.

Other income

Other income for the Period under Review significantly increased from approximately HK\$1.9 million for the six months period ended 30 June 2016 to approximately HK\$28.9 million which was mainly due to the increase in government grants received.

Other gains/(losses) – net

During the Period under Review, other gains amounting to approximately HK\$29.2 million mainly comprised of (i) the net realised gain on redemption of available-for-sale financial assets amounting to approximately HK\$1.0 million; (ii) the net fair value loss on financial assets at fair value through profit or loss amounting to approximately HK\$0.4 million; (iii) the recovery of other receivables amounting to approximately HK\$30.0 million; (iv) net exchange loss of HK\$1.7 million; (v) interest charged on recovered other receivables amounting to approximately HK\$1.4 million and (vi) net loss on disposal of investment properties amounting to approximately HK\$1.8 million.

Selling and distribution expenses

During the Period under Review, the Group recorded selling and distribution expenses of approximately HK\$3.6 million (six months ended 30 June 2016: Nil) for the six months period ended 30 June 2017, which are directly related to the sales of prefabricated units and such increase was in line with the increase in sales revenue.

Administrative expenses

During the Period under Review, administrative expenses increased by approximately HK\$20.3 million from HK\$25.0 million for the six months period ended 30 June 2016 to HK\$45.3 million. The increase was mainly due to (i) the increase in total staff costs for the significant growth in headcount of the Group; and (ii) the increase in other general administrative expenses along with the Group's expansion.

Finance costs

Finance costs of approximately HK\$8.6 million for the six months period ended 30 June 2017 represented (i) the effective interest of approximately HK\$7.6 million which is amortised on the zero coupon convertible bond and (ii) the interest expenses of approximately HK\$1.0 million for bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Review *(continued)*

Liquidity and financial resources

For the six months period ended 30 June 2017, the Group's net cash used in operating activities was approximately HK\$53.0 million (six months period ended 30 June 2016: net cash used in operating activities was approximately HK\$3.6 million) and the Group's cash and cash equivalents were approximately HK\$738.1 million as at 30 June 2017 (31 December 2016: HK\$784.5 million).

As at 30 June 2017, the Group had current assets of approximately HK\$1,093.6 million (31 December 2016: HK\$1,134.7 million) and current liabilities of approximately HK\$502.7 million (31 December 2016: HK\$305.6 million). The current ratio (which is calculated on the basis of current assets without restricted cash over current liabilities) was approximately 2.1 as at 30 June 2017 (31 December 2016: 3.6).

As at 30 June 2017, the Group's gearing ratio (expressed as a percentage of total borrowings and convertible bond over total equity) was 14.9% (31 December 2016: 11.4%).

As at 30 June 2017, the Group held convertible bond issued on 27 May 2015 with a liability component of approximately HK\$185.1 million (31 December 2016: HK\$177.4 million) and 1 year bank borrowings amounted to approximately HK\$67.1 million (31 December 2016: HK\$42.7 million) and a 3 years bank borrowing amounted to approximately HK\$46.1 million (31 December 2016: Nil).

Other than the matters above, there has been no material change from the information published in the report and accounts for the year ended 31 December 2016.

Capital structure

As at 30 June 2017, 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\$0.216 per Share as at 30 June 2017, the Company's market value as at 30 June 2017 was approximately HK\$2,205.3 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Human Resources

As at 30 June 2017, the Group had a total of 707 (31 December 2016: 527) employees excluding directors of the Company (the "Directors"). 703 (31 December 2016: 521) of them worked in the PRC and 4 (31 December 2016: 6) of them worked in Hong Kong.

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

Charges on Group Assets

As at 30 June 2017, property, plant and equipment with a total carrying amount of HK\$49.3 million were pledged for a long-term borrowing of approximately HK\$46.1 million (31 December 2016: Nil).

As at 30 June 2017, a land use right with a total carrying amount of HK\$34.2 million was pledged for a short-term borrowing of approximately HK\$23.0 million (31 December 2016: Nil) and a land use right with total carrying amount of HK\$57.9 million was pledged for a long-term borrowing of HK\$46.1 million (31 December 2016: Nil).

As at 30 June 2017, a one-year short-term loan of US\$5.8 million is guaranteed by the Group's letter of credit of US\$6.2 million, which in turn is further guaranteed by HK\$48,392,000 restricted cash of the Group (31 December 2016: the US\$5.8 million loan was guaranteed by the Group's letter of credit of US\$6.2 million and restricted cash of HK\$46,953,000).

Capital Commitments and Contingent Liabilities

As at 30 June 2017, the Group had outstanding capital commitments in the aggregate amount of approximately HK\$297,697,000 (31 December 2016: HK\$196,280,000) and no material contingent liabilities (31 December 2016: Nil).

Changes in Information of Directors

The appointment of Mr. Zhou Feng as non-executive director of the Company has not been passed by the shareholders at the annual general meeting ("AGM") as at 12 June 2017, Mr. Zhou Feng has retired from the Board and ceased to be non-executive director of the Company with effect from the conclusion of the AGM.

Save for the above, there is no other change in Directors' information since 28 March 2017, the date of the annual report of the Company for the year ended 31 December 2016, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



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.2.1 of the Code in relation to the separation of roles of chairman and chief executive officer, as both of the roles are currently undertaken by the Chairman of the Board;
- (b) code provision A.4.1 of the Code in relation to the appointment of Mr. Zhou Feng as a non-executive director for a specific term, subject to re-election;
- (c) code provision A.6.7 of the Code in relation to Directors should attend the general meetings of the Company. Due to their respective engagements, Mr. Chen Donghui, Mr. Zhao Xiaodong and Mr. Lee Chi Ming were unable to attend the annual general meeting of the Company held on 12 June 2017.

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

During the Period under Review, each of the non-executive Directors has entered into an appointment letter with the Company for a term of two years, except for Mr. Zhou Feng, who was subject to retirement from office by rotation and re-election in accordance with the provisions of the Company’s bye-laws (with further details provided in the Corporate Governance Report of the 2016 Annual Report of the Company) and whose re-election has not been passed by the Shareholders as a resolution at the AGM as disclosed in an announcement published by the Company on 12 June 2017. As such, the Company considers that such provision in the articles is sufficient to meet the underlying objective of code provision A.4.1, and the Company had fully complied with such code provision after Mr. Zhou Feng ceased to be non-executive director of the Company with effect from the conclusion of the AGM.

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.

The Company has also adopted a code for dealing in the Company’s securities by relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company, on no less exacting terms than the Model Code.

GENERAL INFORMATION

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Period under Review (six months ended 30 June 2016: Nil).

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

As at 30 June 2017, none of the Directors and chief executives of the Company had or was deemed to have interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code to the Listing Rules.

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

As at 30 June 2017, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares and underlying Shares of the Company

| Name of Shareholder | Capacity | Number of Shares held | Percentage of the Issued Share Capital (Note 1) |
|---|------------------|---------------------------|--|
| Jiyao Global Investments Limited ("Jiyao") | Beneficial owner | 5,880,440,000 (Note 2) | 57.60% |
| Jiamin (Holding) Investment Limited | Beneficial owner | 320,000,000 (Note 2) | 3.13% |
| Jianuo (Holding) Investment Limited | Beneficial owner | 310,000,000 (Note 2) | 3.04% |
| Jiaxin (Holding) Investment Limited | Beneficial owner | 305,000,000 (Note 2) | 2.99% |

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) |
|---|------------------------------------|---------------------------|--|
| Jiaheng (Holding) Investment Limited | Beneficial owner | 300,000,000 (Note 2) | 2.94% |
| Jiacheng (Holding) Investment Limited | Beneficial owner | 65,000,000 (Note 2) | 0.63% |
| China Minsheng Jiaye Investment Co., Ltd. ("CMJYI") | Interest of controlled corporation | 7,180,440,000 (Note 2) | 70.33% |
| China Minsheng Investment Corp., Ltd. | Interest of controlled corporation | 7,180,440,000 (Note 2) | 70.33% |
| Express Master Holdings Inc. | Beneficial owner | 1,000,000,000 (Note 3) | 9.79% |
| China Orient Asset Management Corporation | Interest of controlled corporation | 1,000,000,000 (Note 3) | 9.79% |

Notes:

1. It was based on 10,209,602,920 Shares as at 30 June 2017.
2. Jiayao beneficially owned 5,880,440,000 Shares, representing 57.60% of the issued share capital of the Company. CMJYI's five indirectly wholly-owned subsidiaries, namely Jiamin (Holding) Investment Limited, Jianuo (Holding) Investment Limited, Jiabin (Holding) Investment Limited, Jiaheng (Holding) Investment Limited and Jiacheng (Holding) Investment Limited, beneficially owned in aggregate 1,300,000,000 Shares, representing 12.73% of the issued share capital of the Company. Jiayao is a company indirectly and wholly owned by CMJYI which in turn is 69.40% owned by China Minsheng Investment Corp., Ltd.
3. The Shares originally held by Honghu Capital Company Limited, a company wholly and beneficially owned by Mr. Deng Jun Jie, were pledged to Express Master Holdings Inc. which is a company wholly and beneficially owned by China Orient Asset Management Corporation under a deed of charge dated 26 August 2016.

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)*

Save as disclosed above, and as at 30 June 2017, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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.

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 2017 and up to the date of this report, there were no outstanding share options that have been granted and remained outstanding and exercisable under both the Old Scheme and the New Scheme.

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 Shops 1712–1716, 17th 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

Yin Jun

Chairman

Hong Kong, 21 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

| | Notes | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2017 HK\$'000 (unaudited) | 2016 HK\$'000 (unaudited) |
| Revenue | 4 | 38,072 | 257 |
| Cost of sales | 7 | (36,970) | (45) |
| Gross profit | | 1,102 | 212 |
| Other income | 5 | 28,938 | 1,856 |
| Other gains/(losses) – net | 6 | 29,231 | (48,130) |
| Selling and distribution expenses | 7 | (3,622) | – |
| Administrative expenses | 7 | (45,334) | (25,040) |
| Impairment loss on available-for-sale financial assets | | – | (17,750) |
| Operating profit/(loss) | | 10,315 | (88,852) |
| Finance costs | 8 | (8,558) | (7,013) |
| Profit/(loss) before income tax | | 1,757 | (95,865) |
| Income tax (expense)/credit | 9 | (1,127) | 1,157 |
| Profit/(loss) for the period | | 630 | (94,708) |
| Profit/(loss) for the period, attributable to | | | |
| – Owners of the Company | | 1,451 | (94,708) |
| – Non-controlling interests | | (821) | – |
| | | 630 | (94,708) |
| Other comprehensive income/(loss) | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| – Changes in fair value of available-for-sale financial assets | | – | 457 |
| – Currency translation differences | | 49,031 | (9,991) |
| Item recycled to profit or loss: | | | |
| – Fair value losses on available-for-sale financial assets recycled to profit or loss upon redemption or disposal and included in other losses | | 209 | 9,289 |
| Other comprehensive income/(loss) for the period, net of tax | | 49,240 | (245) |
| Total comprehensive income/(loss) for the period | | 49,870 | (94,953) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 June 2017

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2017 HK\$'000 (unaudited) | 2016 HK\$'000 (unaudited) |
| Total comprehensive income/(loss) for the period, attributable to | | | |
| – Owners of the Company | | 39,400 | (94,953) |
| – Non-controlling interests | | 10,470 | – |
| | | 49,870 | (94,953) |
| Earnings/(loss) per share attributable to owners of the Company (expressed in HK cents per share) | | | |
| – Basic and diluted | 11 | 0.01 | (0.93) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | Notes | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|---|-------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 896,624 | 718,420 |
| Land use rights | 13 | 545,684 | 534,960 |
| Investment properties | 14 | 33,394 | 35,662 |
| Intangible assets | | 946 | 886 |
| Deferred income tax assets | 23 | 1,989 | 594 |
| | | 1,478,637 | 1,290,522 |
| Current assets | | | |
| Inventories | 17 | 67,842 | 16,467 |
| Trade and other receivables and prepayments | 16 | 170,078 | 120,525 |
| Available-for-sale financial assets | 15 | 69,131 | 121,252 |
| Financial assets at fair value through profit or loss | 18 | – | 44,968 |
| Cash and cash equivalents | 19 | 738,112 | 784,546 |
| Restricted cash | 25 | 48,392 | 46,953 |
| | | 1,093,555 | 1,134,711 |
| Total assets | | 2,572,192 | 2,425,233 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital: nominal value | 20 | 1,020,960 | 1,020,960 |
| Reserves | | 414,668 | 350,551 |
| | | 1,435,628 | 1,371,511 |
| Non-controlling interests | 21 | 571,572 | 553,677 |
| Total equity | | 2,007,200 | 1,925,188 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2017

| | Notes | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|-------------------------------------|-------|--|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Convertible bond | 22 | – | 177,426 |
| Deferred income tax liabilities | 23 | 16,161 | 17,014 |
| Borrowings | 25 | 46,087 | – |
| | | 62,248 | 194,440 |
| Current liabilities | | | |
| Convertible bond | 22 | 185,069 | – |
| Trade and other payables | 24 | 230,190 | 256,830 |
| Advances from customers | | 17,681 | 1,844 |
| Current income tax liabilities | | 2,724 | 4,204 |
| Borrowings | 25 | 67,080 | 42,727 |
| | | 502,744 | 305,605 |
| Total liabilities | | 564,992 | 500,045 |
| Total equity and liabilities | | 2,572,192 | 2,425,233 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

| Notes | Attributable to owners of the Company | | | | | | | | | | |
|---|---------------------------------------|---------------------------|--|---|------------------------------|---|---------------------------|--------------------------------|-------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Available-for-sale financial assets revaluation reserve HK\$'000 | Convertible bond – equity component HK\$'000 | Exchange reserve HK\$'000 | Contributed surplus reserve HK\$'000 | Other reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| Balance at 1 January 2016 (audited) | 1,020,960 | 686,890 | (9,878) | 37,600 | 6,363 | 131,166 | - | (404,534) | 1,468,567 | - | 1,468,567 |
| Comprehensive income | | | | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | - | (94,708) | (94,708) | - | (94,708) |
| Other comprehensive income/ (loss): | | | | | | | | | | | |
| Fair value losses on available-for-sale financial assets recycled to profit or loss upon redemption or disposal | - | - | 9,289 | - | - | - | - | - | 9,289 | - | 9,289 |
| Changes in fair value of available-for-sale financial assets | 15 | - | 457 | - | - | - | - | - | 457 | - | 457 |
| Currency translation differences | - | - | - | - | (9,991) | - | - | - | (9,991) | - | (9,991) |
| Total comprehensive income/ (loss) for the period | - | - | 9,746 | - | (9,991) | - | - | (94,708) | (94,953) | - | (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 | - | 1,373,614 |
| Balance at 1 January 2017 (audited) | 1,020,960 | 731,460 | (209) | 37,600 | (43,796) | 131,166 | - | (505,670) | 1,371,511 | 553,677 | 1,925,188 |
| Comprehensive income | | | | | | | | | | | |
| Profit/(loss) for the period | - | - | - | - | - | - | - | 1,451 | 1,451 | (821) | 630 |
| Other comprehensive income: | | | | | | | | | | | |
| Fair value losses on available-for-sale financial assets recycled to profit or loss upon redemption or disposal | 15 | - | 209 | - | - | - | - | - | 209 | - | 209 |
| Currency translation differences | - | - | - | - | 37,740 | - | - | - | 37,740 | 11,291 | 49,031 |
| Total comprehensive income for the period | - | - | 209 | - | 37,740 | - | - | 1,451 | 39,400 | 10,470 | 49,870 |
| Transactions with owners, recognized directly in equity | | | | | | | | | | | |
| Disposal of ownership interests in subsidiaries without loss of control | 26 | - | - | - | - | - | 24,717 | - | 24,717 | 6,388 | 31,105 |
| Capital contribution from a non-controlling interest of a subsidiary | - | - | - | - | - | - | - | - | - | 1,037 | 1,037 |
| Balance at 30 June 2017 (unaudited) | 1,020,960 | 731,460 | - | 37,600 | (6,056) | 131,166 | 24,717 | (504,219) | 1,435,628 | 571,572 | 2,007,200 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

| | Notes | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2017 HK\$'000 (unaudited) | 2016 HK\$'000 (unaudited) |
| Operating activities | | | |
| Cash used in operations | | (48,514) | (3,608) |
| PRC income tax paid | | (4,477) | – |
| Net cash used in operating activities | | (52,991) | (3,608) |
| Investing activities | | | |
| Interest received on bank deposits | 5 | 862 | 1,692 |
| Proceeds from disposal or redemption of available-for-sale financial assets | 15 | 123,088 | 61,680 |
| Proceeds from disposal of property, plant and equipment | | – | 17 |
| Purchases of available-for-sale financial assets | 15 | (69,131) | – |
| Prepayments for other non-current assets | | – | (13,859) |
| Purchase of property, plant and equipment | | (183,955) | (104,065) |
| Purchase of intangible assets | | (51) | (38) |
| Recovery of other receivables | 16 | 46,230 | – |
| Payments for land use rights | | – | (120,771) |
| Proceeds from disposal of investment properties | | 1,538 | – |
| Net cash used in investing activities | | (81,419) | (175,344) |
| Financing activities | | | |
| Proceeds from bank borrowings | 25 | 69,131 | – |
| Sales of equity interests in subsidiaries | 26 | 31,105 | – |
| Capital contribution from non-controlling interest of a subsidiary | | 1,037 | – |
| Net cash generated from financing activities | | 101,273 | – |
| Net decrease in cash and cash equivalents | | (33,137) | (178,952) |
| Cash and cash equivalents at beginning of the period | | 784,546 | 1,184,598 |
| Net exchange loss on cash and cash equivalents | | (13,297) | (7,231) |
| Cash and cash equivalents at end of the period | | 738,112 | 998,415 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1 General Information

The condensed consolidated financial statements for the six months ended 30 June 2017 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 year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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 year ended 31 December 2016.

New amendments of HKFRSs adopted by the Group in the first half of 2017

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

The adoption of the above new amendments starting from 1 January 2017 did not give rise to any significant impact on the Group's results of operations and financial position for the six months ended 30 June 2017.

The Group has not early adopted any new accounting and financial reporting standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the financial year ending on 31 December 2017.

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 of Directors of the Company 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.

4 Revenue

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Revenue from sales of prefabricated units | 36,228 | — |
| Consulting service income | 1,615 | — |
| Rental income from investment properties | 229 | 257 |
| | 38,072 | 257 |

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

For the six months ended 30 June 2017

5 Other Income

| | Six months ended 30 June | |
|--------------------------------------|---------------------------------|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Government subsidies (note (a)) | 22,963 | – |
| Tax and government surcharges refund | 3,694 | – |
| Interest income on bank deposits | 862 | 1,692 |
| Sundry income | 1,419 | 164 |
| | 28,938 | 1,856 |

note:

- (a) Government subsidies of approximately HK\$22,963,000 were received by four PRC subsidiaries of the Group during the six months ended 30 June 2017.

6 Other Gains/(Losses) – Net

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Net realised gain/(loss) on redemption or disposal of available-for-sale financial assets | 947 | (30,197) |
| Net fair value loss on financial assets at fair value through profit or loss | (413) | (18,768) |
| Recovery of other receivables | | |
| – reversal of impairment provision | 30,000 | – |
| – interest charged on late settlement | 1,420 | – |
| Net exchange (loss)/gain | (1,737) | 834 |
| Net loss on disposal of investment properties | (1,791) | – |
| Others | 805 | 1 |
| | 29,231 | (48,130) |

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

For the six months ended 30 June 2017

7 Expenses by Nature

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

| | Six months ended 30 June | |
|--|--|---------------------------------|
| | 2017 HK\$'000 (unaudited) | 2016 HK\$'000 (unaudited) |
| Employee benefit expenses | 46,905 | 11,938 |
| Raw materials and consumables used | 16,037 | – |
| Changes in inventories of finished goods and work in progress | (24,321) | – |
| Depreciation | 17,374 | 959 |
| Amortisation of land use rights | 1,063 | 686 |
| Operating lease rentals on buildings | 9,437 | 2,600 |
| Entertainment and travelling expenses | 6,027 | 2,720 |
| Office and utilities expenses | 4,694 | 536 |
| Legal and professional fees | 2,574 | 1,699 |
| Research and development expenses | 1,252 | 2,261 |
| Value-added tax surcharges | 1,222 | 449 |
| Others | 3,662 | 1,237 |
| Total of cost of sales, selling and distribution expenses and administrative expenses | 85,926 | 25,085 |

The cost of sales mainly comprised of raw materials and consumables used, changes in inventories of finished goods and work in progress, direct labour costs included in employee benefit expenses, value-added tax surcharges, depreciation and amortisation of land use rights relating to production and other manufacturing overheads.

8 Finance Costs

| | Six months ended 30 June | |
|---|--|---------------------------------|
| | 2017 HK\$'000 (unaudited) | 2016 HK\$'000 (unaudited) |
| Interest expenses on convertible bond (Note 22) | 7,643 | 7,013 |
| Interest expenses on bank borrowings | 915 | – |
| | 8,558 | 7,013 |

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

For the six months ended 30 June 2017

9 Income Tax Expense/(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 2017 (six months ended 30 June 2016: Nil). Taxation on PRC profits is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current income tax – PRC corporate income tax | 3,783 | – |
| Deferred income tax (Note 23) | (2,656) | (1,157) |
| Total income tax expense/(credit) for the period | 1,127 | (1,157) |

10 Dividend

The Board of Directors did not recommend any payment of dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

11 Earnings/(Loss) Per Share

(a) Basic

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

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| Consolidated profit/(loss) attributable to owners of the Company (HK\$'000) | 1,451 | (94,708) |
| Weighted average number of ordinary shares in issue ('000) | 10,209,603 | 10,209,603 |
| Basic earnings/(loss) per share (HK cents) | 0.01 | (0.93) |

(b) Diluted

Diluted earnings/(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 2017 and 2016, which is the convertible bond (Note 22). The convertible bond is assumed to have been converted into ordinary shares, and the profit/(loss) attributable to owners of the Company is adjusted to eliminate the interest expense less the tax effect. For the six months ended 30 June 2017 and 2016, the impact of conversion of convertible bond on earnings/(loss) per share is anti-dilutive since the conversion of convertible bond to ordinary shares would increase earnings per share or decrease loss per share. Diluted earnings/(loss) per share therefore is equal to basic earnings/(loss) per share.

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

For the six months ended 30 June 2017

12 Property, Plant and Equipment

| | HK\$'000 |
|---|-----------------|
| Net book amount as at 1 January 2017 (audited) | 718,420 |
| Additions | 151,336 |
| Depreciation charge | (17,643) |
| Currency translation differences | 44,511 |
| Net book amount as at 30 June 2017 (unaudited) | 896,624 |
| 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 |

As of 30 June 2017, property, plant and equipment with a total carrying amount of HK\$49.3 million were pledged for a long-term borrowing of approximately HK\$46.1 million (Note 25).

For the six months ended 30 June 2017, depreciation of property, plant and equipment of approximately HK\$17.4 million (six months ended 30 June 2016: HK\$1.6 million) has been charged to cost of sales and administrative expenses in profit or loss and approximately HK\$269,000 (six months ended 30 June 2016: Nil) has been capitalized to plants under development for prefabricated construction business.

13 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:

| | HK\$'000 |
|--|----------------|
| At 1 January 2017 (audited) | 534,960 |
| Amortisation of prepaid operating lease payments | (5,577) |
| Currency translation differences | 16,301 |
| At 30 June 2017 (unaudited) | 545,684 |
| | HK\$'000 |
| At 1 January 2016 (audited) | – |
| Additions | 170,412 |
| Amortisation of prepaid operating lease payments | (686) |
| Currency translation differences | (1,439) |
| At 30 June 2016 (unaudited) | 168,287 |

As of 30 June 2017, a land use right with a total carrying amount of HK\$34.2 million was pledged for a short-term borrowing of approximately HK\$23.0 million and a land use right with a total carrying amount of HK\$57.9 million was pledged for a long-term borrowing of HK\$46.1 million (Note 25) (31 December 2016: Nil).

For the six months ended 30 June 2017, amortization of land use rights of approximately HK\$1.1 million (six months ended 30 June 2016: HK\$686,000) has been charged to administrative expenses in profit or loss and approximately HK\$4.5 million (six months ended 30 June 2016: Nil) has been capitalized to plants under development for prefabricated construction business.

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

For the six months ended 30 June 2017

14 Investment Properties

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|--------------------------------------|--|--|
| Office building in Shandong, the PRC | 33,394 | 35,662 |

15 Available-for-sale Financial Assets

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Beginning balance (audited) | 121,252 | 195,243 |
| Acquisitions | 69,131 | – |
| Redemption or disposals | (123,088) | (61,680) |
| Net fair value change through other comprehensive income | 209 | 9,746 |
| Net realised gain/(loss) on redemption or disposal of available-for-sale financial assets (Note 6) | 947 | (30,197) |
| Currency translation differences | 680 | (17,750) |
| Ending balance (unaudited) | 69,131 | 95,362 |
| Less: Non-current portion | – | (38,032) |
| Current portion | 69,131 | 57,330 |

Available-for-sale financial assets include the following:

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|--|--|--|
| Structured deposits (note (a)) | 69,131 | 119,619 |
| Listed equity securities in Hong Kong, at fair value | – | 1,633 |
| | 69,131 | 121,252 |

note:

- (a) The structured deposits represent 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 banks 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.

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

For the six months ended 30 June 2017

16 Trade and Other Receivables and Prepayments

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|--|--|--|
| Trade receivables from third parties | 33,873 | 35,124 |
| Notes receivable | 230 | 4,099 |
| Less: Provision for impairment of trade receivables | (487) | (472) |
| Total receivables, net | 33,616 | 38,751 |
| Earnest money for acquisition of a Shanghai property company (note (a)) | – | 28,000 |
| Other receivables in relation to redemption of private funds (note (b)) | – | 23,795 |
| Value-added tax recoverable | 73,317 | 44,362 |
| Amounts due from related parties | 19,187 | 2,207 |
| Deposits | 28,149 | 4,625 |
| Prepayments | 9,235 | 4,274 |
| Others | 6,574 | 4,511 |
| | 170,078 | 150,525 |
| Less: Provision for impairment of other receivables (notes (a)&(b)) | – | (30,000) |
| | 170,078 | 120,525 |

The aging of trade receivables as at 30 June 2017 and 31 December 2016 based on the invoice issue date are as follows:

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|-------------------|--|--|
| Less than 1 year | 33,386 | 34,652 |
| 1 to 2 years | – | – |
| More than 2 years | 487 | 472 |

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

For the six months ended 30 June 2017

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

The maximum exposure to credit risk as at 30 June 2017 and 31 December 2016 is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral security against the receivables.

As at 30 June 2017 and 31 December 2016, the fair value of trade and other receivables approximate their carrying amounts.

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

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|------------|--|--|
| HK dollars | 2,198 | 26,340 |
| Renminbi | 167,880 | 94,185 |
| | 170,078 | 120,525 |

notes:

- (a) On 24 December 2014, the Group entered into a non-legally binding framework agreement with Greenland Holding Group Company Limited ("Greenland") relating to a possible acquisition of the entire interest of Jinhong Property Development Limited by the Group. Subsequently, a total HK\$28 million was paid to Greenland as refundable earnest money. On 8 March 2016, the Group had decided not to proceed with the possible acquisition and the framework agreement had lapsed pursuant to its terms. In 2016, the Group recognised HK\$21 million impairment for the above earnest money after unsuccessful claim for such refund for an extended period of time. On February 2017, the Group filed lawsuits against Greenland. On 22 May 2017, a court mediation letter which required Greenland to refund the earnest money to the Group was issued. On 31 May 2017, the entire earnest money of HK\$28 million was recovered by the Group and the impairment loss of HK\$21 million previously recognised was reversed in 2017 accordingly.
- (b) This refers to outstanding redemption proceeds as of 31 December 2016 in relation to a private fund due from Quantum Enhanced Fund ("QEF"). On 24 November 2016, the Group filed a lawsuit against QEF to recover the outstanding principal and its related costs and interests. In 2016, the Group recognised a HK\$9 million impairment loss for the principal amount redeemable from QEF due to the unfavourable response after repeated requests. On 13 February 2017, a court judgement was entered against QEF in favour of the Group. However, as QEF has not responded to the statutory demands and the court judgement, the Group took further legal action by filing a petition for winding up QEF on 31 March 2017. After above continuous efforts of the Group to collect the receivables, the full amount of HK\$18.2 million and approximately HK\$1.4 million related interest income were subsequently recovered by the Group in June 2017. Accordingly, the impairment loss previously recognised of HK\$9 million was reversed in 2017.

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

For the six months ended 30 June 2017

17 Inventories

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|--------------------|--|--|
| Raw materials | 35,619 | 11,343 |
| Finished goods | 22,864 | 3,999 |
| Low value articles | 2,928 | 150 |
| Work in progress | 6,431 | 975 |
| | 67,842 | 16,467 |

For the six months ended 30 June 2017, the cost of inventories recognised as expense and included in 'Cost of sales' amounted to approximately HK\$37.0 million (six months ended 30 June 2016: Nil).

18 Financial Assets at Fair Value through Profit or Loss

| | Six months ended 30 June 2017 HK\$'000 | 2016 HK\$'000 |
|---|---|------------------|
| Opening balance at 1 January (audited) | 44,968 | 90,169 |
| Acquisitions | - | 26,939 |
| Disposals | (44,555) | (27,095) |
| Net fair value loss on financial assets at fair value through profit or loss (Note 6) | (413) | (18,768) |
| Closing balance at 30 June (unaudited) | - | 71,245 |

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.

The fair value of all equity securities is based on their current bid prices in an active market. During the six months ended 30 June 2017, the Group disposed all its equity securities classified as financial assets at fair value through profit or loss.

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

For the six months ended 30 June 2017

19 Cash and Cash Equivalents

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|--------------------------|--|--|
| Cash at bank and on hand | | |
| – Denominated in HKD | 462,327 | 605,578 |
| – Denominated in RMB | 264,595 | 176,147 |
| – Denominated in USD | 11,190 | 2,821 |
| | 738,112 | 784,546 |

20 Share Capital

Authorised shares

| | Number of authorised shares |
|---|--|
| As at 1 January 2016, 30 June 2016, 31 December 2016 and 30 June 2017 | 25,000,000,000 |

Issued shares

| | Number of issued shares (at HK\$0.1 each) | Ordinary shares (nominal value) HK\$'000 |
|--|--|--|
| As at 1 January 2016, 30 June 2016, 31 December 2016 and 30 June 2017 | 10,209,602,920 | 1,020,960 |

All the shares issued rank pari passu in all respects.

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

For the six months ended 30 June 2017

21 Non-controlling Interests

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

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|--|--|--|
| China Minsheng Drawin (Changsha) Green Construction Technology Co. Ltd.* | 564,967 | 553,677 |
| China Minsheng Drawin Technology (Jiangsu) Company Limited* (Note 26) | 3,890 | – |
| Zhejiang China Minsheng Drawin Technology Company Limited* (Note 26) | 1,717 | – |
| China Minsheng Building Technology (Shishou) Company Limited* | 998 | – |
| | 571,572 | 553,677 |

* For identification purpose only

22 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 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|---------------------------------------|--|--|
| Nominal value of the convertible bond | 200,000 | 200,000 |
| Less: Equity component | (45,118) | (45,118) |
| | 154,882 | 154,882 |
| Interest expenses | 30,633 | 22,990 |
| Professional fees | (446) | (446) |
| Liability component | 185,069 | 177,426 |
| Analysed for reporting purpose as: | | |
| Current liabilities | 185,069 | – |
| Non-current liabilities | – | 177,426 |
| Liability component | 185,069 | 177,426 |

The fair value of the liability component of the convertible bond as at 30 June 2017 and 31 December 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.

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

For the six months ended 30 June 2017

23 Deferred Income Tax

The gross movement in deferred income tax assets and liabilities for the six months ended 30 June 2017 and six months ended 30 June 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Opening balance at 1 January (audited) | 17,014 | 10,269 |
| Credited to profit or loss (Note 9) | (1,262) | (1,157) |
| Currency translation differences | 409 | (69) |
| Closing balance at 30 June (unaudited) | 16,161 | 9,043 |

Deferred income tax assets

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Opening balance at 1 January (audited) | (594) | – |
| Credited to profit or loss (Note 9) | (1,394) | – |
| Currency translation differences | (1) | – |
| Closing balance at 30 June (unaudited) | (1,989) | – |

24 Trade and Other Payables

| | 30 June | 31 December |
|--|---------------------------------|-------------------------------|
| | 2017 HK\$'000 (unaudited) | 2016 HK\$'000 (audited) |
| Trade and notes payables | 27,597 | 9,015 |
| Payable related to acquisition of Guangzhou plant (note (a)) | 6,360 | 6,171 |
| Accrued payroll | 2,326 | 14,055 |
| Accrued tax payable (note (b)) | 28,523 | 24,995 |
| Accrued payable for property, plant and equipment construction | 100,027 | 137,429 |
| Technology transfer contract fee (note (c)) | 36,941 | 38,144 |
| Amounts due to related parties | 21,972 | 21,030 |
| Interest payable | 1,009 | 294 |
| Others | 5,435 | 5,697 |
| | 230,190 | 256,830 |

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

For the six months ended 30 June 2017

24 Trade and Other Payables *(continued)*

notes:

- (a) In 2015, the Group acquired a plant, together with certain equipment in Guangzhou. Total consideration is HK\$77,880,000, of which HK\$6,360,000 has not yet been paid as of 30 June 2017 (31 December 2016: HK\$6,171,000).
- (b) As of 30 June 2017 and 31 December 2016, accrued tax payable mainly referred to tax accrued for the formation of a joint venture named as China Minsheng Drawin (Changsha) Green Construction Technology Co. Ltd. ("CM Changsha") in 2016.
- (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 30 June 2017, the Company still retain further obligation according to the transfer contract, therefore the Group recognize the amount received in other payable amount.

The aging analysis of trade payables and notes payable as at 30 June 2017 and 31 December 2016 are as follows:

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|------------------|--|--|
| Less than 1 year | 27,597 | 9,015 |

As at 30 June 2017 and 31 December 2016, the fair value of trade and other payables approximate their carrying amounts.

The carrying amounts of the Group's trade and other payables are primarily denominated in Renminbi.

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

For the six months ended 30 June 2017

25 Borrowings

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|------------------------|--|--|
| Non-current (note (a)) | 46,087 | – |
| Current (note (b)) | 67,080 | 42,727 |
| | 113,167 | 42,727 |

Movements in borrowings are analysed as follows:

| | HK\$'000 |
|--|----------------|
| Opening amount as at 1 January 2017 (audited) | 42,727 |
| Proceeds of new borrowings | 69,131 |
| Currency translation differences | 1,309 |
| Closing amount as at 30 June 2017 (unaudited) | 113,167 |

notes:

- (a) In June 2017, one of the Group's subsidiaries borrowed a three-year long-term loan of approximately HK\$46.1 million from a third party bank carrying an annual interest rate of 5.1%. The borrowing was secured by the Group's property, plant and equipment with a total carrying amount of approximately HK\$49.3 million and the Group's land use rights with a total carrying amount of approximately HK\$57.9 million as of 30 June 2017.
- (b) In August 2016, one of the Group's subsidiaries borrowed a one-year short-term loan of 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 US\$6.2 million, which in turn is further guaranteed by HK\$48,392,000 restricted cash of the Group as of 30 June 2017 (31 December 2016: the US\$5.8 million loan was guaranteed by the Group's letter of credit of US\$6.2 million and restricted cash of HK\$46,953,000).

In May 2017, one of the Group's subsidiaries borrowed a one-year short-term loan of approximately HK\$23.0 million from a third party bank carrying an annual interest rate of 4.9%. The borrowing was pledged by the Group's land use rights with a total carrying amount of approximately HK\$34.2 million as of 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2017

26 Disposed of Ownership Interests in Subsidiaries Without Loss of Control

In June 2017, the Group disposed 2% equity interest in one of its subsidiaries 浙江中民築友科技有限公司 to a third party at a consideration of approximately HK\$13.8 million. The carrying amount of the disposed equity interests in 浙江中民築友科技有限公司 on the date of disposal was approximately HK\$2.0 million. The Group recognised an increase in non-controlling interests of approximately HK\$2.0 million and an increase in equity attributable to owners of the Company of approximately HK\$11.8 million. Also in June 2017, the Group disposed 3% equity interest in one of its subsidiaries 中民築友科技(江蘇)有限公司 at a consideration of approximately HK\$17.3 million. The carrying amount of the disposed equity interests in 中民築友科技(江蘇)有限公司 on the date of disposal was approximately HK\$4.4 million. The Group recognised an increase in non-controlling interests of approximately HK\$4.4 million and an increase in equity attributable to owners of the Company of approximately HK\$12.9 million. The effect of changes in the ownership interests of 浙江中民築友科技有限公司 and 中民築友科技(江蘇)有限公司 on the equity attributable to owners of the Company during the period is summarised as follows:

| | Six months ended 30 June 2017 HK\$'000 (unaudited) |
|---|---|
| Carrying amounts of equity interests disposed of | (6,388) |
| Consideration received from non-controlling interests | 31,105 |
| Gains on disposal recognised within equity | 24,717 |

27 Commitments

(a) Capital commitments

As at 30 June 2017 and 31 December 2016, capital expenditure contracted for but not yet incurred is as follows:

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|-------------------------------|--|--|
| Property, plant and equipment | 259,616 | 196,280 |
| Land use rights | 38,081 | – |
| | 297,697 | 196,280 |

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

For the six months ended 30 June 2017

27 Commitments *(continued)*

(b) Operating lease commitments

As at 30 June 2017 and 31 December 2016, the future aggregate minimum rental expenses in respect of certain office buildings held under non-cancellable operating leases are payable in the following periods:

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|---------------|--|--|
| Within 1 year | 14,890 | 18,044 |
| 1 to 5 years | 16,529 | 17,174 |
| | 31,419 | 35,218 |

(c) Operating lease rentals receivable

As at 30 June 2017 and 31 December 2016, 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 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|---------------|--|--|
| Within 1 year | 300 | – |
| Over 1 year | 5,542 | 5,523 |
| | 5,842 | 5,523 |

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

For the six months ended 30 June 2017

28 Related-Party Transactions

(a) Name and relationship with related parties

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

(b) Transactions with related parties

During the six months ended 30 June 2017 and the six months ended 30 June 2016, the Group has the following related party transactions:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2017 HK\$'000 (unaudited) | 2016 HK\$'000 (unaudited) |
| (i) Payments made on behalf of the Group by | | |
| China Minsheng Drawin Construction Co., Ltd. | 376 | 2,960 |
| (ii) Payments made by the Group on behalf of | | |
| China Minsheng Drawin Co., Ltd. | 20 | – |
| China Minsheng Drawin Construction Co., Ltd. | 2,690 | – |
| (iii) Costs incurred for construction of Technology Parks by | | |
| China Minsheng Drawin Construction Co., Ltd. | 15,570 | – |
| (iv) Revenue from sale of prefabricated units to a related party | | |
| China Minsheng Drawin Construction Co., Ltd. | 13,649 | – |

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

For the six months ended 30 June 2017

28 Related-Party Transactions *(continued)*

(c) Related-party balances

| | 30 June 2017 HK\$'000 (unaudited) | 31 December 2016 HK\$'000 (audited) |
|---|--|--|
| Amounts due from related parties (Note 16) | | |
| China Minsheng Drawin Co., Ltd. | 20 | – |
| China Minsheng Drawin Construction Co., Ltd. | 19,167 | 2,207 |
| Amounts due to related parties (Note 24) | | |
| China Minsheng Drawin Co., Ltd. | 21,679 | 21,030 |
| China Minsheng Drawin Construction Co., Ltd. | 293 | – |

Except for certain amounts due from China Minsheng Drawin Construction Co., Ltd of HK\$14,776,517 as of 30 June 2017 (which shall be settled in accordance with the detailed payment arrangement specified in each sales contract entered into with the related party), the amounts due from and due to related parties are unsecured, bear no interest and are repayable on demand.

(d) Key management compensation

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

| | Six months ended 30 June 2017 HK\$'000 (unaudited) | 2016 HK\$'000 (unaudited) |
|---|---|---------------------------------|
| Salaries and other short-term employee benefits | 4,414 | 2,671 |
| Employer's contribution to pension scheme | 46 | 15 |
| | 4,460 | 2,686 |