華融投資股份有限公司

HUARONG INVESTMENT STOCK CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2277)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE PERIOD FROM 1 APRIL 2016 TO 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Total revenue and operating income was approximately HK$685,669,000 for the Reporting Period, representing a decrease of approximately 13.4% as compared with the same for the year ended 31 March 2016. Included in the Group's revenue and operating income are revenue from construction services of approximately HK$469,864,000 and operating income of approximately HK$215,805,000, contributed from the new business segments of direct investments and financial services and others.

- Profit was approximately HK$155,817,000 for the Reporting Period, representing an increase of approximately 257.9% as compared with the same for the year ended 31 March 2016.

- Basic earnings per share amounted to approximately HK13.1 cents for the Reporting Period, representing an increase of approximately 211.9% as compared with the same for the year ended 31 March 2016.

- The Board does not recommend the payment of final dividend for the Reporting Period.

The board (the "**Board**") of directors of Huarong Investment Stock Corporation Limited (the "**Company**") hereby announces the consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the period from 1 April 2016 to 31 December 2016 (the "**Reporting Period**") together with the comparative figures for the year (i.e. 12 months) ended 31 March 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 APRIL 2016 TO 31 DECEMBER 2016

	Notes	**1 April 2016 to 31 December 2016** *HK$'000*	**1 April 2015 to 31 March 2016** *HK$'000*
Revenue and operating income	4	685,669	791,664
Revenue from construction services	4	469,864	791,664
Cost of construction services		(398,830)	(709,846)
Gross profit from construction services		71,034	81,818
Operating income	4	215,805	—
Other income	6	38,357	3,440
Administrative expenses		(97,339)	(32,302)
Finance costs	7	(49,504)	(871)
Profit before taxation		178,353	52,085
Income tax expense	8	(22,536)	(8,549)
Profit for the period/year	9	155,817	43,536
Other comprehensive expense for the period/year			
Items that may be reclassified subsequently to profit or loss:			
Deficit on revaluation of available-for-sale investments		(536)	—
Exchange difference arising on translating foreign operations		(2,761)	—
Other comprehensive expense for the period/year		(3,297)	—
Total comprehensive income for the period/year attributable to owners of the Company		152,520	43,536
Earnings per share (HK cents)			
– Basic and diluted	11	13.1	4.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	**31 December 2016** *HK$'000*	**31 March 2016** *HK$'000*
Non-current assets			
Plant and equipment		86,044	105,732
Intangible asset		1,840	—
Deposits paid for acquisition of plant and equipment		2,220	—
Available-for-sale investments	12	925,033	—
Financial assets classified as receivables	13	193,580	—
Finance lease receivable	14	46,298	—
		1,255,015	105,732
Current assets			
Amounts due from customers for contract work		43,840	30,936
Trade and other receivables	15	235,851	183,912
Finance lease receivable	14	9,598	—
Loan receivable	16	29,927	—
Financial assets classified as receivables	13	100,726	—
Financial assets designated at fair value through profit or loss	17	244,283	—
Held for trading investments	18	201,940	—
Amounts due from related parties		1,194	132
Deposits in other financial institutions		31,096	—
Tax recoverable		—	1,973
Bank balances and cash		1,452,372	142,208
		2,350,827	359,161
Current liabilities			
Amounts due to customers for contract work		15,002	36,655
Trade and other payables	19	234,933	174,132
Tax payables		21,557	—
Interest-bearing borrowings		320,000	—
Obligations under finance leases		7,633	9,179
Amounts due to related parties		16,609	69
		615,734	220,035
Net current assets		1,735,093	139,126
Total assets less current liabilities		2,990,108	244,858

	Notes	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Non-current liabilities			
Deferred tax liabilities		6,748	7,789
Interest-bearing borrowings		2,415,958	—
Obligations under finance leases		5,362	10,945
		2,428,068	18,734
Net assets		562,040	226,124
Capital and reserves			
Share capital		12,360	10,300
Reserves		549,680	215,824
Total equity		562,040	226,124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Huarong Investment Stock Corporation Limited (the "Company") was incorporated in the Cayman Islands on 15 July 2014 as an exempted company with limited liability and its shares (the "Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 29 December 2014.

The Company acts as an investment holding company and the principal activities of its subsidiaries (together with the Company, referred to as the "Group") are direct investment in equities, bonds, funds, derivative instruments and other financial products; provision of finance lease and finance lease arrangement services, financial arrangement services and other related services; provision of foundation and substructure construction services (31 March 2016: provision of foundation and substructure construction services).

On 1 June 2016 and 26 July 2016, there were 240,000,000 and 106,000,000 shares of the Company were acquired by Right Select International Limited ("Right Select") (a direct wholly-owned subsidiary of China Huarong International Holdings Limited ("CHIH")), amounted to approximately 27.99% of the issued share capital of the Company. Immediately after the acquisition of shares, Right Select became the major shareholder of the Company.

Pursuant to a special resolution passed at the extraordinary general meeting held on 23 September 2016, the English name of the Company was changed from "Chun Sing Engineering Holdings Limited" to "Huarong Investment Stock Corporation Limited" and the Chinese name of the Company was changed from "震昇工程控股有限公司" to "華融投資股份有限公司".

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the Reporting Period, the reporting period end date of the Group was changed from 31 March to 31 December because the directors of the Company (the "Directors") determined to bring the annual reporting period end date of the Group in line with that of its subsidiaries incorporated in the People's Republic of China ("PRC"). Accordingly, the consolidated financial statements for the current period cover the nine-month period ended 31 December 2016. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve-month period from 1 April 2015 to 31 March 2016 and therefore may not be comparable with amounts shown for the current period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

During the Reporting Period, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the Reporting Period and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]

[1] Effective for annual periods beginning on or after 1 January 2017.

[2] Effective for annual periods beginning on or after 1 January 2018.

[3] Effective for annual periods beginning on or after 1 January 2019.

[4] Effective date not yet been determined.

The Directors anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income"("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

— All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

— With regard to the measurement of financial liabilities designated at fair value through profit or loss ("FVTPL"), HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

— In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

— HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors anticipate that the adoption of HKFRS 9 (2014) in the future may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. It is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

Step 1: Identify the contract with the customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors anticipate that the application of HKFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be reconised as an asset under HKFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detail review is completed.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. The Directors are in the process of assessing their impact on the consolidated financial statements of these requirements.

As at 31 December 2016, the Company has non-cancellable operating lease commitments of HK$171,562,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

4. REVENUE AND OPERATING INCOME

Revenue represents revenue from construction contracts and rental income from lease of machinery. Operating income represents net income from direct investments, finance lease operation and related services, and financial services and other related services net of sales related tax. An analysis of the Group's revenue and operating income is as follows:

	1 April 2016 to 31 December 2016	1 April 2015 to 31 March 2016
	HK$'000	*HK$'000*
Revenue from construction services		
Revenue from construction contracts	469,864	790,768
Rental income from lease of machinery	—	896
	469,864	791,664
Operating income		
Net unrealised gain on held for trading investments	27,247	—
Net realised gain on held for trading investments	7,954	—
Net unrealised gain on financial assets designated at FVTPL	32,125	—
Dividend income from held for trading investments	540	—
Dividend income from available-for-sale investments	88,101	—
Interest income from financial assets classified as receivables	4,441	—
Interest income from finance lease receivable	270	—
Interest income from loan receivable	361	—
Service income from provision of finance lease arrangement services	4,753	—
Service income from provision of financial arrangement services and others	50,013	—
	215,805	—
	685,669	791,644

5. SEGMENT INFORMATION

Information relating to business lines is reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance.

Specifically, the Group's reportable segments are as follows:

(1) Direct investments – direct investment in equities, bonds, funds, derivative instruments and other financial products.

(2) Financial services and others – finance lease provision, finance lease arrangement services, financial arrangement services and other related services.

(3) Foundation and substructure construction services – excavation and lateral support works, pile cap construction and substructure construction for residential, commercial and infrastructure projects and rental of relevant equipments.

The direct investments and financial services and others are two new business segments of the Group through acquisition of subsidiaries and expansion of business operation during the Reporting Period.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

	Direct investments	Financial services and others	Foundation and substructure construction services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
From 1 April 2016 to 31 December 2016				
Segment revenue				
Revenue from external customers	—	—	469,864	469,864
Operating income	160,769	55,036	—	215,805
Segment revenue and operating income	160,769	55,036	469,864	685,669
Segment results	160,075	53,989	49,374	263,438
Unallocated gains				35,543
Corporate and other unallocated expenses				(71,124)
Finance costs				(49,504)
Profit before tax				178,353

	Direct investments *HK$'000*	Financial services and others *HK$'000*	Foundation and substructure construction services *HK$'000*	Total *HK$'000*
Year ended 31 March 2016				
Segment revenue				
Revenue from external customers	—	—	791,664	791,664
Operating income	—	—	—	—
Segment revenue and operating income	—	—	791,664	791,664
Segment results	—	—	58,047	58,047
Unallocated gains				150
Corporate and other unallocated expenses				(5,241)
Finance costs				(871)
Profit before tax				52,085

The accounting policies of the operating segments are same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, Directors' salaries, finance costs and certain other income. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Segment assets		
Direct investments	1,726,585	—
Financial services and others	62,441	—
Foundation and substructure construction services	347,298	320,568
Total segment assets	2,136,324	320,568
Unallocated corporate assets	1,469,518	144,325
Total consolidated assets	3,605,842	464,893

	31 December 2016 HK$'000	31 March 2016 HK$'000
Segment liabilities		
Direct investments	62	—
Financial services and others	2,241	—
Foundation and substructure construction services	193,553	210,738
Total segment liabilities	195,856	210,738
Unallocated corporate liabilities	2,847,946	28,031
Total consolidated liabilities	3,043,802	238,769

For the purposes of monitoring segment performances and allocating resources between segments:

(i) all assets are allocated to operating segments other than bank balances and cash, deposits in other financial institutions, amounts due from related parties, certain plant and equipment and other receivables which were managed in a centralised manner.

(ii) all liabilities are allocated to operating segments other than interest-bearing borrowings, amounts due to related parties, tax payable, deferred tax liabilities, obligations under finance leases and certain other payables which were managed in a centralised manner.

Other segment information

From 1 April 2016 to 31 December 2016	Direct investments *HK$'000*	Financial services and others *HK$'000*	Foundation and substructure construction services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profits or segment assets:					
Additions to non-current assets (note)	—	1,901	4,306	6,338	12,545
Depreciation	—	5	27,417	407	27,829
Gain on disposal of plant and equipment	—	—	(631)	—	(631)
Loss on write-off of plant and equipment	—	—	81	—	81
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profits or segment assets:					
Bank interest income	—	(10)	(1)	(3,954)	(3,965)
Finance costs	—	1,947	2,732	44,825	49,504
Income tax expense	1,932	12,955	7,464	185	22,536

For the year ended 31 March 2016	Direct investments *HK$'000*	Financial services and others *HK$'000*	Foundation and substructure construction services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profits or segment assets:					
Additions to non-current assets (note)	—	—	59,745	—	59,745
Depreciation	—	—	31,433	—	31,433
Gain on disposal of plant and equipment	—	—	(3,256)	—	(3,256)
Loss on write-off of plant and equipment	—	—	1,071	—	1,071
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profits or segment assets:					
Bank interest income	—	—	(150)	—	(150)
Finance costs	—	—	871	—	871
Income tax expense	—	—	8,549	—	8,549

Note: Non-current assets excluded financial instruments.

Revenue from major services

The following is an analysis of the Group's revenue and operating income from provision of services to external customers:

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Foundation and substructure construction services	469,864	791,664
Operating income from:		
Investment in equity securities	35,741	—
Investment in private entity funds	88,101	—
Investment in tranche notes	4,441	—
Investment in derivative financial instruments	32,125	—
Finance lease provision and finance lease arrangement services	5,023	—
Financial arrangement services	50,013	—
Others	361	—
	685,669	791,664

Geographical information

During the period from 1 April 2016 to 31 December 2016, the Group's operations are located in Hong Kong and the PRC. Information about the Group's revenue and operating income from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	1 April 2016 to 31 December 2016 *HK$'000*	1 April 2015 to 31 March 2016 *HK$'000*	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
The PRC	54,036	—	—	—
Hong Kong (country of domicile)	631,633	791,664	90,104	105,732
	685,669	791,664	90,104	105,732

Note: Non-current assets excluded financial instruments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue and operating income of the Group are as follows:

	1 April 2016 to 31 December 2016 *HK$'000*	1 April 2015 to 31 March 2016 *HK$'000*
Customer A[1]	326,215	510,380
Customer B[1]	N/A[2]	113,952
Customer C[1]	N/A[2]	89,863

[1] Revenue from foundation and substructure construction services

[2] The corresponding revenue did not contribute over 10% of the total revenue and income of the Group

6. OTHER INCOME

	1 April 2016 to 31 December 2016 *HK$'000*	1 April 2015 to 31 March 2016 *HK$'000*
Bank interest income	3,965	150
Loan arrangement fee income	27,145	—
Upfront fee income from unlisted debt instrument (note i)	3,500	—
Exchange gain	2,169	—
Management fee income (note ii)	933	—
Gain on disposal of plant and equipment	631	3,256
Sundry income	14	34
	38,357	3,440

Notes:

(i) On 24 November 2016, the Group entered into a placing letter with a placing agent related to the subscription of unlisted notes issued by a Hong Kong listed company in the principle amount of HK$100 million. The Group was entitled to a commission rebate of 3.5% of principal amount of the subscribed notes paid by the placing agent.

(ii) The income received from the major shareholder, Right Select for the provision of office administrative service.

7. FINANCE COSTS

	1 April 2016 to 31 December 2016 *HK$'000*	1 April 2015 to 31 March 2016 *HK$'000*
Interest on:		
– Interest-bearing borrowings	48,744	—
– Finance leases	470	717
– Bank borrowings	290	154
	49,504	871

8. INCOME TAX EXPENSE

	1 April 2016 to 31 December 2016 *HK$'000*	1 April 2015 to 31 March 2016 *HK$'000*
Current tax		
Hong Kong	10,785	7,510
PRC Enterprise Income Tax	12,792	—
	23,577	7,510
Over provision in prior years:		
Hong Kong	—	(5)
	23,577	7,505
Deferred tax	(1,041)	1,044
	22,536	8,549

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company's subsidiaries established in the PRC is 25% from 1 January 2008 onwards.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

9. PROFIT FOR THE PERIOD/ YEAR

Profit for the period/ year has been arrived at after charging (crediting):

	1 April 2016 to 31 December 2016	**1 April 2015 to 31 March 2016**
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments)		
– salaries, allowances and benefits in kind	130,002	97,581
– retirement benefits scheme contributions	2,847	3,283
Total staff costs	132,849	100,864
Less: Amount included in construction contracts in progress	(9,945)	(10,549)
	122,904	90,315
Depreciation in respect of plant and equipment		
– assets held under finance leases	5,649	7,752
– owned assets	22,180	23,681
	27,829	31,433
Minimum lease payments under operating leases in respect of:		
– motor vehicles	1,418	1,008
– land and buildings	5,840	3,293
	7,258	4,301
Auditor's remuneration	1,000	840
Loss on write-off of plant and equipment	81	1,071

10. DIVIDEND

No dividend was paid or proposed by the Company for the period 1 April 2016 to 31 December 2016, nor has any dividend been proposed since the end of the Reporting Period (for the year ended 31 March 2016: nil).

11. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following:

	1 April 2016 to 31 December 2016 *HK$'000*	1 April 2015 to 31 March 2016 *HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share	155,817	43,536

	1 April 2016 to 31 December 2016 *'000*	1 April 2015 to 31 March 2016 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,188,635	1,030,000

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares for the period from 1 April 2016 to 31 December 2016 and for the year ended 31 March 2016.

12. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Unlisted investment funds, at fair value	925,033	—

The unlisted fund investments represent investments in private equity funds incorporated in the Cayman Islands. The unlisted fund investments are held for an identified long term strategic purpose and the Group does not intend to dispose of them in the foreseeable future. They are measured at fair values at the end of the Reporting Period.

13. FINANCIAL ASSETS CLASSIFIED AS RECEIVABLES

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Unlisted debt instruments	294,306	—

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Analysed as		
Current	100,726	—
Non-current (note)	193,580	—
	294,306	—

At 31 December 2016, none of the debt instruments was individually determined to be impaired.

Financial assets classified as receivables consisted solely of unlisted debt instruments acquired by the Group through placing agent and listed companies in Hong Kong. The unlisted debt instruments are issued by listed companies in Hong Kong.

The exposure of the Group's fixed-rate unlisted debt instruments to interest rate risks and their contractual maturity dates are as follows:

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Fixed rate unlisted debt instruments:		
Within one year	100,726	—
After one year but within two year (note)	193,580	—
	294,306	—

In the opinion of the Directors, the unlisted debts instruments are not impaired

Note:

On 14 October 2016, as part of the transaction of the purchase of the unlisted debt instruments, the issuer of the debt instruments has issued unlisted warrants (note 17(c)) to the Group at nil consideration. The warrants entitled the Group to subscribe for 7,778,824 shares from the issuer of the debt instruments in Hong Kong at a pre-determined price in a specific period. For details of the fair value of the unlisted warrants, please refer to note 17(c). As at 31 December 2016, the carrying amount of the unlisted debts instruments was approximately HK$92,727,000.

14. FINANCE LEASE RECEIVABLE

The Group entered into a finance lease transaction during the Reporting Period. The interest rate inherent in the lease is fixed at the contract date over the lease terms.

	31 December 2016 *HK$'000*	**31 March 2016** *HK$'000*
Analysed for reporting purposes as:		
Current	9,598	—
Non-current	46,298	—
	55,896	—

	Minimum lease payments		**Present value of minimum lease payments**	
	31 December 2016 *HK$'000*	**31 March 2016** *HK$'000*	**31 December 2016** *HK$'000*	**31 March 2016** *HK$'000*
Finance lease receivable comprises:				
Within one year	12,750	—	9,598	—
After one year but within two years	27,999	—	25,889	—
After two years but within five years	20,999	—	20,409	—
	61,748	—	55,896	—
Less: unearned finance income	(5,852)	—	N/A	—
Present value of minimum lease payment receivables	55,896	—	55,896	—

15. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of the Reporting Period:

	31 December 2016 *HK$'000*	**31 March 2016** *HK$'000*
Trade receivables from foundation and substructure construction services	141,595	90,868
Trade receivables from financial services and others	3,470	—
Total trade receivables	145,065	90,868
Deposits, prepayments and other receivables	14,111	4,550
Retention receivables (note)	76,675	88,494
Trade and other receivables	235,851	183,912

Note:

As at 31 December 2016, retention receivables of approximately HK$33,744,000 (31 March 2016: HK$78,183,100) were expected to be recovered in more than twelve months from the end of the Reporting Period but within its normal operating cycle.

Trade receivables from foundation and substructure construction services are normally due within 14 days to 21 days (31 March 2016: 42 days) while trade receivables from financial services and others are normally due within 30 days to 60 days (31 March 2016: Nil) from the date of billing. The following is an aged analysis of trade receivables, presented based on the invoice date at the end of the Reporting Period.

	31 December 2016 *HK$'000*	**31 March 2016** *HK$'000*
Within 1 month	18,008	60,178
1 to 2 months	63,229	30,690
Over 3 months	63,828	—
	145,065	90,868

At 31 December 2016 and 31 March 2016, none of the trade receivables was individually determined to be impaired.

The aged analysis of trade receivables which were past due but not impaired is set out below:

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Less than 1 month past due	46,805	24,903
1 to 3 months past due	40,689	—
Over 3 months past due	54,101	—
	141,595	24,903

Receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

16. LOAN RECEIVABLE

The following is an aged analysis of loan receivable, presented based on the date of loan granted during the Reporting Period.

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Not yet past due		
Current - within 365 days	29,927	—

The loan was secured by a listed company's shares and repayable within one year.

Included in the Group's loan receivable is a debtor with aggregate amount of approximately HK$29,927,000. The loan receivable is neither past due nor impaired at the end of the Reporting Period for which the Group has not provided for impairment loss. The Directors believed that the amount was recoverable, after taking into account of the recent market price of a listed company's shares as collateral being sufficient to cover the entire outstanding balance as at 31 December 2016.

17. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**31 December 2016** *HK$'000*	**31 March 2016** *HK$'000*
Financial assets designated at fair value through profit or loss:			
Unlisted fund investment	(a)	89,434	—
Unlisted convertible bonds	(b)	128,027	—
Unlisted warrant	(c)	153	—
Put option on equity securities	(d)	26,669	—
		244,283	—

Notes:

(a) The unlisted fund investment represents investment in a private equity fund established in the PRC. The unlisted fund investment is designated as financial assets at fair value through profit or loss ("FVTPL") at initial recognition and measured at fair value at the end of the Reporting Period.

(b) On 14 September 2016, the Group acquired unlisted convertible bonds, with a principal amount of US$15,000,000 (approximately HK$116,325,000) which was issued by an independent party, a listed company in Hong Kong, and bears fixed interest rate of 8% per annum payable semi-annually, and matures on 16 July 2018, with conversion price of HK$1.26 per share of the aforesaid listed company in Hong Kong. The convertible bonds are freely transferrable and can be converted at any time. The fair value of the convertible bonds amounted to approximately HK$128,027,000 as at 31 December 2016, which was determined by Grant Shermen Appraisals Limited ("Grant Shermen"), an independent valuer not connected to the Group by using binomial option pricing model.

(c) As disclosed in note 13, the fair value of the unlisted warrant amounted to approximately HK$ 153,000 as at 31 December 2016, which was determined by Grant Sherman by using binomial option pricing model. The warrant is freely transferable and can be exercised at any time.

(d) On 18 November 2016, the Group, via its indirect wholly-owned subsidiary namely Coastal Star Investments Limited ("Coastal Star"), acquired 9,360,000 shares in a company listed in Hong Kong at an unit share price of HK$12.50 (the "Placing Price") with an aggregate consideration of HK$117,000,000. On the same date, the controlling shareholder of the listed company (the "Controlling Shareholder") entered into a compensation agreement (the "Compensation Agreement") with Coastal Star, pursuant to which, the Controlling Shareholder agreed to compensate Coastal Star in cash if on 23 September 2019, the closing market value per listed company's shares falls below HK$12.88. If the unit closing price of the shares for any 30 consecutive trading days is more than 180% of the placing price, the option will be lapsed automatically. The fair value of the put option on equity securities amounted to approximately HK$26,669,000 as at 31 December 2016, which was determined by Grant Sherman by using binomial option pricing model.

18. HELD FOR TRADING INVESTMENTS

Held for trading investments consisted of equity securities listed in Hong Kong. The fair values of these listed securities are determined based on the quoted market bid prices available on the Stock Exchange at the end of the Reporting Period.

19. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of the Reporting Period:

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Trade payables from foundation and substructure construction services	137,826	122,975
Retention money payables	29,299	28,036
Other payables and accruals	67,808	23,121
	234,933	174,132

As at 31 December 2016, retention money payables of approximately HK$14,498,000 (31 March 2016: HK$20,856,000) was expected to be paid or settled in more than twelve months from the end of the Reporting Period.

As at 31 December 2016, included in other payables and accruals of approximately HK$1,345,000 (31 March 2016: HK$272,000) representing accrued directors' emoluments.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the Reporting Period:

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Within 1 month	31,854	23,873
1 to 3 months	22,234	69,586
3 to 6 months	9,904	26,414
Over 6 months	73,834	3,102
	137,826	122,975

The average credit period granted to the Group is 0 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

As at 31 December 2016, China Huarong Asset Management Co., Ltd. ("China Huarong"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2799) through its indirect wholly-owned subsidiary, Right Select International Limited ("Right Select") held 346,000,000 shares ("Shares"), representing approximately 27.99% of the entire issued share capital of the Company and was the single largest shareholder of the Company. During the Reporting Period, based on the existing engineering business, the Company actively adopted the strategy of diversified business operation by virtue of such significant shareholding relation. The Group is principally engaged in the following business segments: (i) direct investments; (ii) financial services and others; and (iii) foundation and substructure construction services.

In 2016, the Company changed its financial year end from 31 March to 31 December and there were only nine months for this financial period. Although the Reporting Period is not for a full financial year, the Group achieved a satisfactory result with the efforts of management and support from China Huarong.

As at 31 December 2016, the total assets value of the Group amounted to approximately HK$3,605,842,000, representing a 675.6% growth compared with approximately HK$464,893,000 as at 31 March 2016, which was due to the increase of assets as a result of the new business segments of direct investments and financial services and others.

The Group recorded revenue and operating income of approximately HK$685,669,000 for the Reporting Period as compared to the revenue of approximately HK$791,664,000 for the year ended 31 March 2016, representing a decrease of approximately 13.4%, which was mainly due to the decrease in the revenue of foundation and substructure construction services business.

During the Reporting Period, the Group recorded earnings of approximately HK$155,817,000, representing an increase of approximately 257.9% compared with approximately HK$43,536,000 for the last accounting year, which was mainly attributable to the remarkable profit brought by the new business of direct investments and financial services and others.

The Group intends to make full advantage of the position of its new controlling shareholder and combine the licences of money lending and finance leasing to expand its business and operation. The reportable operating segments also transformed as follows:

Direct Investments

The Group has conducted the direct investment business since September 2016, and mainly invested in equities, bonds, funds, derivative instruments and other financial products. During the Reporting Period, the segment assets of direct investment business reached approximately HK$1,726,585,000. During the Reporting Period, investment income of approximately HK$160,769,000 and segment profit of HK$160,075,000 were recorded, representing approximately 60.8% of the total segment profit of the Group.

Financial Services and Others

The Group started financial services and other related services in September 2016, and mainly referred to finance leasing and other arrangement services. In the future, the Group intends to cover other modern finance services on top of provision of finance leasing, including setting up private equity funds and providing structural financial products mainly through independent licensed corporations in Hong Kong under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFC"), or on its own or through financial institutions overseas under applicable laws. As of 31 December 2016, the segment assets of financial services and other business reached approximately HK$62,441,000. During the Reporting Period, it recorded investment income of approximately HK$55,036,000 and segment profit of HK$53,989,000, representing approximately 20.5% of the total segment profit of the Group.

Significant Investments

As of 31 December 2016, the investment portfolio mainly comprised the following financial assets:

Investment	Stock code	Carrying amounts *(HK$'000)*	Percentage of portfolio	Fair value change during the Reporting Period *(HK$'000)*	Date of relevant announcement(s)
Interest in Edge Venture Partners L.P. (Limited Partnership)	N/A	612,651	35.0%	—	25 October 2016 1 December 2016
Interest in Jumbo Sheen Fund No. 1 LP (Limited Partnership)	N/A	310,203	17.7%	—	8 December 2016
Convertible bonds issued by Carnival Group International Holdings Limited	00996	128,027	7.3%	5,939	13 September 2016
Shares in Cogobuy Group	00400	109,512	6.3%	(7,488)	18 November 2016
Notes issued by Master Glory Group Limited	00275	100,853	5.8%	N/A	24 November 2016
Notes issued by Mason Financial Holdings Limited	00273	100,726	5.8%	N/A	25 November 2016
Notes issued by Zhuguang Holdings Group Company Limited	01176	92,727	5.3%	N/A	23 September 2016
Interest in Shenzhen China Merchant Huarong Investment Consultancy (Limited Partnership)	N/A	89,434	5.1%	—	19 October 2016
Shares in Altonics Holding Limited	00833	65,158	3.7%	30,235	31 October 2016
Put option on Cogobuy Group	00400	26,669	1.5%	26,669	18 November 2016
Others		115,425	6.5%	4,017	
Total		1,751,385	100.0%		

Further details of the above investments are disclosed in notes 12,13,14,16,17 and 18 to the consolidated financial results.

Foundation and substructure construction services

Construction contract income is recognised based on stage of completion. Stage of completion is established by reference to the construction works certified by our customers. The portion of total construction contract amount that is certified to have been completed in a period is recognised as revenue from foundation and substructure construction services in the respective period.

For the Reporting Period, there were 19 (1 April 2015 to 31 March 2016: 23) construction projects contributing approximately HK$469,864,000 (1 April 2015 to 31 March 2016: HK$790,768,000) to our revenue.

Set out below is the breakdown of such projects based on their respective revenue recognised during the Reporting Period and year ended 31 March 2016 respectively.

	1 April 2016 to 31 December 2016 No. of project(s)	1 April 2015 to 31 March 2016 No. of project(s)
Revenue recognised		
HK$200,000,001 or above	—	1
HK$100,000,001 to HK$200,000,000	1	1
HK$10,000,001 to below HK$100,000,000	8	8
HK$1,000,000 to below HK$10,000,000	3	9
Below HK$1,000,000	7	4
	19	23

Gross Profit and Gross Profit Margin from foundation and substructure construction services

The Group's gross profit from foundation and substructure construction services decreased from approximately HK$81,818,000 for the year ended 31 March 2016 to approximately HK$71,034,000 for the Reporting Period, which represented a decrease of approximately 13.2%. The decrease in gross profit from foundation and substructure construction services was because there were only nine months for this financial period so less revenue were generated.

Administrative Expenses

The Group's administrative expenses increased to approximately HK$97,339,000 for the Reporting Period from approximately HK$32,302,000 for the year ended 31 March 2016, which represented an increase of approximately 201.3%. Such increase was mainly due to three factors including: (1) increase in company incorporation expenses for newly set up subsidiaries; (2) increase in professional fees in investment projects; and (3) increase in directors' fee and staff costs.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing debts (including obligations under finance leases) of the Group as at 31 December 2016 were approximately HK$2,748,953,000 (31 March 2016: HK$20,124,000).

The finance leases are repayable within 4 years (31 March 2016: within 5 years). Finance leases facilities were secured by the Group's machinery and motor vehicles with an aggregated net book value of approximately HK$17,600,000 and HK$4,010,000 as at 31 December 2016, respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group had bank balances and cash of approximately HK$1,452,372,000 (31 March 2016: 142,208,000). During the Reporting Period, the Group financed its operation mainly with a loan from the indirect major shareholder, proceeds from placing of new Shares and internally generated cash flow. The gearing ratio of the Group as at 31 December 2016 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 4.9 (31 March 2016: 0.1).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2016.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2016.

EVENTS AFTER THE REPORTING PERIOD

(i) On 4 January 2017, the Group , as lessor, entered into an agreement with Zhangye Pingshan Lake Wind Power CO., LTD (the "Lessee"), pursuant to which the Group agreed to purchase several wind turbine generators (the "Leased Assets") from the Lessee at a consideration of RMB100 million. The Group has agreed to lease back the Leased Assets to the Lessee for a term of 5 years at an estimated total lease payment of approximately RMB119 million. The Group has settled the consideration in January 2017. The transaction constitutes a discloseable transaction for the Company. Please refer to the Company's announcement dated 4 January 2017 for further information.

(ii) On 5 January 2017, the Group entered into a subscription agreement with Leadingchina Hightechnique GP Limited, where the Group agreed to subscribe certain limited partnership interest in the Leadingchina Creative Fund LP with a capital commitment of HK$99 million. The transaction constitutes a discloseable transaction for the Company. Please refer to the Company's announcement dated 5 January 2017 for further information. As at the date of this announcement, the Group has not yet paid the capital commitment.

(iii) On 5 January 2017, the Group entered into a subscription agreement with Grandis Capital Limited, where the Group agreed to subscribe certain limited partnership interest in the Grandis Capital Fund L.P., with a capital commitment of US$15 million. The transaction constitutes a discloseable transaction for the Company. On 28 February 2017, the Group was notified by an extension notice dated 28 February 2017 issued by the general partner of the fund that the funding date has been postponed until further notice. Please refer to the Company's announcements dated 5 January and 28 February 2017 for further information. As at the date of this announcement, the Group has not yet fund the commitment.

(iv) On 5 January 2017, the Group entered into a subscription agreement with Tianli Private Debt Fund Investment Limited, where the Group agreed to purchase the equity interest in the Tianli Private Debt Fund L.P., for a purchase price of US$50 million. The transaction constitutes a discloseable transaction for the Company. Please refer to the Company's announcement dated 6 January 2017 for further information. As at the date of this announcement, the Group has partially paid the commitment.

(v) On 6 January 2017, the Group entered into an investment services agreement with Income Partners Asset Management (HK) Limited (the "IPAM"), pursuant to which, the Group (i) agreed to appoint IPAM, and IPAM agreed to accept such appointment, to provide investment management services with respect to the investment held in the account, including buying or selling securities or otherwise making investments for the account; and (ii) agreed to commit capital in the aggregate of US$50 million to the account. The transaction constitutes a discloseable transaction for the Company. Please refer to the Company's announcement dated 6 January 2017 for further information. As at the date of this announcement, the Group has not yet fund the commitment.

(vi) On 28 February 2017, Right Select became the controller shareholder of the Company. Please refer to the section headed "IMPORTANT EVENTS" below for further information.

IMPORTANT EVENTS

Placing of Shares under General Mandate

On 13 May 2016, the Company and the placing agent entered into a placing agreement to place 206,000,000 ordinary shares in aggregate for cash to six independent third parties independent of the Company and its connected person (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") at a placing price of HK$0.90 per Share, representing a discount of approximately 17.43% to the closing price of HK$1.09 per Share as quoted on the Stock Exchange on 13 May 2016, under the general mandate granted by the shareholder at the annual general meeting of the Company held on 16 September 2015. The issue and allotment of 206,000,000 Shares was completed on 3 June 2016 and such Shares rank pari passu with the existing Shares in issue as at that date. The number of issued Shares increased from 1,030,000,000 to 1,236,000,000 as at that date. The net proceeds were approximately HK$183,396,000, representing approximately HK$0.89 per Share. The Company intended to use the net proceeds as (i) capital injection for the paid-up capital of a PRC subsidiary of the Company; and (ii) additional general working capital of the Group; and (iii) funding future investment opportunities and the relevant working capital need for business development.

As at 31 December 2016, the Company has utilised all proceeds toward a few investment projects in relation to the business segments of direct investments and financial services and others.

For details of the placing, please refer to the announcement of the Company dated 13 May 2016.

Increase in shareholding by CHIH

On 27 May 2016, Right Select, a direct wholly-owned subsidiary of CHIH, acquired 240,000,000 Shares. CHIH is the wholly-owned subsidiary of China Huarong.

On 20 July 2016, Right Select further acquired 106,000,000 Shares. Immediately after the completion of the acquisition, Right Select was interested in a total of 346,000,000 Shares, representing approximately 27.99% of the then entire issued share capital of the Company and became the single largest shareholder.

On 6 January 2017, the Group entered into a subscription agreement with its substantial shareholder, Right Select, where the Group has conditionally agreed to allot and issue, and Right Select has conditionally agreed to subscribe for 580,000,000 subscription shares in cash at a subscription price of HK$0.40 per subscription Share. The subscription was completed on 28 February 2017. Immediately after the subscription and as at the date hereof, Right Select was interested in a total of 926,000,000 Shares, representing approximately 50.99% of the entire issued share capital of the Company and became the controlling shareholder of the Company. Please refer to the Company's announcements dated 12 January 2017, 3 February 2017 and 28 February 2017 for further information.

Market risk

The market risks exposed by the Group mainly include foreign exchange risk and risk of stock price. The Group has fully monitored the effectiveness of the market risk management system and adopted the optimisation measures to continuously improve the flexibility and perspectiveness of market risk management, in response to the changes in market environment, business development and regulatory requirements.

The Group's operations are mainly denominated in U.S. dollar, Hong Kong dollar and Renminbi. As the U.S. dollar is linked to the Hong Kong dollar, the Group expects that there is no significant change in the exchange rate of U.S. dollar against Hong Kong dollar. The Group also expects no Renminbi foreign exchange exposure as the Group does not have to exchange Renminbi into U.S. dollar or Hong Kong dollar. During the Reporting Period, the Group does not commit to any financial instruments to hedge its exposure to foreign exchange risk.

In respect of the risk of stock price, the Group has adjusted the response to any changes in each of the risk monitoring indicators, further strengthened the monitoring and reviewing of various types of securities investment quotas and each transaction, and increased the monitoring and management of market risks.

Credit risk

The credit risks mainly exposed by the Group principally include the credit status of the invested target groups, the breach or the bankruptcy of the bond issuers, and the default during the clearing and settlement process of a transaction, all referring to situation that we perform our payment obligations while the other party defaults.

The securities obtained by the Group are mainly in the form of personal guarantee, mortgage, pledge or charge. There is no significant concentration of credit risk. In order to minimise the credit risk, the Group has set credit limits and developed credit approval and other inspection procedures, and approved transaction amount strictly in accordance with the credit limit and approval authority.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 258 staff. The total staff costs incurred by the Group for the Reporting Period were approximately HK$132,849,000 (1 April 2015 to 31 March 2016: HK$100,864,000).

The salary and benefit levels of the employees of the Group are competitive. The Group is now expanding its financial investment business. The competitive salary could attract the investment talents to develop in its financial and investment business. Individual performance of our employees is rewarded through the Group's salary and bonus system. In addition, the Group provides adequate job trainings to employees in order to equip them with practical knowledge and skills to tackle situations and challenges encountered in a diverse range of working sites.

FINAL DIVIDEND

The Board did not recommend payment of a final dividend to shareholders of the Company for the Reporting Period.

PROSPECTS

In 2017, China Huarong became the controlling shareholder of the Group. 2017 is an important year for the transformation and development of the Group as it continues the development in 2016 by continuing the development of the business of direct investments, financial services and other related services while maintain the stability of our construction business.

Fully leveraging the advantages of brand, financial resources, synergy and comprehensive financial services of China Huarong, the Group is able to lay solid foundation in Hong Kong, Macau and Taiwan, and at the same time, serving the Greater China. This coincides with the state's "One-Belt-One-Road" strategy and initiates cross-border cooperation by fully mobilising the resources in domestic and foreign markets. The Group will continuously develop its innovative plan and business model to enhance its market competitiveness. Meanwhile, the Group will continuously strengthen its internal control policy, risk and compliance management, so as to build up a sound risk and compliance management system and to achieve the rapid and steady growth and development of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

On 12 April 2016, Golden Roc Holdings Limited ("Golden Roc"), which is owned as to 55% by Mr. Leung Kam Chuen (resigned as executive Director on 23 May 2016) and 45% by Mr. Kwan Wai Ming (an executive Director), entered into a loan agreement with an independent third party which is an entity independent of the Company and its connected person (as defined in the Listing Rules) pursuant to which Golden Roc has pledged its entire 532,500,000 Shares as at 12 April 2016. On 28 April 2016 and 15 July 2016, Golden Roc sold its 200,000,000 Shares and 332,500,000 Shares respectively and ceased to be a shareholder of the Company.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Other than the investments to be made during our ordinary course of business, the Group has no other plan for material investments and capital assets.

ANNUAL GENERAL MEETING

The notice of the 2017 annual general meeting (the "AGM") will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors are committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders and enhance long term shareholder value. Save as disclose below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the Reporting Period, acting in compliance with code provisions of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

Pursuant to the Code Provision A.5.1, the Issuer should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Since July 2016, Mr. Yeung Chun Wai Anthony ("Mr. Yeung") has acted as the vice chairman (the "Vice Chairman") of the Board as well as the chairman of nomination committee (the "Nomination Committee") of the Company. The Board considers that the appointment of Mr. Yeung could balance the power and authority between the Board and the Nomination Committee. The Board also believes the appointment of Mr. Yeung to the combined role of Vice Chairman and the chairman of the Nomination Committee would allow the Chairman who was just on-board in July 2016 to be more effective and efficient in developing long term business strategies and executive plans of the Group. On 13 March 2017, the Board has appointed Mr. Qin Ling, the chairman of the Board, as the chairman of the Nomination Committee to fully comply with the Corporate Governance Code.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding dealing in securities of the Company by Directors on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all the Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the code of conduct regarding securities transactions throughout the nine months ended 31 December 2016 and up to the date of this announcement.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Chan Kee Huen Michael, Mr. Zhang Xiaoman and Mr. Tse Chi Wai. The Company's annual results for the Reporting Period have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made. The Audit Committee has met the external auditors of the Company, SHINEWING (HK) CPA Limited ("SHINEWING"), and reviewed the Group's results for the Reporting Period.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been agreed by the Group's independent auditors, SHINEWING, to the amounts set out in the Group's audited consolidated financial statements for the Period. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by SHINEWING on this announcement of results.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the upcoming AGM, as well as the annual report of the Company for the Reporting Period containing all information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the websites of the Company and the Stock Exchange in due course.

By order of the Board
Huarong Investment Stock Corporation Limited
Qin Ling
Chairman

Hong Kong, 13 March 2017

As at the date of this announcement, the executive Directors are Mr. Qin Ling; Mr. Yeung Chun Wai Anthony, Mr. Xu Xiaowu, Mr. Kwan Wai Ming, Mr. Tian Ren Can and Ms. Lin Changhua; the non-executive Director is Mr. Wu Qinghua; and the independent non-executive Directors are Mr. Chan Kee Huen Michael, Mr. Zhang Xiaoman, Mr. Tse Chi Wai and Mr. Wu Tak Lung.