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 2017

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 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**Year ended 31 December 2017** ***HK$'000***	Year ended 31 December 2016 *HK$'000*
Revenue	*3*	**216,587**	37,042
Cost of sales	*6*	**(207,619)**	(28,654)
Gross profit		**8,968**	8,388
Other income	*4*	**69,797**	68,436
Other gains/(losses) – net	*5*	**227,622**	(24,879)
Selling and distribution expenses	*6*	**(17,408)**	(6,531)
Administrative expenses	*6*	**(159,110)**	(90,870)
Impairment loss on other receivables	*16*	**–**	(30,000)
Operating profit/(loss)		**129,869**	(75,456)
Finance costs	*7*	**(17,272)**	(14,953)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*
For the year ended 31 December 2017

	Notes	**Year ended 31 December 2017 *HK$'000***	Year ended 31 December 2016 *HK$'000*
Profit/(loss) before income tax		**112,597**	(90,409)
Income tax credit/(expense)	*8*	**11,224**	(10,889)
Profit/(loss) for the year		**123,821**	(101,298)
Profit/(loss) for the year, attributable to			
– Owners of the Company		**131,719**	(101,136)
– Non-controlling interests		**(7,898)**	(162)
		123,821	(101,298)
Other comprehensive income/(loss), which may be reclassified subsequently to profit or loss			
– Changes in fair value of available-for-sale financial assets		**209**	9,669
– Currency translation differences		**122,141**	(50,153)
Other comprehensive income/(loss) for the year, net of tax		**122,350**	(40,484)
Total comprehensive income/(loss) for the year		**246,171**	(141,782)
Total comprehensive income/(loss) for the year, attributable to			
– Owners of the Company		**253,700**	(141,626)
– Non-controlling interests		**(7,529)**	(156)
		246,171	(141,782)
Earnings/(loss) per share attributable to owners of the Company (expressed in HK$ cents per share)			
– Basic and diluted	*10*	**1.27**	(0.99)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**As at 31 December 2017 HK$'000**	As at 31 December 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**928,708**	718,420
Land use rights	*12*	**628,458**	534,960
Investment properties	*13*	**18,543**	35,662
Intangible assets		**782**	886
Deferred income tax assets	*19*	**20,751**	594
Investment in an associate	*14*	**182,735**	–
		1,779,977	1,290,522
Current assets			
Inventories		**78,609**	16,467
Trade and other receivables and prepayments	*16*	**402,516**	120,525
Available-for-sale financial assets	*15*	**23,926**	121,252
Financial assets at fair value through profit or loss	*17*	**–**	44,968
Cash and cash equivalents		**582,511**	784,546
Restricted cash		**449**	46,953
		1,088,011	1,134,711
Total assets		**2,867,988**	2,425,233
EQUITY			
Equity attributable to owners of the Company			
Share capital (nominal value)		**1,120,960**	1,020,960
Reserves		**723,517**	350,551
		1,844,477	1,371,511
Non-controlling interests		**560,917**	553,677
Total equity		**2,405,394**	1,925,188

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 31 December 2017

	Notes	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible bond	*18*	**–**	177,426
Deferred income	*20*	**23,475**	–
Deferred income tax liabilities	*19*	**7,962**	17,014
Bank Borrowings	*21*	**101,686**	–
		133,123	194,440
Current liabilities			
Trade and other payables	*20*	**266,537**	256,830
Advances from customers		**22,987**	1,844
Current income tax liabilities		**22,003**	4,204
Bank Borrowings	*21*	**17,944**	42,727
		329,471	305,605
Total liabilities		**462,594**	500,045
Total equity and liabilities		**2,867,988**	2,425,233

NOTES:

1 GENERAL INFORMATION

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

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

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

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

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

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2017 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)*

New amendments of HKFRSs adopted by the Group in 2017

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

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

3 REVENUE

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

4 OTHER INCOME

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

note:

(a) Government subsidies of HK$62,789,000 except HK$6,224,000 recorded in trade and other receivables and prepayments (Note 16) were received by eight PRC subsidiaries of the Group during the year ended 31 December 2017.

5 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Gains on disposal of subsidiaries *(Note 23)*	**212,334**	–
Recovery of trade and other receivables *(Note 16)*	**30,488**	72,026
Net realised gain/(loss) on redemption of available-for-sale financial assets *(Note 15)*	**5,820**	(78,705)
Gain on recovery of other receivables – interest charged on late settlement	**1,420**	–
Fair value (loss)/gains on investment properties *(Note 13)*	**(16,264)**	231
Net loss on disposal of investment properties *(Note 13)*	**(2,073)**	–
Provision for onerous contract	**(1,857)**	–
Net exchange (losses)/gains	**(1,272)**	8,710
Net realised loss on financial assets at fair value through profit or loss *(Note 17)*	**(413)**	(27,144)
Gains on disposal of property, plant and equipment	**–**	1
Others (loss)/gain	**(561)**	2
	227,622	(24,879)

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 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Employee benefits expenses *(note (a))*	**150,744**	66,684
Raw materials and consumables used	**104,000**	9,139
Depreciation *(Note 11)*	**42,357**	2,470
Operating lease rentals on buildings	**21,677**	12,197
Land use tax and value-added tax surcharges	**17,877**	2,131
Entertainment and travelling expenses	**16,543**	9,631
Amortisation of land use rights and intangible assets	**12,772**	901
Legal and professional fees	**10,788**	7,668
Utilities	**6,153**	2,228
Impairment loss on inventories	**4,998**	–
Office expenses	**3,724**	1,186
Bank charges	**1,904**	44
Design fee	**1,904**	–
Registration expenses	**1,403**	3,165
Auditors' remuneration		
– audit services	**1,750**	1,400
– non-audit services	**67**	250
Change in inventories of finished goods and work in progress	**(34,934)**	4,149
Others	**20,410**	2,812
Total of cost of sales, selling and distribution expenses and administrative expenses	**384,137**	126,055

Note:

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

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

All 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 2017 HK$'000	Year ended 31 December 2016 HK$'000
Interest expenses on convertible bond *(Note 18)*	**13,209**	14,650
Interest expenses on bank borrowings	**4,063**	303
	17,272	14,953

8 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Current income tax		
– PRC corporate income tax	**23,080**	3,675
– Hong Kong profits tax	**151**	529
	23,231	4,204
Deferred income tax *(Note 19)*	**(34,455)**	6,685
Total income tax (credit)/expense for the year	**(11,224)**	10,889

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

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

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

Hong Kong profits tax

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

PRC corporate income tax

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

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

9 DIVIDEND

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

10 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

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

10 EARNINGS/(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 the year ended 31 December 2016, which was the convertible bond (Note 18). The convertible bond was fully exercised by the bond owner in exchange of 1 billion ordinary shares at HK 0.2 per share on 6 November 2017.

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

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Computer equipment	Motor vehicles	Furniture & fixtures	Equipment	Leasehold improvements	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 2017								
Cost	215,688	3,568	8,484	4,536	145,034	11,122	333,525	721,957
Accumulated depreciation	–	(292)	(283)	(92)	(611)	(2,259)	–	(3,537)
Net book amount	215,688	3,276	8,201	4,444	144,423	8,863	333,525	718,420
Year ended 31 December 2017								
Opening net book amount	215,688	3,276	8,201	4,444	144,423	8,863	333,525	718,420
Additions	70,155	1,511	7,082	8,944	9,127	5,956	299,230	402,005
Transfers upon completion	409,559	–	–	–	91,410	–	(500,969)	–
Disposals	(93,964)	(722)	(5,394)	(596)	(55,957)	(203)	(38,522)	(195,358)
Depreciation charge	(14,191)	(875)	(1,944)	(1,810)	(19,448)	(4,089)	–	(42,357)
Currency translation differences	14,623	323	820	247	9,316	886	19,783	45,998
Closing net book amount	601,870	3,513	8,765	11,229	178,871	11,413	113,047	928,708
At 31 December 2017								
Cost	615,190	4,629	10,426	13,072	194,962	17,847	113,047	969,173
Accumulated depreciation	(13,320)	(1,116)	(1,661)	(1,843)	(16,091)	(6,434)	–	(40,465)
Net book amount	601,870	3,513	8,765	11,229	178,871	11,413	113,047	928,708

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings	Computer equipment	Motor vehicles	Furniture & fixtures	Equipment	Leasehold improvements	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

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

As at 31 December 2017, property, plant and equipment with a net book value of RMB85 million were pledged as collateral for the Group's borrowings (Notes 21).

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

12 LAND USE RIGHTS

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

At 31 December 2017, one of the Group's subsidiary's (中民築友科技(衡陽)有限公司) land use right with a net book value of approximately RMB50 million (year ended December 2016: Nil) had been pledged as collateral for the subsidiary's bank borrowings (Note 21).

At 31 December 2017, one of the Group's subsidiary's (中民築友科技(江蘇)有限公司) land use right with a net book value of approximately RMB60 million (year ended December 2016: Nil) had been pledged as collateral for subsidiary's bank borrowings (Note 21).

At 31 December 2017, one of the Group's subsidiary's (中民築友科技(佛山)有限公司) land use right with a net book value of approximately RMB51 million (year ended December 2016: Nil) had been pledged as collateral for subsidiary's bank borrowings (Note 21).

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

13 INVESTMENT PROPERTIES

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Beginning balance	**35,662**	37,723
Disposals	**(2,052)**	–
Net loss on disposal of investment properties *(Note 5)*	**(2,073)**	–
Net (loss)/gain from fair value adjustments *(Note 5)*	**(16,264)**	231
Currency translation differences	**3,270**	(2,292)
Ending balance	**18,543**	35,662

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

13 INVESTMENT PROPERTIES *(continued)*

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

Investment properties have been fair valued as at 31 December 2017 and 2016 by Grant Sherman Appraisal Limited, professional valuer. The revaluation gains or losses are included in 'Other gains/(losses) – net' in the consolidated statement of profit or loss and other comprehensive income (Note 5).

As at 31 December 2017 and 2016, the fair value of investment properties which was determined using income approach by reference to the value of income, cash flow or cost savings generated by the asset.

There were no transfer among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. The investment properties are within level 3 of fair value hierarchy as of 31 December 2017 and 2016.

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

14 INVESTMENT IN AN ASSOCIATE

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

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

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

(a) The Group disposed 2% and 51% of its equity interest in Zhejiang China Minsheng Drawin Technology Company Limited ("Zhejiang China Minsheng") in June 2017 and December 2017, respectively. Zhejiang China Minsheng become an associate of the Group after the transaction is completed (Note 23(a)).

14 INVESTMENT IN AN ASSOCIATE *(continued)*

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

The associate was accounted for using the equity method and remeasured to its fair value with the change in the carrying amount recognised in other gains/(losses) – net (Note 5).

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

Extracts of financial information of principal associates

The following tables illustrate the financial information of the Group's principal associate as extracted from its financial statements:

Zhejiang China Minsheng

	As at 31 December 2017 *HK$'000*
Summarised balance sheet	
Current assets	
Cash and cash equivalents	**7,433**
Other current assets	**78,187**
Total current assets	**85,620**
Non-current assets	**423,806**
Current liabilities	
Financial liabilities (excluding trade payables)	**35,889**
Other current liabilities	**80,516**
Total current liabilities	**116,405**
Non-current liabilities	**4,223**
Net assets	**388,798**

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Available-for-sale financial assets include the following:

	As at 31 December 2017 *HK$'000*	As at 31 December 2016 *HK$'000*
Structured deposits *(note (a))*	**23,926**	119,619
Listed equity securities in Hong Kong, at fair value *(Note 17 (a))*	**–**	1,633
	23,926	121,252

note:

(a) 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.

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

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

As at 31 December 2017 and 2016, the carrying amount of trade and other receivables and prepayments are primarily dominated in Renminbi.

16 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

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

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

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

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

17 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.

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Beginning balance	**44,968**	90,169
Acquisitions	**–**	21,612
Disposals	**(44,555)**	(39,669)
Net realised loss on financial assets at fair value through profit or loss *(Note 5)*	**(413)**	(27,144)
Ending balance	**–**	44,968

Note:

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

In January 2017, the Company disposed all of the remaining listed shares and the net realised loss on both available-for-sale investments and financial assets at fair value through profit or loss recognised in other gains/(losses) net (Note 5).

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

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

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

18 CONVERTIBLE BOND

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

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

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

The fair value of the liability component of the convertible bond approximates its book value. The fair value is calculated using cash flows discounted at a rate based on borrowing rate of 8.9% and are within level 2 of the fair value hierarchy. On 6 November 2017, the convertible bond amounting to HK$200 million was fully exercised by the bond owner in the exchange of 1,000,000,000 ordinary shares at HK$0.2 per share.

19 DEFERRED INCOME TAX

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

19 DEFERRED INCOME TAX *(continued)*

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

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000*
At beginning of the year	**16,420**	10,269
(Credited)/charged to profit or loss *(Note 8)*	**(34,455)**	6,685
Disposal of subsidiary	**5,434**	–
Currency translation differences	**(188)**	(534)
At the end of the year	**(12,789)**	16,420

The movement in deferred income tax assets and liabilities for the year ended 31 December 2017 and the year ended 31 December 2016, without taking into consideration the offsetting of balance within the same tax jurisdiction are as follows:

Deferred income tax liabilities

	Fair value gains arising from investment properties *HK$'000*	**Convertible bond** *HK$'000*	**Government Grant** *HK$'000*	**Total** *HK$'000*
At 1 January 2017	3,932	3,725	9,357	17,014
Credited to profit or loss *(Note 8)*	(4,066)	(3,725)	(1,981)	(9,772)
Currency translation differences	134	–	586	720
At 31 December 2017	–	–	7,962	7,962
At 1 January 2016	4,127	6,142	–	10,269
Charged/(credited) to profit or loss *(Note 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

Deferred income tax assets

Movements	**Tax losses** *HK$'000*	**Elimination of intra-group unrealised profit** *HK$'000*	**Total** *HK$'000*
At 1 January 2017	**–**	**594**	**594**
Credited			
– to profit or loss *(Note 8)*	**21,762**	**2,921**	**24,683**
– to other comprehensive income	**763**	**144**	**907**
Disposal of subsidiary	**(5,433)**	**–**	**(5,433)**
At 31 December 2017	**17,092**	**3,659**	**20,751**

19 DEFERRED INCOME TAX *(continued)*

Deferred income tax assets *(continued)*

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

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

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

20 TRADE AND OTHER PAYABLES

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

20 TRADE AND OTHER PAYABLES *(continued)*

notes:

(a) In 2015, the Group acquired a plant, together with certain equipment in Guangzhou. Total consideration is HK$75,565,000, of which HK$6,171,000 has not yet been paid as of 31 December 2017 (31 December 2016: HK$6,171,000).

(b) As of 31 December 2016, accrued tax payable mainly referred to tax accrued for the formation of a joint venture named as China Minsheng Drawin (Changsha) Technology Company Limited ("CM Changsha") in 2016. During the year ended 31 December 2016, the Company and its related party, China Minsheng Drawin Co., Ltd. ("JV Partner") set up CM Changsha with each party holding 51% and 49% equity interest in CM Shangsha respectively. The Group holds the newly set up entity as a subsidiary. As of 31 December 2016, the JV Partner has injected approximately HK$297.7 million land use right (excluding related tax) and approximately HK$298.5 million property, plant and equipment into the entity. As of 31 December 2016, the Group has accrued approximately HK$22.3 million tax for this transaction mainly including deed tax in accordance with PRC tax laws and regulations. In 2017, the Group obtained tax exemption and recorded the tax exemption in deferred income as a subsidy from the local government.

(c) During the year ended 31 December 2016, the Group entered into licensing agreements with certain third parties to transfer technology related to prefabricated construction. As of 31 December 2017, the license agreement was terminated with the third party and the amount was repaid to the counter party.

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

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

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

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

21 BANK BORROWINGS

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

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

21 BANK BORROWINGS *(continued)*

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

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

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

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

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

22 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.

23 DISPOSAL OF SUBSIDIARIES

(a) In June 2017, the Group firstly disposed 2% of its equity interest in Zhejiang China Minsheng to 浙江環宇建設集團有限公司 at a total consideration of HKD13.8 million. As the change in the Group's ownership interest in Zhejiang China Minsheng that do not result in the Group losing the control of Zhejiang China Minsheng is equity transaction, the difference with its carrying amount of approximately HK10.0 million was recognized as a disposal gain in the other reserve.

In December 2017, the Group further disposed 51% of its equity interest in Zhejiang China Minsheng to another company, Hangzhou Residential Area Development Centre Co., Limited, and lost control in the Zhejiang China Minsheng. Zhejiang China Minsheng became an associate of the Group after the transaction. The consideration in relation to the 51% equity interest of Zhejiang China Minsheng was approximately HKD198.3 million. On the disposal date, the net assets value of Zhejiang China Minsheng was amounted to HK$190.0 million and approximately HK$97.9 million was recoginsed as a gain relating to disposal 51% of the equity interest of Zhejiang China Minsheng in the consolidated statement of profit or loss and other comprehensive income.

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

	2017
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**150,311**
Land use rights	**68,528**
Deferred income tax assets	**2,002**
Inventories	**26,529**
Trade and other receivables and prepayments	**51,658**
Cash and bank balances	**7,433**
Trade and other payables	**(70,821)**
Advances from customers	**(9,695)**
Borrowing	**(35,889)**
Non-controlling interests	**(3,699)**
Net assets attributed to owners of the Company	**186,357**
Fair value of 47% retained interest accounted for as an associate	**(182,735)**
Gain on disposal of the subsidiary recognised in profit and loss *(Note 5)*	**188,171**
Currency transaction differences	**6,494**
Satisfied by cash	**198,287**

23 **DISPOSAL OF SUBSIDIARIES** *(continued)*

(a) *(continued)*

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

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

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

	2017
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**45,047**
Land use rights	**16,393**
Intangible assets	**195**
Trade and other receivables and prepayment	**53,930**
Inventories	**32,994**
Cash and bank balances	**43,726**
Deferred income tax assets	**3,431**
Trade and other payables	**(96,615)**
Advances from customers	**(55,049)**
Non-controlling interests	**(6,575)**
	37,477
Gain on disposal of the subsidiary recognised in profit and loss *(Note 5)*	**24,163**
Currency translation differences	**592**
Satisfied by cash	**62,232**

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

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

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

Accelerating the Pace of Prefabricated Construction Across the Country

The Company is the first listed enterprise under China Minsheng Investment Corp. Ltd., focusing on the modernization of construction industry in China. With its development of over three years, its concentration on the research and operations prefabricated construction industrial chain has made it equip with leading industrial and technological capabilities. With its increasing brand influence, the expanding market development, the effectiveness of the promotion of our featured products is significant. We have five major construction industrialized technology systems which lead the industry, with a total of nearly 1,400 patent applications, we securely rank number 1 in the industry country-wide. The Group aims at products innovation and industry layout towards the national strategies of the construction supply side reform, made in China 2025, beautiful rural villages, lifting the poor out of poverty through relocation, and the "Belt and Road" initiative. We have established or planned to establish the construction of green construction technology parks and prefabricated construction items across 22 provinces and 42 cities including Changsha, Shanghai, Nanjing, Hangzhou, Shenzhen, Foshan, Hengyang and Qingdao, and have started to cooperate with countries along the "One Belt, One Road" regions including Mongolia and South Africa, building up the technological export of construction work industry.

Intelligent Design

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

EMPC Full Industry Chain – General Contracting of prefabricated Construction Work

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

In October 2017, Xiangya Students' Apartment Project in Central South University was successfully completed. The project is an EMPC construction project designed, manufactured and constructed by our Company. It is also the very first EMPC public construction project using prefabricated construction technology. The project's construction quality was widely accepted, and was ranked as the model prefabricated construction site in Hunan Province.

New Materials

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

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

High technology platform

The Group positions the prefabricated construction industry as a high-tech manufactoring sector in construction field. The Company has specifically established a construction technology research institute. Under which, there are five professional technical institutes, which are responsible for research and development of the most cutting-edge technologies and common technologies in the world, the promotion of the research and development of specific technologies and its implementation. Through self research and development, the Group has formed five major construction industrialization technology systems (namely architectural design technology system, new material technology system, intelligent manufacturing technology system, building information technology system and on-site assembling technology system, in which the intellectual property is fully owned by the Company, and leads the industry. As at December 2017, the Company has a total of 1,400 patent applications, which ranked number one in the country.

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

The Company continues to build up a top-notch scientific research platform in the industry: the establishment of the "Prefabricated construction Joint Research and Development centre of Southeast University" and "Prefabricated Energy-Saving Construction Engineering Research centre". We have been granted the license of the "Post-doctoral Scientific Research Station Cooperative Research and Development Center" and the "Post-doctoral Innovation and Venture Realization Base", demonstrating that we have the capability to carry out postdoctoral scientific research. In December 2017, the Company was awarded as "Fellow and Expert Workstation" by Changsha Municipal People's Government, which is the major actions of promoting the industry and academic collaboration, introducing and cultivating high level talent of technology, and enhancing the breakthrough of key technologies.

Technological Results

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

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

Business Prospects

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

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

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

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

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

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

Cost of sales

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

Gross profit and gross profit margin

The gross profit of the Group in 2017 was approximately HK$9.0 million, representing an increase of 6.9% from approximately HK$8.4 million in 2016. The gross profit margin decreased to 4.1% in 2017 from 22.6% in 2016, which was mainly attributable to the decrease of average sales price of prefabricated units, the increase in cost of prefabricated units and the increase in manufacturing cost in result of overcapacity of new plants during the year.

Other income

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

Other gains/(losses) – net

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

Selling and distribution expenses

Selling and distribution expenses of approximately HK$17.4 million (2016: HK$6.5 million) for the year ended 31 December 2017, such expenses are directly related to the sale of prefabricated units and such increase was in line with the increase in sales revenue.

Administrative expenses

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

Finance costs

Finance costs of approximately HK$17.3 million for the year ended 31 December 2017 represented (i) the effective interest of approximately HK$13.2 million which is amortised on the zero coupon convertible bond with outstanding principal amount of HK$200 million issued on 27 May 2015; and (ii) the interest expenses of approximately HK$4.1 million for three bank borrowings made in 2017.

Liquidity and Financial Resources

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

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

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

FINAL DIVIDEND

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

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 2017, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange, except for:

(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. Yin Jun, Mr. Mi Hongjun, Mr. Chen Donghui, Ms. Gan Ping, Mr. Zhao Xiaodong, Mr. Zhou Feng, Mr. Jiang Hongqing and Mr. Ma Lishan were unable to attend the special general meeting of the Company held on 26 April 2017. And 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 year, 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 and whose re-election has not been passed by the Shareholders as a resolution at the annual general meeting as disclosed in an announcement published by the Company on 12 June 2017. As such, the Company considers that such provision in the articles is sufficient to meet the underlying objective of code provision A.4.1, and the Company had fully complied with such code provision after Mr. Zhou Feng ceased to be non-executive director of the Company with effect from the conclusion of the annual general meeting.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to the specific enquiry made by the Company, all the Directors confirmed that they fully complied with the required standard as set out in the Model Code throughout the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

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 2017.

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 2018

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 and Mr. Zhao Xiaodong 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*