ANNUAL REPORT 2016

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

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CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Qin Ling *(Chairman)*
Mr. Yeung Chun Wai Anthony *(Vice Chairman)*
Mr. Xu Xiaowu *(Chief Executive Officer)*
Mr. Kwan Wai Ming
Ms. Lin Changhua

NON-EXECUTIVE DIRECTOR

Mr. Wu Qinghua

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kee Huen Michael
Mr. Zhang Xiaoman
Mr. Tse Chi Wai
Mr. Wu Tak Lung

COMPANY SECRETARY

Ms. Wong May

AUDIT COMMITTEE

Mr. Chan Kee Huen Michael *(chairman)*
Mr. Zhang Xiaoman
Mr. Tse Chi Wai

REMUNERATION COMMITTEE

Mr. Tse Chi Wai *(chairman)*
Mr. Xu Xiaowu
Mr. Chan Kee Huen Michael

NOMINATION COMMITTEE

Mr. Qin Ling *(chairman)*
Mr. Yeung Chun Wai Anthony
Mr. Tse Chi Wai
Mr. Chan Kee Huen Michael
Mr. Wu Tak Lung

RISK MANAGEMENT COMMITTEE

Mr. Qin Ling *(chairman)*
Mr. Xu Xiaowu
Mr. Wu Tak Lung

REGISTERED OFFICE

Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3201, 32/F
Two Pacific Place, 88 Queensway
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu and Partners

AUDITOR

SHINEWING (HK) CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Ltd.
(formerly known as Appleby Trust (Cayman) Ltd)
Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Luso International Banking Limited
The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

2277

WEBSITE

www.hriv.com.hk

Dear Shareholders,

Year 2016 was a milestone of us. During the year, China Huarong International Holdings Limited ("CHIH"), a subsidiary of China Huarong Asset Management Co., Ltd ("China Huarong") became the single largest shareholder of the Company, and the name of the Company was formally renamed as Huarong Investment Stock Corporation Limited (the "Company") in November 2016. Subsequently, on 28 February 2017, China Huarong further increased its shareholding to 50.99% and became the majority shareholder of the Company. The Company became an important subsidiary of China Huarong and its another important international investment and financing platform in Hong Kong.

In 2016, the Company changed its financial year ending date from 31 March to 31 December. Although the current financial period was only nine months, by leveraging on the advantages of the brand and the business synergies of China Huarong. By utilizing the market position of international financial centre of Hong Kong, and the transformation, the operating results of Company and its subsidiaries (collectively, the "Group") still recorded a significant growth for the period from 1 April 2016 to 31 December 2016 (the "Reporting Period"). During the Reporting Period, profit increased by 257.9% to nearly HK$156 million as compared to the year ended 31 March 2016.

In the complicated global environment, facing to the deterioration trend, we adjusting our resources in both domestic and overseas markets to continue perform business transformation and make synergy. We make our products combine with finance and investment ingredients to aim for a high revenue growth. Our strategic development would offsetting the impact arising from global economic uncertainly.

The Group commenced direct investment business and financial services and other relevant business since September 2016, and achieved favourable results in just four months, such businesses became a major source of profit for the Group, accounting for more than 80% of the total profit of the segments. During the Reporting Period, the profit of the direct investment business segment reached HK$160 million, representing 60.8% of the total profit of the segments of the Group; profit of the financial services and others business segments also reached approximately HK$54 million, representing approximately 20.5% of the total profit of the segments of the Group. The expansion of new businesses has eliminated the effect of a decrease in revenue from the Group's original foundation and substructure construction services.

While transforming to investment and financing business, the Company also enhanced its internal efforts on risk control accordingly, and established the risk management department and systems in align with investment and financing business. The Company increased our efforts to strengthen the identification, monitor, quantification and alert systems with particular emphasis on credit risk, market risk, liquidity risk and operation risk, and further increased our information system to ensure the healthy and stable development of the Company's new businesses.

Looking ahead in 2017, with overall deepening of the supply-side structural reforms implemented by the State, the progress of economic transformation will accelerate. The Company will combine its own advantages, adhere to the primary principles of "Stability+Innovation", follow the guidance of the international strategies of based in Hong Kong, Macau and Taiwan, servicing Greater China, connecting with the national strategy of One Belt One Road, linking internal and external actions, and adjust its domestic and overseas resources in both domestic and overseas markets for collaborated developments. It will also keep on innovating development ideas and business models to enhance market competitiveness continuously, with the goal of rapid and steady development of the Company's businesses, and strive to create an international strategic platform with influential power and Huarong's characteristics.

In conclusion, we would like to express our gratitude to our shareholders, various parties of the social and business partners for their concern and support to the Company. We believe in coming year, we will actively promote the combining of industries with financing and investment with financing on the basis of risk control for making contributions to the development of real economies and creating sustainable growth value for our nation, society, shareholders, customers and staffs.

Qin Ling
Chairman

Hong Kong, 13 March 2017

BUSINESS AND FINANCIAL REVIEW

As at 31 December 2016, 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 approximately 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) ("SFO"), 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 approximately 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 17, 18, 19, 22, 23 and 24 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$791,664,000) 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$17,660,000 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 announcement of the Company dated 13 March 2017, 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 announcement of the Company dated 13 March 2017, 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 announcement of the Company dated 13 March 2017, 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 ("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 report, the Group has not yet fund the commitment.

(vi) On 28 February 2017, Right Select became the controlling 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 shareholders 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 China Huarong International Holdings Limited ("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, 6 February 2017 and 28 February 2017 for further information.

PRINCIPAL RISK

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. During the Reporting Period, the Group does not commit to any financial instruments to hedge its exposure to foreign exchange risk. We will, as always, continue to monitor our exposure to foreign exchange fluctuations carefully and may introduce approiate hedging measures should the need ever arise.

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.

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.

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.

The Board presents to the shareholders this report together with the audited financial statements of the Company and the Group for the "Reporting Period".

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of its subsidiaries are (i) direct investment in equities, bonds, funds, derivative instruments and other financial products; (ii) financial services and others (including but not limited to finance leasing and money lending); (iii) foundation and substructure construction services (31 March 2016: provision of foundation and substructure construction services).

Details of the principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

BUSINESS REVIEW

Discussion and analysis of principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" set out on pages 5 to 12 of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 54. No dividend was paid or proposed by the Company during the Reporting Period, nor has any dividend been proposed by the Directors since the end of the Reporting Period.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Company and of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a socially responsible corporation, the Group has endeavoured to strictly comply with laws and regulations regarding environmental protection and the Group has adopted the ecotechnology to ensure our project output meet the standards and ethics in respect of environmental protection.

The Company recognizes the importance of environmental protection. The Company committed to provide a eco-friendly energy environment for our staff and developed energy conservation and carbon reduction policy so as to minimize negative environmental impacts.

COMPLIANCE WITH LAWS AND REGULATIONS

The compliance with relevant laws and regulations which have a significant impact on the Group is set out in Environmental, Social and Governance Report on pages 42 to 48.

RELATIONSHIP WITH STAKEHOLDERS

We fully understand that employees, customers and suppliers and other (together "stakeholders") are the key to our sustainable and stable development. We are committed to maintain a good relationship with our stakeholders so as to ensure our containing development.

The Group regarded our staffs as the most valuable assets of the Company. The Group is providing a fair and harmonious workplace where individuals with diverse cultural backgrounds are treated equally. We offer a reasonable remuneration package and fair opportunities for career advancement based on employees' performance. The Group also provides our staff with different trainings, including on-the-job training and training courses provided by professional organisations in order to enhance our staffs' career progression.

SHARE CAPITAL AND SHARES ISSUED DURING THE REPORTING PERIOD

Details of movements during the Reporting Period in the share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 57.

As at 31 December 2016, the Group had reserves amounted to approximately HK$320,727,000 available for distribution as calculated based on Group's share premium and capital reserve and accumulated gain under applicable provisions of the Companies Law in the Cayman Islands.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company on 8 December 2014, the Company adopted a share option scheme (the "Scheme") to attract and retain the best available personnel, to provide additional incentive to employees (full-time or part-time), directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the directors of the Company may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the directors of the Company, and will be at least the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 8 December 2015) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting. As at the date of this report, the Scheme had a remaining life of approximately nine years.

No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of each reporting period. As at the date of this report, the number of share options available for issue under the Scheme was 103,000,000, representing approximately 5.67% of the total issued Shares as at the date of this report. A summary of the principal terms and conditions of the Scheme is set out in Appendix IV to the prospectus of the Company dated 15 December 2014.

DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Qin Ling (*Chairman*) (Appointed as non-executive Director on 24 June 2016 and re-designated as executive Director and the Chairman on 27 July 2016)
Mr. Yeung Chun Wai Anthony (*Vice Chairman*) (Appointed on 23 May 2016 and re-designated as the Vice Chairman on 27 July 2016)
Mr. Xu Xiaowu (*Chief Executive Officer*) (Appointed on 19 September 2016)
Mr. Kwan Wai Ming (Resigned as Chief Executive Officer on 19 September 2016)
Mr. Tian Ren Can (Appointed on 10 June 2016 and resigned on 13 April 2017)
Ms. Lin Changhua (Appointed on 7 November 2016)
Mr. Leung Kam Chuen (Resigned on 23 May 2016)
Mr. Chen Youhua (Resigned on 10 June 2016)

Non-Executive Director

Mr. Wu Qinghua (Appointed on 7 November 2016)

Independent Non-Executive Directors

Mr. Zhang Xiaoman
Mr. Tse Chi Wai (Appointed on 19 April 2016)
Mr. Chan Kee Huen Michael (Appointed on 10 June 2016)
Mr. Wu Tak Lung (Appointed on 7 November 2016)
Prof. Lam Sing Kwong, Simon (Resigned on 22 April 2016)
Mr. Cheung Kwok Yan, Wilfred (Resigned on 10 June 2016)
Ms. Wong Fong (Resigned on 10 June 2016)

The Directors' biographical details are set out in the section headed "Biographies of the Directors and Senior Management" in this report.

Information regarding directors' emoluments is set out in note 11 to the consolidated financial statements. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the INEDs.

As disclosed in Mr. Zhang Xiaoman's annual confirmation of independence, he is a partner of Commerce & Finance Law Offices which provided (i) annual retainer services from September 2016 to a subsidiary of CHIH; and (ii) legal services in relation to the external investment and the registration as a private equity fund manager of a subsidiary of China Huarong. Given that the Commerce & Finance Law Offices has more than 70 partners and Mr. Zhang Xiaoman was not personally involved in the provision of the abovementioned legal services, the Board considered that the factors above were very remote in affecting the independence of Mr. Zhang Xiaoman as an independent non-executive Director.

Save as disclosed above, there was no other factor affecting the independence of any independent non-executive Directors so far as is known to the Board. The Group considers all independent non-executive Directors to be independent under the Listing Rules.

DIRECTORS' SERVICE CONTRACT

All the independent non-executive Directors has respectively entered into a service contract with the Company for a term of three years unless terminated by not less than one month's notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

During the Reporting Period, no contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed.

DIRECTORS'/CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent companies was a party and in which a director or controlling shareholders of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, interests and long positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules are as follows:

(i) Long position in the Shares

Name of director	Capacity/Nature of interest	Number of Shares held	Approximate shareholding percentage
Mr. Yeung Chun Wai Anthony ("Mr. Yeung")	Interest in controlled corporation – Corporate Interest (Note)	200,080,000	11.02%

Notes:

The 200,080,000 Shares are held by Finest Elite Holdings Limited ("Finest Elite"). Mr. Yeung beneficially owns 100% of the entire issued share capital of Finest Elite and is deemed, or taken to be, interested in all our Shares held by Finest Elite for the purposes of the SFO. Mr. Yeung is an executive Director and a director of Finest Elite.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares held	Percentage of shareholding
Mr. Yeung	Finest Elite	Beneficial owner (Note)	1	100%

Notes:

Mr. Yeung beneficially owns 100% of the entire issued share capital of Finest Elite, and he is deemed or taken to be interested in all the shares in Finest Elite for the purposes of the SFO. Mr. Yeung is an executive Director and a director of Finest Elite.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES

So far as is known to our Directors and taking no account any Shares which may be issued upon exercise of any options which may be granted under the Scheme, the following persons (not being a Director or chief executive of our Company) have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Right Select	Beneficial owner (Note 1)	926,000,000	50.99%
Finest Elite	Beneficial owner	200,080,000	11.02%
Ms. Lui Lai Yan	Interest of spouse (Note 2)	200,080,000	11.02%

Notes:

1. 926,000,000 Shares were beneficially owned by Right Select which is wholly owned by CHIH which is in turn owned as to 11.90% by Huarong Zhiyuan Investment & Management Co., Ltd. and 88.10% by Huarong Real Estate Co., Ltd., both of which are wholly owned by China Huarong. Therefore, all these companies were deemed or taken to be interested in all the Shares beneficially owned by Right Select by virtue of the SFO.

2. 200,080,000 Shares were beneficially owned by Finest Elite, which is wholly owned by Mr. Yeung, the spouse of Ms. Lui Lai Yan. Therefore, Ms. Lui Lai Yan is deemed to be interested in the 200,080,000 Shares held by Finest Elite by virtue of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the Reporting Period or at any time during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and turnover attributable to major suppliers and customers during the Reporting Period and 31 March 2016 are as follows:

	31 December 2016	31 March 2016
Percentage of purchase		
From the largest supplier	**18.3%**	22.4%
From the five largest suppliers in aggregate	**48.4%**	59.2%
Percentage of turnover		
From the largest customer	**47.6%**	68.1%
From the five largest customers in aggregate	**77.0%**	99.1%

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the five largest customers nor suppliers during the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions as disclosed in note 39 to the consolidated financial statements, all transactions which also constitute connected transactions or continuing connected transactions are fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to any connected transactions and continuing connected transactions.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, there were no connected transactions or continuing connected transactions of the Company which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MARKET CAPITALISATION

As at 31 December 2016, the market capitalisation of the listed securities of the Company was approximately HK$1,903,440,000 based on the total number of 1,236,000,000 issued shares of the Company and the closing price of HK$1.54 per share.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

The subsequent events section is included in the Management Discussion and Analysis in this annual report on page 9.

INDEPENDENT AUDITORS

The financial statements for the Reporting Period were audited by SHINEWING (HK) CPA Limited ("SHINEWING"). The Board announced that SHINEWING will retire as the auditors of the Company after office, and will not be re-appointed. The retirement above will take effect from the conclusion of the annual general meeting of the Company to be held on 25 May 2017.

To align with the parent company and ensure the audit procedures of the parent company, the Company and each of the subsidiaries to be more efficient and consistent, the Board proposed to appoint Deloitte Touche Tohmatsu ("Deloitte") as the auditors of the Company.

SHINEWING has confirmed that there is no circumstance connected with their retirement that needs to be brought to the attention of the shareholders of the Company. The Board confirmed that there is no matter in respect of the change of auditors that needs to be brought to the attention of the shareholders of the Company.

The consolidated financial statements for the period from 1 April 2016 to 31 December 2016 have been audited by SHINEWING. It is the auditors' responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company and for no other purpose. They do not assume responsibility towards or accept legal liability to any other person for the contents of the independent auditors' report. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 49 to 53.

COMPLIANCE OF CORPORATE GOVERNANCE CODE

Please refer to the Corporate Governance Report from page 28 to page 41 of this annual report for more details.

On behalf of the Board

Qin Ling
Chairman

Hong Kong, 13 March 2017

EXECUTIVE DIRECTORS

QIN Ling (秦岭) ("Mr. Qin"), aged 38, was appointed as non-executive Director on 24 June 2016. He was re-designated as an executive Director and the chairman of the Board effective from 27 July 2016. He was appointed as a member and the chairman of the nomination committee of the Company effective from 13 March 2017 and he also appointed as a member and the chairman of risk management committee of the Company effective from 13 April 2017. Mr. Qin has possessed over 15 years of experience in finance. Mr. Qin was the chief executive officer of CHIH (formerly known as Huarong (HK) International Holdings Limited) from 30 October 2015 to 22 July 2016. He was the chief executive officer of ABC International Holdings Limited from February 2011 to October 2015. Prior to this, Mr. Qin had worked in a number of financial institutions. Mr. Qin obtained a doctoral degree from Renmin University of China.

YEUNG Chun Wai Anthony (楊俊偉) ("Mr. Yeung"), aged 41, was appointed as executive Director, the chairman of the Board and the chairman of the nomination committee of the Company on 23 May 2016. He was re-designated as the vice chairman of the Board effective from 27 July 2016. He has ceased to be the chairman of the nomination committee of the Company effective from 13 March 2017. Mr. Yeung is currently an executive director of China Baoli Technologies Holdings Limited (formerly known as REX Global Entertainment Holdings Limited) (Stock Code: 164) since July 2015, and the chairman of the board, the chief executive officer and an executive director of e-Kong Group Limited (Stock Code: 524) since June 2015, the shares of all of which are listed on the Stock Exchange. Mr. Yeung was the chairman of the board, the chief executive officer and an executive director of China Minsheng Drawin Technology Group Limited (Stock Code: 726) from December 2014 to September 2015, the vice chairman of the board and an executive director of Leyou Technologies Holdings Limited (Stock Code: 1089) from June 2014 to July 2015, the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Yeung had also served as the managing director and a senior executive of J.P. Morgan, Bank of America Merrill Lynch, UBS AG and Normura, mainly responsible for initiation and execution of financial products, debt & risk management, asset management and securities sales, and other related transactions in the Greater China Region during April 2006 to May 2013. Further, he had worked with China COSCO Holdings Company Limited (Stock Code: 1919), the shares of which is listed on the Main Board of the Stock Exchange, as a member of its senior management as well as the deputy chief financial officer and the company secretary during March 2005 to April 2006. Mr. Yeung was previously an independent non-executive director of Global Energy Resources International Group Limited (Stock Code: 8192), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange, from February 2014 to June 2015.

Mr. Yeung has proven track records and extensive experience in corporate restructuring and rescuing, consulting, corporate finance and business negotiation with well-versed business and people network in the Greater China Region. Mr. Yeung graduated from The University of Hong Kong with a bachelor degree in business administration (accounting and finance) in 1998. He is a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Directors. Mr. Yeung is highly dedicated to community services. He has been serving as an honorary court member of the Hong Kong Baptist University, a member of the Admissions, Budgets and Allocation Committee of the Community Chest of Hong Kong, a founding board member and an honorary treasurer of the Child Development Matching Fund and Quality Mentorship Network Limited, a director of Opera Hong Kong and a council member of the Hong Kong Institute of Directors.

XU Xiaowu (徐曉武) ("Mr. Xu"), aged 46, was appointed as an executive Director and the chief executive officer of the Company on 19 September 2016. He was appointed as member of remuneration committee and risk management committee of the Company effective from 13 April 2017. Mr. Xu was a vice president of China Development Bank Financial Leasing Limited (formerly known as Shenzhen Financial Leasing Company Limited) (stock code: 1606) from November 1999 to August 2016. Mr. Xu was also a supervisor of Sanjiu Medical & Pharmaceutical Co., Ltd. (currently known as China Resources Sanjiu Medical & Pharmaceutical Co., Ltd.) from 1999 to 2002. Mr. Xu was the assistant to the head of the finance department in Shenzhen Southern Pharmaceutical Factory (currently known as China Resources Sanjiu Medical & Pharmaceutical Co., Ltd., a company listed on Shenzhen Stock Exchange, stock code: 000999) from July 1992 to November 1999.

Mr. Xu graduated from Wuhan University in Wuhan, Hubei Province, the PRC, majoring in auditing with a bachelor's degree in economics in July 1992. He then graduated from Xiamen University in Xiamen, Fujian Province, the PRC, majoring in world economy with a master's degree in economics in November 2008. Mr. Xu completed the EMBA course in Cheung Kong Graduate School of Business in Beijing, the PRC, from 2007 to 2009.

KWAN Wai Ming (關偉明) ("Mr. Kwan"), aged 58, was appointed as executive Director on 15 July 2014. He was also appointed as the chief executive officer of the Company and a member of the remuneration committee of the Company on 8 December 2014. Mr. Kwan has resigned as the chief executive officer of the Company and member of the remuneration committee of the Company with effect from 19 September 2016 and 13 April 2017 respectively. Mr. Kwan is primarily responsible for overall management and business development of our Group. Mr. Kwan has over 30 years of experience in the construction industry. He joined CS Engineering in April 2001 and worked as the general manager. Mr. Kwan was appointed as director of CS Machinery in February 2002 and director of CS Engineering in December 2006. Prior to joining CS Engineering, Mr. Kwan worked as quantity surveyor in Henderson Real Estate Agency Limited from April 1984 to September 1988. He worked as project coordinator in Anwell Building Construction Company Limited from September 1988 to January 1998 and his last position was the chief quantity surveyor. He worked as an estimating manager in Chevalier International Holdings Limited, a listed company in Hong Kong (Stock code: 25), from September 1998 to April 2001 and his last position was estimating & subletting manager. Mr. Kwan obtained certificate in civil engineering in November 1980, higher certificate in civil engineering in November 1983 and certificate in building law in November 1984, all awarded by Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic).

LIN Changhua (林長華) ("Ms. Lin"), aged 37, has been the Assistant General Manager of the Company since October 2016 and was appointed as an executive Director on 7 November 2016. Ms. Lin joined the Securities Department of China Huarong in June 2007. She was the assistant general manager (deputy manager grade) in investment bank business department of Huarong Securities Company Limited from March 2013 to October 2016. She was the senior deputy manager in the integrated coordination department of China Huarong from April 2013 to October 2016. She was the senior manager in the subsidiary management department of China Huarong from September 2014 to October 2016.

Ms. Lin was graduated from Peking University in October 2012, majoring in Economics. She is currently a Senior Economist, Doctor in Finance and Doctor in Economics.

NON-EXECUTIVE DIRECTOR

WU Qinghua (吳清華) ("Mr. Wu"), aged 39, was appointed as a non-executive Director on 7 November 2016. Concurrently, Mr. Wu has been the deputy general manager of the subsidiary management department of China Huarong since December 2016. Mr. Wu joined China Huarong in November 2007 and was engaged in doctoral research (in cooperation with Fudan University). He was the business manager of innovative department of Huarong Securities Company Limited from January 2010 to February 2011 and was promoted to senior deputy manager in February 2011 until August 2013. He was the senior manager of integrated coordination department from August 2013 to October 2015. He has been the committee member and the assistant general manager of Huarong (Tianjin Free Trade Zone) Investment Co., Ltd. since October 2015. He has been the assistant general manager of the subsidiary management department of China Huarong since August 2016.

Mr. Wu is currently a Senior Economist, Doctor in Accountancy and Doctor in Business Administration. He is currently a visiting professor at Beijing Normal University. Mr. Wu had been a core member to China Banking Regulatory Commission in the research drafting over the establishment of important compliance systems. He has published more than 60 papers in international journals, authoritative journals such as "Management World", "Accounting Research" and other journals.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Kee Huen Michael (陳記煊) ("Mr. Chan"), aged 65, was appointed as independent non-executive Director, the chairman of the audit committee of the Company and a member of each of the nomination committee and remuneration committee of the Company on 10 June 2016. Mr. Chan is the chief executive of C&C Advisory Services Limited. He is also an independent non-executive Director of K.H. Group Holdings Limited (Stock code: 1557) since February 2016, and an independent non-executive director of Lansen Pharmaceutical Holdings Limited (Stock Code: 503) since April 2010, the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Chan has over 35 years of experience in external audit, IT audit, training, accounting and finance, company secretarial and corporate administration, MIS management, internal audit, information security, risk management and compliance experience. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a fellow member and specialist in Information Technology of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. He was admitted as a certified information systems auditor with the Information Systems Audit and Control Association in 1985 and a fellow member of the Hong Kong Institute of Directors in 2000. Mr. Chan was admitted as a member of the Chartered Institute of Arbitrators in 2000 and became a member of the Institute of Internal Auditors in 1997. Mr. Chan was an adjunct professor in the School of Accounting and Finance of The Hong Kong Polytechnic University from 2009 to 2014. Mr. Chan worked at CMG Life Assurance Limited (formerly Jardine CMG Life Assurance Limited) from 1991 to 1996 and his last position was general manager, compliance and corporate affairs. He was employed by Dao Heng Bank Limited in 1996 as the group auditor (which subsequently acquired by DBS Bank (Hong Kong) Limited) and he ceased working for the bank in 2004 with his last position as managing director and head of compliance, Hong Kong and Greater China. Mr. Chan was also the group financial controller of Lam Soon (Hong Kong) Limited from 2004 to 2005, the director of quality assurance of the Hong Kong Institute of Certified Public Accountants in 2005 and the deputy general manager of the compliance department of Ping An Insurance (Group) Company of China, Limited from 2006 to 2009. Mr. Chan graduated with a higher diploma in accountancy from Hong Kong Polytechnic in November 1976 and was awarded the postgraduate diploma in business administration from the University of Surrey in March 1998.

ZHANG Xiaoman (張小滿) ("Mr. Zhang"), aged 35, was appointed as independent non-executive Director on 24 March 2016. He was appointed as a member of the audit committee of the Company on 10 June 2016. Mr. Zhang holds a bachelor degree in laws from Peking University. Mr. Zhang is a partner of a law firm and qualified lawyer in China. Mr. Zhang has over 14 years of experience in capital market and mainland investment as well as extensive experience in corporate mergers and acquisitions. Mr. Zhang is an independent non-executive director of SDIC Essence Co., Ltd, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 60061) since December 2016. He is also an independent non-executive director of Rentian Technology Holdings Limited (formerly known as Forefront Group Limited) (Stock Code: 885) since March 2015 and was an independent non-executive director of Enterprise Development Holdings Limited (formerly known as Tai-I International Holdings Limited) (Stock Code: 1808) from March 2011 to January 2015, the shares of all of which are listed on the Main Board of the Stock Exchange.

TSE Chi Wai (謝志偉) ("Mr. Tse"), aged 49, was appointed as independent non-executive Director on 19 April 2016. He was also appointed as the chairman of the remuneration committee of the Company, a member of each of the audit committee and nomination committee of the Company on 22 April 2016. He has over 20 years of experience in auditing, accounting and finance gained from working with various international accounting firms and listed companies. Mr. Tse is an executive director, the financial controller and company secretary of China Information Technology Development Limited (Stock Code: 8178) since 15 August 2011, and an independent non-executive director of Great Water Holdings Limited (Stock Code: 8196) since December 2015, the shares of all of which are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. Mr. Tse is also an independent non-executive director of China Environmental Technology Holdings Limited (Stock Code: 646) since May 2015, and an independent non-executive director of Sunac China Holdings Limited (Stock Code: 1918) since December 2012, the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Tse is also an executive director of Jih Sun Financial Holding Company Limited (Stock Code: 5820: Taiwan) since December 2010, the shares of which are listed on the Taiwan Stock Exchange Corporation.

Mr. Tse graduated from the University of Hong Kong in June 1989 with a bachelor degree in social sciences. Mr. Tse is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. During the period between March 2015 and November 2015, Mr. Tse was an independent non-executive director of Greens Holdings Ltd. (''Greens Holdings'') (Stock Code: 1318), a company incorporated in the Cayman Islands and principally engaged in the manufacture and supply of heat transfer products and solutions, the shares of which are listed on the Main Board of the Stock Exchange. Greens Holdings announced that (i) on 2 September 2015, Greens Holdings filed a winding up petition with the Grand Court of the Cayman Islands (the "Cayman Court") as Green Holdings was unable to repay its debts; (ii) on 29 September 2015, a winding up petition was filed with the High Court of Hong Kong against Greens Holdings by a bondholder for an outstanding debt under the unlisted bonds issued by Greens Holdings in January 2015; (iii) on 8 October 2015, joint provisional liquidators were appointed pursuant to an order of the Cayman Court; (iv) the winding up petition hearing in Hong Kong which was originally scheduled on 2 December 2015; and (v) the Cayman Court convened a case management conference on 7 April 2016 and ordered that the winding up petition with the Cayman Court be listed for directions hearing on 17 May 2016, which was adjourned and rescheduled for several times until a date to be fixed after 30 April 2017; and (vi) the Stock Exchange issued a letter dated 28 October 2016 to Greens Holdings stating that it had decided to place Green Holdings into the third delisting stage. Mr. Tse confirmed that (i) there is no wrongful act on his part leading to the said winding up petitions and he is not aware of any actual or potential claim which has been or will be made against him as a result of the said winding up petitions; and (ii) his involvement in Greens Holdings during his tenure was part and parcel of his services as a director thereof and no misconduct or misfeasance on his part had been involved in the said winding up petitions.

WU Tak Lung (吳德龍) ("Mr. Wu T.L."), aged 51, was appointed as an independent non-executive Director on 7 November 2016. He was appointed as a member of the nomination committee of the Company effective from 13 March 2017. Mr. Wu was appointed as a member of risk management committee of the Company with effect from 13 April 2017. Mr. Wu T.L. is a associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Hong Kong Securities Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, and the Hong Kong Institute of Chartered Secretaries. Mr. Wu T.L. holds a bachelor's degree of business administration in accounting from the Hong Kong Baptist University and a master's degree of business administration (MBA) jointly issued by the University of Manchester and the University of Wales. Mr. Wu T.L. had worked in Deloitte Touche Tohmatsu, an international accounting firm, for five years and was then employed by several companies in Hong Kong as head of corporate finance and/or executive director.

Mr. Wu T.L. currently serves as an independent non-executive director of Kam Hing International Holdings Limited (Stock Code: 2307), China Machinery Engineering Corporation (Stock Code: 1829), Beijing Media Corporation Limited (Stock Code: 1000) and Sinomax Group Limited (Stock Code: 1418), all are listed public companies in Hong Kong, and First Tractor Company Limited (Stock Code: 0038) (a company listed in both Hong Kong and Shanghai). During the past three years, Mr. Wu T.L. served as an independent non-executive director of Valuetronics Holdings Limited, a listed company in Singapore. Mr. Wu is an independent non-executive director of Aupu Group Holding Company Limited (Stock Code: 0477), which was delisted on 30 September 2016.

In addition, Mr. Wu T.L. is appointed as member of the Jiangsu Provisional Committee of the Chinese People's Political Consultative Committee, honorary court member of Hong Kong Baptist University, honorary president of North Kwai Chung District Scout Association of Hong Kong and vice-chairman of Guangdong-HK Youth Exchange Promotion Association. He is also a past chairman of the Association of Chartered Certified Accountants and a past president of Taxation Institute of Hong Kong.

SENIOR MANAGEMENT

CHENG Changchun (程長春) ("Mr. Cheng"), aged 51, was appointed as the Vice Chief Executive Officer. Mr. Cheng has a master's degree in finance. He has served in various positions, including member of the Party Committee and vice president of Changde Branch and secretary of the Party Committee and president of Yiyang Branch of Huarong Xiangjiang Bank, chief risk control officer (at the level of assistant to president of Head Office) of Huarong Xiangjiang Bank. Mr. Cheng has served as Department Business Manager, Assistant to President of Sub-branch, Vice President of Sub-branch, and President of Sub-branch of Joint-Stock Commercial Banks.

CHEN Qinghua (陳慶華) ("Mr. Chen"), aged 38, was appointed as the Vice Chief Executive Officer. Mr. Chen graduated from Zhongnan University of Economics and Law with a bachelor's degree in economic law. Mr. Chen has served in various positions, including general manager of risk management department and director of the office of China Development Bank Financial Leasing Co., Ltd., and director of the office of the Board of Directors of China Development Bank Financial Leasing Co., Ltd..

ZHANG Fan (張帆) ("Mr. Zhang"), aged 37, was appointed as the Assistant Chief Executive Officer. Mr. Zhang has a master's degree in finance. Mr. Zhang has served in various positions, including chief investment officer of China Huarong (formerly known as Huarong (HK) International Holdings Limited) and managing director of ABC International Holdings Limited. He has also served in CITIC Securities, UBS Securities and the Ministry of Foreign Affairs of the PRC, with over 10 years of practical management experience in domestic and overseas capital markets.

GONG Zongfan (宮宗藩) ("Mr. Gong"), aged 40, was appointed as the Assistant Chief Executive Officer. Mr. Gong has an MBA degree and a master's degree in professional accounting. He has served in various positions including chief operating officer of Great Wall Pan Asia Asset Management Limited, vice president of ABC International Holdings Limited, general manager and assistant to the chairman of the Board of GEV Investments (Hong Kong) Limited, director of Landsbanki (a European investment bank), and an auditor of PricewaterhouseCoopers Hong Kong.

WONG May (黃皓筠) ("Ms. Wong"), aged 29, was appointed as company secretary of the Company on 9 May 2016. Ms. Wong has over 5 years of experience in investment, financing and banking industry. Ms. Wong is a member of Hong Kong Institute of Certified Public Accountants and an associate of The Hong Kong Institute of Directors. She obtained a degree of BBA (Hons) in Accountancy from Hong Kong Polytechnic University in 2010.

CORPORATE GOVERNANCE REPORT

The Directors are committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders of the Company 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 "Code") as set out in Appendix 14 to the Listing Rules.

Pursuant to the Code Provisions A.5.1, the Issuers 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 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 the Chairman as the chairman of the Nomination Committee to fully comply with the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct of the Company regarding directors' transactions of the listed securities of the Company.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the Model Code and its code of conduct for the period from 1 April 2016 to 31 December 2016.

The Group commits to continuously improving its corporate governance practices by periodic review to ensure that the Group continues to meet the requirements of the Code.

The key corporate governance practices of the Group are summarised as follows:

BOARD OF DIRECTORS

Composition

During the date of this report, the Board comprises six executive Directors, one non-executive Director and four independent non-executive Directors.

Executive Directors

Mr. Qin Ling *(Chairman)* (Appointed as non-executive Director on 24 June 2016 and re-designated as executive Director and the Chairman on 27 July 2016)
Mr. Yeung Chun Wai Anthony *(Vice Chairman)* (Appointed on 23 May 2016 and re-designated as the Vice Chairman on 27 July 2016)
Mr. Xu Xiaowu *(Chief Executive Officer)* (Appointed on 19 September 2016)
Mr. Kwan Wai Ming (Resigned as Chief Executive Officer on 19 September 2016)
Mr. Tian Ren Can (Appointed on 10 June 2016 and resigned on 13 April 2017)
Ms. Lin Changhua (Appointed on 7 November 2016)
Mr. Leung Kam Chuen (Resigned on 23 May 2016)
Mr. Chen Youhua (Resigned on 10 June 2016)

Non-executive Director

Mr. Wu Qinghua (Appointed on 7 November 2016)

Independent Non-executive Directors

Mr. Zhang Xiaoman
Mr. Tse Chi Wai (Appointed on 19 April 2016)
Mr. Chan Kee Huen Michael (Appointed on 10 June 2016)
Mr. Wu Tak Lung (Appointed on 7 November 2016)
Prof. Lam Sing Kwong, Simon (Resigned on 22 April 2016)
Mr. Cheung Kwok Yan, Wilfred (Resigned on 10 June 2016)
Ms. Wong Fong (Resigned on 10 June 2016)

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules. For the period from 1 April 2016 to 31 December 2016, there were four independent non-executive Directors in the Board and the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgment. The Company has also complied with rule 3.10(2) of the Listing Rules which stipulates that one of the independent non-executive Directors must possess appropriate professional qualification or accounting or related financial management expertise. In compliance with the Code, the independent non-executive Directors are expressly identified as such in all corporate communications that disclose the names of the Directors.

All the independent non-executive Directors namely, Mr. Zhang Xiaoman, Mr. Tse Chi Wai, Mr. Chan Kee Huen Michael and Mr. Wu Tak Lung have respectively entered into a service contract with the Company for a term of three years unless terminated by not less than one months' notice in writing served by either party on the other. The independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles.

At each annual general meeting, at least one-third of the Directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to retire in every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election. New Directors appointed by the Board during the year shall retire and submit themselves for re-election at the annual general meeting immediately following their appointments.

Each of the Directors will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, offer themselves for re-election pursuant to Article 108 of the Articles. No Director proposed for re-election at the annual general meeting has a service contract with the Company, which is not determinable by the Company within one year other than statutory compensation.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules.

As disclosed in Mr. Zhang Xiaoman's annual confirmation of independence, he is a partner of Commerce & Finance Law Offices which provided (i) annual retainer services from September 2016 to a subsidiary of CHIH; and (ii) legal services in relation to the external investment and the registration as a private equity fund manager of a subsidiary of China Huarong. Given that the Commerce & Finance Law Offices has more than 70 partners and Mr. Zhang Xiaoman was not personally involved in the provision of the abovementioned legal services, the Board considered that the factors above were very remote in affecting the independence of Mr. Zhang Xiaoman as an independent non-executive Director.

Save as disclosed above, there was no other factor affecting the independence of any independent non-executive Directors so far as is known to the Board. The Group considers all independent non-executive Directors to be independent under the Listing Rules.

Save as disclosed in the section headed "Biographies of the Directors and Senior Management" in this annual report, there is no financial, business, family or other material/relevant relationship among the members of the Board, in particular, between the Chairman of the Board and the chief executive of the Company.

BOARD AND GENERAL MEETINGS

The Board meets regularly and, in addition to regular meetings, it meets as and when warranted by particular circumstances. During the period from 1 April 2016 to 31 December 2016, the Directors' attendance of the Board meetings is set out as follows:

	Attendance/ Number of meeting(s) held
Executive Directors	
Mr. Qin Ling *(Chairman)* (Appointed as non-executive Director on 24 June 2016 and re-designated as executive Director and the Chairman on 27 July 2016)	17/19
Mr. Yeung Chun Wai Anthony *(Vice Chairman)* (Appointed on 23 May 2016 and re-designated as the Vice Chairman on 27 July 2016)	17/22
Mr. Xu Xiaowu *(Chief Executive Officer)* (Appointed on 19 September 2016)	10/10
Mr. Kwan Wai Ming (Resigned as Chief Executive Officer on 19 September 2016)	11/23
Mr. Tian Ren Can (Appointed on 10 June 2016 and resigned on 13 April 2017)	16/20
Ms. Lin Changhua (Appointed on 7 November 2016)	3/5
Mr. Leung Kam Chuen (Resigned on 23 May 2016)	1/1
Mr. Chen Youhua (Resigned on 10 June 2016)	0/3
Non-executive Director	
Mr. Wu Qinghua (Appointed on 7 November 2016)	1/5
Independent non-executive Directors	
Mr. Zhang Xiaoman	16/23
Mr. Tse Chi Wai (Appointed on 19 April 2016)	20/22
Mr. Chan Kee Huen Michael (Appointed on 10 June 2016)	14/20
Mr. Wu Tak Lung (Appointed on 7 November 2016)	3/5
Prof. Lam Sing Kwong, Simon (Resigned on 22 April 2016)	1/1
Mr. Cheung Kwok Yan, Wilfred (Resigned on 10 June 2016)	3/3
Ms. Wong Fong (Resigned on 10 June 2016)	3/3

The forthcoming annual general meeting to be held on 25 May 2017.

Pursuant to the code provision A.2.7 of the Code, the chairman has hold a meeting with the non-executive directors (including independent non-executive directors) without the executive directors present.

BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible to the shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, approving the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system and supervising and managing management's performance.

Regarding the Group's corporate governance, for the period from 1 April 2016 to 31 December 2016, the Board has in accordance with the terms of reference performed the following duties:

— determined and reviewed the policies and practices on corporate governance of the Group and make recommendations;

— reviewed and monitored the training and continuous professional development of Directors and senior management;

— reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;

— developed, reviewed and monitored the code of conduct applicable to Directors and employees; and

— reviewed the Company's compliance with the Code and disclosure in this corporate governance report.

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management.

All Board members have separate and independent access to the Company's management to fulfill their duties, and upon reasonable request, to seek independent professional advice under appropriate circumstances and at the Company's expenses. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings. The Company provides the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly. Meeting agenda accompanied by relevant Board/committee papers are distributed to the Directors/committee members with reasonable notice in advance of a Board meeting. Minutes of board meetings and meetings of board committees, which recorded in sufficient detail the matters considered by the Board and decisions reached thereat, including any concerns raised or dissenting views expressed by any Director, are kept by the company secretary and open for inspection by the Directors.

CHAIRMAN AND CHIEF EXECUTIVE

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. In compliance with the Code, the Group has appointed a separate chairman and chief executive of the Company since 11 September 2012. In order to ensure that there is clear division of responsibilities between the chairman of the Board and the chief executive of the Company, the two positions are assumed by different individuals, Mr. Qin Ling, the Chairman of the Board, is responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Xu Xiaowu, the chief executive of the Company, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Chairman of the Board ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors confirmed that they had complied with code provision A.6.5 of the Code for the period from 1 April 2016 to 31 December 2016, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills.

Upon appointment, each Director received a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

During 2016, the Company has arranged an in-house training on the Listing Rules in the form of a seminar conducted by in-house legal team and the relevant training material has been distributed to all the Directors. The training covered topics of continuing disclosure obligations of a listed company, discloseable transactions and connected transactions disclosure requirement under the Listing Rules.

BOARD COMMITTEES

The Board has established (i) Audit Committee, (ii) Remuneration Committee, and (iii) Nomination Committee with defined terms of reference. The terms of reference of each of the board committees, which explain their respective roles and the authority delegated to them by the Board, are available on the websites of the Company and the Stock Exchange. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance under appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 8 December 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision C.3 of the Code.

As at the date of this report, the Audit Committee consists of three independent non-executive Directors, namely Mr. Chan Kee Huen Michael (as chairman), Mr. Zhang Xiaoman and Mr. Tse Chi Wai. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the financial reporting system, internal control procedures and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

For the period from 1 April 2016 to 31 December 2016, the Audit Committee mainly has (i) reviewed the reports from the Auditor, accounting principles and practices adopted by the Group, management representation letters, and management's response in relation to the annual results for the period from 1 April 2016 to 31 December 2016; (ii) reviewed the financial reports for the period from 1 April 2016 to 31 December 2016 and recommended the same to the Board for approval.

During the period from 1 April 2016 to 31 December 2016, two meetings were held by the Audit Committee. The attendance record of each member of the Audit Committee is set out below:

	Attendance/ Number of meeting(s) held
Mr. Chan Kee Huen Michael *(chairman)* (Appointed on 10 June 2016)	2/2
Mr. Zhang Xiaoman	2/2
Mr. Tse Chi Wai (Appointed on 22 April 2016)	2/2
Prof. Lam Sing Kwong, Simon (Resigned on 22 April 2016)	N/A
Mr. Cheung Kwok Yan, Wilfred (Resigned on 10 June 2016)	N/A
Ms. Wong Fong (Resigned on 10 June 2016)	N/A

There had been no disagreement between the Board and the Audit Committee for the period from 1 April 2016 to 31 December 2016.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 8 December 2014 pursuant to Rule 3.25 of the Listing Rules.

During the Reporting Period, the Remuneration Committee comprises an executive Director, namely Mr. Kwan Wai Ming, and two independent non-executive directors, namely Mr. Tse Chi Wai and Mr. Chan Kee Huen Michael. Mr. Tse Chi Wai is the chairman of the Remuneration Committee. Mr. Kwan Wai Ming resigned as member of Remuneration Committee and Mr. Xu Xiaowu be appointed as member of Remuneration Committee with effect from 13 April 2017.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code and are available on the website of the Company and the Stock Exchange.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for the remuneration of all Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives of the Board from time to time. The Board as a whole has determined the remuneration policy and packages of the Directors. No individual Director was allowed to involve in deciding his own remuneration.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee of the Company annually. Details of the Directors' remuneration are set out in note 11 of the consolidated financial statements.

REMUNERATION OF THE SENIOR MANAGEMENT

For the Reporting Period, the remuneration of senior management is listed as below by band:

	No. of person
HK$1,000,000 and below	1
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	2

Further details of the remuneration of the Directors and the 5 highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in note 11 and note 12 respectively to the consolidated financial statements.

During the period from 1 April 2016 to 31 December 2016, the Remuneration Committee has held three meetings as at the date of this report and all the members have attended to review the Group's remuneration policy and approved the terms of executive Directors' service contracts. The committee members' attendance of the Remuneration Committee is set out as follows:

	Attendance/ Number of meeting(s) held
Mr. Tse Chi Wai *(chairman)* (Appointed on 22 April 2016)	3/3
Mr. Kwan Wai Ming	1/3
Mr. Chan Kee Huen Michael (Appointed on 10 June 2016)	2/2
Prof. Lam Sing Kwong, Simon (Resigned on 22 April 2016)	N/A
Ms. Wong Fong (Resigned on 10 June 2016)	1/1

Under the terms of reference, members of the Remuneration Committee had performed the following duties:

— assessed the performance of executive Directors and consulted the Chairman of the Board and the chief executive about their remuneration proposals for other executive Directors;

— made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration;

— reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;

— made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

— made recommendations to the Board on the remuneration of non-executive Directors;

— considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries; and

— ensured that no Director or any of his/her associates is involved in deciding his/her own remuneration.

NOMINATION COMMITTEE

The Company has established the Nomination Committee on 8 December 2014 with written terms of reference in compliance with code provision A.5 of the Code.

Pursuant to the code provisions A.5.1, the Issuers 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 has acted as the Vice Chairman as well as the chairman of Nomination Committee. 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 as the chairman of the Nomination Committee and appointed Mr. Wu Tak Lung to be the member of the committee to fully comply with the Code.

As at the date of report, the Nomination Committee consists of three independent non-executive Directors, namely Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai and Mr. Wu Tak Lung, and two executive Directors, namely Mr. Qin Ling (as chairman of the Nomination Committee) and Mr. Yeung Chun Wai Anthony. The primary functions of the nomination committee are, inter alia, to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors in particular the chairman and the chief executive officer and succession planning for Directors.

During the period from 1 April 2016 to 31 December 2016, the Nomination Committee has held six meetings as at the date of this report. The attendance record of each member of the Nomination Committee is set out below:

	Attendance/ Number of meetings held
Mr. Qin Ling *(chairman)* (Appointed on 13 March 2017)	N/A
Mr. Yeung Chun Wai Anthony (Appointed on 23 May 2016)	6/6
Mr. Tse Chi Wai (Appointed on 19 April 2016)	6/6
Mr. Chan Kee Huen Michael (Appointed on 10 June 2016)	3/5
Mr. Wu Tak Lung (Appointed on 13 March 2017)	N/A
Prof. Lam Sing Kwong, Simon (Resigned on 22 April 2016)	N/A
Mr. Leung Kam Chuen (Resigned on 23 May 2016)	N/A
Mr. Cheung Kwok Yan, Wilfred (Resigned on 10 June 2016)	1/1

BOARD DIVERSITY POLICY

The nomination committee of the Company has adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversity of members of the Board, which is summarised below:

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The nomination committee works to ensure a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and objectives. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group, in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this annual report.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged SHINEWING as its external auditor for the period from 1 April 2016 to 31 December 2016. The Audit Committee has been notified of the nature and the service charges of non-audit services for the agreed upon procedures in connection with preliminary results announcement for the period from 1 April 2016 to 31 December 2016 and considered that these non-audit services have no adverse effect on the independence of the auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. Details of the fees paid/payable to SHINEWING during the year are as follows:

	HK$
Audit services	1,000,000
Non-audit services	250,000
	1,250,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed to ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management of the Group reviews, maintains and monitors the internal control systems on an ongoing basis. The Board has engaged external internal audit firm to conduct a review of the effectiveness of the risk management and internal control system of the Group. The review was to assess and identify significant weaknesses in the relevant financial procedures, systems and controls of the Group under the various components of the COSO 2013 Internal Control - Integrated Framework.

During the Reporting Period, no significant internal control issues have been identified. The Board, through the Audit Committee, had gone through the report with the external internal audit firm and recommend to the Board that the systems of the Company is effective and is satisfied that the Group has fully complied with the Code in respect of internal controls for the period from 1 April 2016 to 31 December 2016.

PERMITTED INDEMNITY PROVISION

The articles of associations of the Company (the “Articles of Associations”) provides that the directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has taken out and maintained directors’ liability insurance which provides appropriate cover for the directors and directors of the subsidiaries of the Group.

COMPANY SECRETARY

The company secretary of the Company is Ms. Wong May whose biographical details are set out in the section headed “Biographies of The Directors and Senior Management” in this annual report.

Ms. Wong has been informed of the requirement of the Rule 3.29 of the Listing Rules, and she confirmed that he had attained no less than 15 hours of relevant professional training during the Reporting Period.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary of the Company by post to the principal place of business set out in the section headed "Corporate Information", by fax at 2187 3122 or by email at ir@hriv.com.hk The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

PROCEDURES FOR CONVENING GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 64 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings.

Extraordinary general meetings shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by mail at Room 3201, 32/F, Two Pacific Place, 88 Queensway, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for convening general meetings by shareholders".

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

INVESTORS' RELATIONS

The Company's website (www.hriv.com.hk) provides comprehensive and accessible news and information of the Company to the shareholders of the Company, other stakeholders and investors. The Company will also update the website information from time to time to inform the shareholders and investors of the latest development of the Company.

During the Reporting Period, no change was made to the constitutional documents of the Company.

ENVIRONMENTAL POLICY

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promote awareness towards environmental protection to the employees. Our Group adheres to the principle of Recycling and Reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance. Our Group is also using office equipment carrying energy label issued by the Electrical and Mechanical Services Department which save energy in the offices.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

ESG POLICIES AND PERFORMANCE

Throughout 2016, the Group has complied with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide. Information about the Company's ESG policies and performance in 2016 is set out in the Environmental, Social and Governance Report on pages 42 to 48.

STAKEHOLDER ENGAGEMENT

Obtaining stakeholder support is vital to successful business operations and the Group is committed to communicating with and cooperating with all stakeholders. Each investor, customer and employee is a stakeholder in the Group, and the Group exchanges relevant information with all stakeholders on a day-to-day basis via e-mail or telephone. For its investors, the Group convenes relevant general meetings and uploads financial reports, relevant announcements and company information to its website in a timely manner. The business of foundation and substructure construction services (the “Engineering Business”) communicates project progress and other important matters to the customer as required. The business of (i) direct investments; and, (ii) financial services and others (collectively, the “Investment Business”) also intends to communicate with all stakeholders by electronic means, reducing the use of paper and making better use of telephone conference calls.

ENVIRONMENT

Environmental protection is one of the critical issues in the industry and building sustainable communities is the responsibility for every company. The Group aspires to reduce pollution as far as possible in its day-to-day operations, create green workspaces and meet targets for environmental protection. The Group did not discover any recorded complaints or violations of relevant environmental laws and regulations during the reporting period.

Green workspaces increase employee awareness of environmental protection and also offer a comfortable working environment for employees. The Group’s Investment Business also aspires to create green workspaces for its employees and is committed to green purchasing and green working practices. Its measures in this regard are as follows:

Office Air Quality

(i) Smoking is prohibited in offices to prevent air pollution.

(ii) Air conditioners are regularly cleaned to ensure better air quality.

(iii) Air purifiers are installed to more effectively purify the air.

Use of Paper

(i) Documents are printed double-sided to reduce paper consumption.

(ii) The use of recycled paper is encouraged.

(iii) Document approval is undertaken electronically to reduce unnecessary paper use.

(iv) Projectors are used to display conference materials to reduce paper used in printing said materials.

Reducing Energy Consumption

(i) The use of more energy-efficient products reduces energy consumption.

(ii) Electrical equipment on standby is switched off to reduce electricity consumption.

(iii) LED lighting is used.

(iv) Sensor taps are installed in all washbasins and other locations to avoid the unnecessary waste of water.

Recycling

(i) Recycling bins are placed in offices to recycle glass, aluminium cans, etc.

(ii) Employees are encouraged to bring their own cups, lunchboxes, etc., reusing those in place of disposable cups and plates.

In addition, the use of local suppliers will be prioritized, depending on circumstances, to reduce business trips as far as possible and thus reduce carbon emissions caused by the use of transportation. The day-to-day operations of the Investment Business are mostly conducted in offices meaning that energy resources are not excessively used, being mostly centred on the consumption of petrol and electricity.

During the Reporting Period, direct emissions from total petrol consumption were as follows:

August	September	October	November	December
500 litres	1000 litres	1500 litres	2000 litres	2500 litres

During the reporting period, monthly electricity consumption was as follows:

August	September	October	November	December
3406 KWh	4410 KWh	5513 KWh	6000 KWh	6390 KWh

Greenhouse Gas (GHG) Emission Volumes	GHG Emission Density
37.82 tonnes Carbon Dioxide Equivalent (CDE)	0.86 tonnes CDE (per employee)

Large amounts of construction waste result from the day-to-day operations of the Engineering Business. This construction waste is disposed to designated landfill sites by qualified waste collectors in compliance with the Construction Waste Disposal Ordinance of the Environmental Protection Department (EPD). In addition, certain types of machinery can only be used during permitted hours in compliance with the relevant provisions of the EPD's Noise Control Ordinance to reduce disruption to nearby residents. Facilities are installed to treat waste water before it is discharged into designated drains, if required. The Engineering Business agreed an environmental protection target not to violate relevant environmental protection laws and regulations. This target was successfully met during the Reporting Period.

Emissions are mostly from diesel fuel and gasoline, and total annual consumption was 107,600 litres and 42,500 litres respectively. The energy use is constrained by operation practices, total annual electricity consumption was 59,260 KWh, total annual water consumption 1,698 cubic metres, and GHG emission volumes stood at 152.31 tonnes CDE during the reporting period.

EMPLOYEES

Building long-term relationships with employees is crucial to company success and it is necessary to provide additional benefits to employees over and above a basic salary as there is a persistent shortage of labour in the construction industry. The Group provides employees with a fair and competitive remuneration package and employee benefits. Performance appraisal systems have been set up and bonuses are based on both company and employee performance, meaning that employees are appropriately rewarded and their sense of belonging is strengthened. As far as other employee benefits are concerned, employees of the Investment Business can enjoy up to 3 days of paid marriage leave on completion of their one-year probationary period. In addition, if an employee gives birth earlier than their expected then they receive additional maternity leave equivalent to the difference between the two dates to ensure they have sufficient rest.

During the reporting period, the Group discovered no violations of or complaints pertaining to relevant employment laws and regulations, and nor did it discover any recorded cases of child labour or forced labour. The Group does not employ child labour and verifies an applicant is 18 years of age or older before they are hired. The Group also supervises the number of hours worked by all employees. Performance in respect to employment is represented statistically in the following tables. Firstly, the number of employees of the Group during the reporting period was as follows:

	April	May	June	July	August	September	October	November	December
Investment Business	—	—	—	—	3	21	28	36	44
Engineering Business	261	256	250	244	241	240	230	218	214

Reducing the number of employees hired on a part-time basis helps staff in post to better immerse themselves in their work. The Group's Investment Business has no part-time employees and hopes to give employees both a sense of belonging and appropriate employee benefits. Whilst it is difficult to completely eliminate part-time working in the Engineering Business due to business practices, nevertheless the number of full-time employees exceeds that of part-time employees:

Proportion of Employees (%)	**Investment Business**	**Engineering Business**
Full-time	100%	59%
Part-time	0%	41%

Employee turnover rate is an important indicator of employee performance. The average monthly turnover rate in the Engineering Business was 4.9%. There were no recorded employee resignations in the Investment Business during the Reporting Period. All employees in the Engineering Business are from the Hong Kong region and a detailed data analysis follows below. We believe the data for next year will be more meaningful as the Investment Business commenced operations in August 2016.

Average Monthly Employee Turnover Rate (%)	**Investment Business**	**Engineering Business**
Male	0%	4.86%
Female	0%	0.04%

Breakdown by Age Group Monthly Employee Turnover Rate (%)	Investment Business	Engineering Business
Age 18-30	0%	6.6%
Age 31-45	0%	4.7%
Age 46-60	0%	4.3%
Age ≧ 61	0%	43%

The Group is a meritocracy regardless of race, ethnic group, gender, religious belief, age, geographical region and the Group is committed to building a workplace free from discrimination. We have devised a clear and transparent recruitment process that is by necessity open, fair, transparent and regulated at each stage. We emphasise work capacity, potential capacity and compatibility with company culture, and our high standards and strict requirements ensure recruitment quality.

In the Investment Business, the proportion of male and female employees are almost equal. In the Engineering business, male employees dominate due to the nature of the work.

Proportion of Employees (%)	Investment Business	Engineering Business
Male	53%	85%
Female	47%	15%

In addition, the Group hires employees from all age groups:

Proportion of Employees (%)	Investment Business	Engineering Business
Age 18-30	32%	13%
Age 31-45	66%	27%
Age 46-60	2%	48%
Age ≥ 61	0%	12%

The Group is focused on fostering a culture of continued learning and invests resources through different channels to provide employee training and encourage continuing education. This enhances relevant employee skill sets and knowledge, increases employee satisfaction, reduces turnover and improves employee adaptability and work efficiency. Cultivating talent allows both the Group and its employees to grow together, providing mutual benefit to both parties. Each employee in the Investment Business (irrespective of gender) has the opportunity to receive training:

	Male Employees	Female Employees
Proportion of Employees Trained Annually (%)	72%	100%
Total Annual Training Hours	198 Hours	209 Hours

Below are the figures for the percentage of employees in receipt of training based on employee level. As the figures shown in below, all employees have training opportunities regardless of rank of employees. Amongst the rank, the proportion of junior-level employees in receipt of training is highest:

	Senior Management	Middle Management	Junior-Level Employees
Annual Proportion of Employees Trained (%)	83.3%	81.8%	100%
Total Annual Training Hours	55 Hours	119 Hours	244 Hours

The Group is committed to creating a harmonious and happy work environment and hopes that employees are respected during work. To this end, the Investment Business has relevant mechanisms whereby any employee who slanders, ridicules, harasses or makes personal attacks towards another and harms their reputation can be reported to the Human Resources (HR) department and relevant managers, and will be prevented from behaving in such a manner.

OCCUPATIONAL SAFETY AND HEALTH

The health and safety of employees is of utmost concern to the Group. The Group ensures employee health and safety by formulating internal guidelines and systems as well through the provision of training. During the Reporting Period, the Group had no recorded cases of work-related fatalities, no violations of relevant occupational health and safety laws and regulations, and no complaints related to working conditions. The last thing the company wants is for an employee to suffer a work-related injury and be unable to work as a result and the performance of the Investment Business is excellent in this regard, with no work days lost due to work-related injury during the reporting period. However, the Engineering Business performed more poorly due to the nature of its work and lost a total of 403 work days during the same period.

Safety awareness training helps improve employee vigilance in respect to occupational safety and health. The Group provides relevant training when an employee takes up their position and helps employees to understand the Group's requirements in relation to occupational health and safety. Furthermore, in the Engineering Business, employees are spoken to face-to-face on a daily basis about relevant occupational safety and health measures and also take relevant courses in health and safety in response to customer requirements. Records of completed courses are managed by the HR department.

MANAGEMENT OF THE SUPPLY CHAIN

The Group's business goes hand-in-hand with its supply chain and the quality of suppliers and contractors has, for the most part, a direct impact upon service quality. Good management of the supply chain is one of the most important tasks for the Group and suppliers and contractors should be chosen effectively.

Whilst the Engineering Business has a greater need for supplier engagement than the Investment Business, besides practical business considerations and the desire to be in line with environmental protection considerations, the Investment Business will promote the importance of reducing carbon emissions in its supply chain. In its supplier selection process, the Investment Business will undertake price-performance comparison and cost control in accordance with relevant regulations and procedures, as well as establish a Capital and Financial Review Committee and formulate relevant procedural rules to perfect the company's approval mechanisms for large procurement expenses that occur in the course of operations management.

During the Reporting Period, the Engineering Business had 201 suppliers, all with companies local to Hong Kong, effectively mitigating carbon emissions that result from haulage and transportation.

The following factors are considered when selecting a supplier to ensure that appropriate suppliers/contractors are chosen:

1. Background of the supplier/contractor
2. Quality of service or product provided by the supplier/contractor
3. Price for the services or products provided by the supplier/contractor
4. Delivery time of service or goods
5. Customer service quality
6. Reputation of the supplier/contractor
7. Experience from past cooperation
8. Outcome of annual supplier/contactor evaluation

Once the selection of a new supplier/contractor is confirmed, they will only be considered an approved supplier after approval by the procurement department of the Company which leads the process, followed by subsequent approval from the project director. The procurement department of the Company will also perform an annual review according to schedule to ensure supplier/contractor quality.

SERVICE RESPONSIBILITY

Offering service responsibility and ensuring service quality are important factors in building long-term relationships with customers. During the Reporting Period, the Group did not discover any recorded violations of relevant service responsibility laws and regulations, nor did it discover any records of customer complaint. The Engineering Business must pay particular attention to the quality of its engineering work. Besides day-to-day communication with customers, regular meetings are held and reports regularly issued to ensure all important issues are properly communicated. If it is found that an engineering project has fallen behind schedule then appropriate internal measures will be taken. With regard to the procurement of engineering materials, besides having inspection procedures in place, designated employees are also in post who are responsible for inspecting the quantity and quality of received goods. In instances of non-conformity, suppliers are contacted to discuss the taking of appropriate measures. If the materials provided by a supplier consistently fall below the expected standard then the use of another supplier will be considered. If a customer is dissatisfied with the service provided by the Group, they have different channels to express this, including via telephone, e-mail, letter, face-to-face communication and so on.

In terms of safeguarding intellectual property rights, the Group ensures that all necessary software is provided by designated suppliers and avoids the use of unauthorised images and articles in its business operations as far as possible. The Group emphasizes on great importance to customer privacy and in order to ensure this, the Engineering Business ranks customer information by different categories and has set different access rights to mitigate the dangers of leaked customer information. In the Investment Business, relevant binding clauses in contracts or signed confidentiality agreements ensure that customer information is not divulged.

ANTI-CORRUPTION

The Group firmly believes that honesty, probity and fairness are important values in commercial activity. The principles of anti-corruption and anti-bribery are important in the creation of a fair business environment and employees must ensure that the Group's reputation is not tarnished by fraud, disloyalty or corruption. The Group has established internal control frameworks and a rigorous, clear-cut code of conduct that makes our firm stance against corruption and bribery clear to employees. Employees must abide by this code of conduct and understandings have been reached with third-party partners clarifying the Group's requirements in this regard. Preventing corruption and fraud safeguards the assets and funds of shareholders.

During the Reporting Period, the Group discovered no violations of relevant anti-corruption laws and regulations.

The Engineering Business will establish relevant committees to discuss corporate governance policy whilst the Investment Business has the Operating Rules of the Executive Committee and the Operating Rules of the Investment Committee which taken together form the basis of corporate governance policy, with the Operating Rules of the Investment Committee specifying policies for the disclosure of relevant conflicts of interest.

The Group engages a third-party auditor to conduct regular audits in order to prevent corruption from occurring. The Engineering Business has a constant need to make materials purchases and purchases of different amounts will require approval from different levels of management, reducing the possibility of corruption. Employees must declare all matters relating to possible conflicts of interest and contracts of employment signed with those in key management positions contain clauses related to the prevention of such conflicts.

In order to ensure the fairness of invitations to tender and contracts, the Engineering Business will conduct its tendering procedure in accordance with principal contractor guidelines, with different levels of management undertaking a review of relevant service contracts.

Finally, in order to prevent money laundering, the Engineering Business requires that inflows and outflows of funds are accompanied by the relevant necessary supporting documentation. Having open whistle-blowing channels is one of the most effective ways of exposing corruption and whistle-blowing in the Investment Business can be done via e-mail, anonymous letter, telephone or face-to-face.

COMMUNITY ACTIVITIES AND CONTRIBUTIONS

The Group always encourages its employees to participate in various community events, as contributing to the community embodies the principle that it is better to give than to receive. Employees in the Investment Business also participate in volunteer activities of their own accord, including flag-selling, involvement with the Food Angel food rescue and assistance program and so on. The Group will place greater emphasis on this area in the coming year, hoping to make greater contributions to, as well as give back to, society.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF
HUARONG INVESTMENT STOCK CORPORATION LIMITED
(FORMERLY KNOWN AS CHUN SING ENGINEERING HOLDINGS LIMITED)
華融投資股份有限公司 (前稱震昇工程控股有限公司)
(incorporated in the Cayman Islands with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Huarong Investment Stock Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 139, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 April 2016 to 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the period from 1 April 2016 to 31 December 2016 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for construction contracts

Refer to note 5 to the consolidated financial statements and the accounting policies on page 69.

The key audit matter

For construction companies, there is considerable judgment in assessing the appropriate contract revenue and margin to recognise which in turn affecting the recognition of amounts due from (to) customers for contract work. Revenue and margin are recognised based on the stage of completion of individual contract. Stage of completion was determined on the revenue certified by customer. Estimation of proper margin involves the assessment of the completeness and accuracy of forecast costs to complete.

As at 31 December 2016, the Group had amounts due from customers for contract work and trade receivables derived from construction contracts of approximately HK$43,840,000 and HK$141,595,000 respectively. We focused on recoverability of amounts due from customers for contract work and trade receivables because the policy for making impairment requires a high level of management judgment and due to the significance of the amounts involved.

How the matter was addressed in our audit

We tested revenue recognised under Hong Kong Accounting Standard 11 Construction Contracts during the reporting period to ensure the Group policy on construction contracts is in line with the standard. We assessed whether the construction revenue recognised was reasonable through inspected the certificate of completion stage issued by customers. We assessed whether the construction costs recognised was reasonable through critically challenged the forecast costs to complete, contract costs, and the completeness and validity of provisions arising from customer disputes. We assessed reliability of management's assessment in budget costs by considering the historical actual costs and estimation of budget costs of completed projects.

Our procedures were designed to review the management's assessment of impairment of amounts due from customers for contract work and trade receivables and challenge the reasonableness of the methods and assumptions used to estimate the impairment balances. We reviewed the ageing analysis and identified those long outstanding trade receivables and understand the repayment status. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. We have challenged the assumptions and critical judgment used by the management by assessing the reliability of the management's past estimates and taking into account credit-worthiness of the customers, progress billings and settlements during the period, subsequent progress billings and cash received after the end of the reporting period.

Valuation of financial instruments

Refer to note 23 to the consolidated financial statements and the accounting policies on page 75.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the Group had financial assets designated at fair value through profit or loss of approximately HK$154,849,000 in which the determination of fair values of these financial instruments involves application of different valuation techniques. We considered the valuation of financial instruments as a key audit matter because the application of valuation techniques often involve the exercise of judgment and the use of assumptions and estimates which require significant management judgment.	The management used the work of an independent external valuer for the valuation of financial instruments. We designed procedures to assess the valuation by challenging the appropriateness of the valuation methodology used by the valuer as detailed in the valuation report, the adoption of key assumptions and input data.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
13 March 2017

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	5	685,669	791,664
Revenue from construction services	5	469,864	791,664
Cost of construction services		(398,830)	(709,846)
Gross profit from construction services		71,034	81,818
Operating income	5	215,805	—
Other income	7	38,357	3,440
Administrative expenses		(97,339)	(32,302)
Finance costs	8	(49,504)	(871)
Profit before taxation		178,353	52,085
Income tax expense	9	(22,536)	(8,549)
Profit for the period/year	10	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	14	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	15	86,044	105,732
Intangible asset	16	1,840	—
Deposit paid for acquisition of plant and equipment		2,220	—
Available-for-sale investments	17	925,033	—
Financial assets classified as receivables	18	193,580	—
Finance lease receivable	19	46,298	—
		1,255,015	105,732
Current assets			
Amounts due from customers for contract work	20	43,840	30,936
Trade and other receivables	21	235,851	183,912
Finance lease receivable	19	9,598	—
Loan receivable	22	29,927	—
Financial assets classified as receivables	18	100,726	—
Financial assets designated at fair value through profit or loss	23	244,283	—
Held for trading investments	24	201,940	—
Amounts due from related parties	39(c)	1,194	132
Deposits in other financial institutions	25	31,096	—
Tax recoverable		—	1,973
Bank balances and cash	26	1,452,372	142,208
		2,350,827	359,161
Current liabilities			
Amounts due to customers for contract work	20	15,002	36,655
Trade and other payables	27	234,933	174,132
Tax payables		21,557	—
Interest-bearing borrowings	28	320,000	—
Obligations under finance leases	29	7,633	9,179
Amounts due to related parties	39(c)	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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 December 2016 HK$'000	31 March 2016 HK$'000
Non-current liabilities			
Deferred tax liabilities	30	6,748	7,789
Interest-bearing borrowings	28	2,415,958	—
Obligations under finance leases	29	5,362	10,945
		2,428,068	18,734
Net assets		562,040	226,124
Capital and reserves			
Share capital	31	12,360	10,300
Reserves		549,680	215,824
Total equity		562,040	226,124

The consolidated financial statements on pages 54 to 139 were approved and authorised for issue by the board of directors on 13 March 2017 and are signed on its behalf by:

Qin Ling
Director

Xu Xiaowu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 APRIL 2016 TO 31 DECEMBER 2016

	Share capital HK$'000	Share premium HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Merger reserve HK$'000 (Note c)	Statutory reserve HK$'000 (Note d)	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2015	10,300	150,524	7,164	(87,838)	–	–	–	102,438	182,588
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	43,536	43,536
At 31 March 2016 and 1 April 2016	10,300	150,524	7,164	(87,838)	–	–	–	145,974	226,124
Profit for the period	–	–	–	–	–	–	–	155,817	155,817
Other comprehensive expense for the period									
Changes in fair value of available-for-sale investments	–	–	–	–	–	(536)	–	–	(536)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(2,761)	–	(2,761)
Other comprehensive expenses for the period	–	–	–	–	–	(536)	(2,761)	–	(3,297)
Total comprehensive expenses for the period	–	–	–	–	–	(536)	(2,761)	155,817	152,520
Issue of new shares (Note 31)	2,060	183,340	–	–	–	–	–	–	185,400
Expense incurred in connection with the issue of new shares	–	(2,004)	–	–	–	–	–	–	(2,004)
Appropriation to statutory reserve	–	–	–	–	3,819	–	–	(3,819)	–
At 31 December 2016	12,360	331,860	7,164	(87,838)	3,819	(536)	(2,761)	297,972	562,040

Notes:

a. Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

b. The capital reserve represents the deemed capital contribution from its former shareholder, Golden Roc Holdings Limited ("Golden Roc"), in relation to listing expenses reimbursed to the Company in prior year.

c. The merger reserve represents the difference between the total equity of those subsidiaries (which were transferred from Golden Roc to the Company) and the aggregated share capital of the relevant subsidiaries pursuant to the group reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new shares from the Company to Golden Roc.

d. Subsidiaries in the People's Republic of China ("PRC") have appropriated 10% of the profit to reserve fund until the balance of the reserve reaches 50% of their respective registered capital. The reserve fund is required to be retained in the accounts of the subsidiaries to offset against accumulated losses of the respective PRC subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 APRIL 2016 TO 31 DECEMBER 2016

	1 April 2016 to 31 December 2016 HK$'000	1 April 2015 to 31 March 2016 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	178,353	52,085
Adjustments for:		
Unrealised gain on held for trading investments	(27,247)	—
Unrealised gain on financial assets designated at fair value through profit or loss	(32,125)	—
Depreciation	27,829	31,433
Gain on disposal of plant and equipment	(631)	(3,256)
Loss on write-off of plant and equipment	81	1,071
Finance costs	49,504	871
Bank interest income	(3,965)	(150)
Operating cash flows before movements in working capital	191,799	82,054
Increase in amounts due from customers for contract work	(12,904)	(4,865)
Increase in trade and other receivables	(51,523)	(41,971)
Increase in available-for-sale investments	(925,239)	—
Increase in financial assets classified as receivables	(294,306)	—
Increase in finance lease receivable	(55,725)	—
Increase in financial assets designated at fair value through profit or loss	(212,158)	—
Increase in held for trading investments	(174,693)	—
Increase in loan receivable	(29,927)	—
(Decrease) increase in amounts due to customers for contract work	(21,653)	7,617
Increase in trade and other payables	60,209	42,155
Cash (used) generated from operations	(1,526,120)	84,990
Income tax paid	—	(14,288)
NET CASH (USED) FROM OPERATING ACTIVITIES	(1,526,120)	70,702

	1 April 2016 to 31 December 2016 HK$'000	1 April 2015 to 31 March 2016 HK$'000
INVESTING ACTIVITIES		
Bank interest received	3,582	150
Purchase of plant and equipment	(8,485)	(37,351)
Acquisition of a subsidiary accounted for an asset acquisition	(1,695)	—
Proceeds from disposal of plant and equipment	894	7,323
Deposit paid for acquisition of plant and equipment	(2,220)	—
(Advance to) repayment from related parties	(1,062)	161
NET CASH USED IN INVESTING ACTIVITIES	(8,986)	(29,717)
FINANCING ACTIVITIES		
New interest-bearing borrowings raised	2,765,958	—
Repayments of bank borrowings	—	(20,000)
Capital element of finance lease rentals paid	(7,129)	(15,123)
Interest element of finance lease rentals paid	(470)	(717)
Repayment of interest-bearing borrowings	(30,000)	—
Advance from (repayment to) related parties	16,540	(724)
Interest paid	(49,034)	(154)
New bank borrowings raised	—	20,000
Expenses incurred in connection with issue of new shares	(2,004)	—
Proceeds from issue of new shares	185,400	—
NET CASH FROM (USED) IN FINANCING ACTIVITIES	2,879,261	(16,718)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,344,155	24,267
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	142,208	117,941
Effect of changes in foreign exchange rates	(2,895)	—
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,483,468	142,208
Analysis of components of cash and cash equivalents:		
Bank balances and cash	1,452,372	142,208
Deposits in other financial institutions	31,096	—
	1,483,468	142,208

1. GENERAL AND BASIS OF PREPARATION

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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 29 December 2014. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company act as an investment holding company, the principal activities of its subsidiaries (together with the Company, referred to as the "Group") are set out in note 41.

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") (direct wholly-owned subsidiary of China Huarong International Holdings Limited ("CHIH")) respectively, amounted to approximately 27.99% of the issued share capital of the Company. Immediately after the acquisition of shares, Right Select becomes 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.

Basis of presentation of consolidated financial statements

During the current financial period, the reporting period end date of the Group was changed from 31 March to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group in line with that of its subsidiaries incorporated in the 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.

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

In the current 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 period and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

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 of the Company 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

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 as 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

HKFRS 9 (2014) Financial Instruments – ***continued***

- 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 of the Company 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

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 of the Company 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 recognised 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

HKFRS 16 Leases – *continued*

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 of the Company 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 as disclosed in note 35. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation – *continued*

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Revenue recognition for rental income is set out in the accounting policy for leasing below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design.

Where the outcome of a construction contract can be estimated reliably,

- revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by surveyor) issued by the customers.

- revenue from a cost plus contract work is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, under trade and other payable. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs and termination benefits

Payments to defined contribution plans including state-managed retirement benefit schemes and Mandatory Provident Fund Scheme (the “MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of other short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company’s net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies – *continued*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, short-term deposits and deposits in other financial institutions, as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Financial assets at FVTPL – *continued*

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the operating income in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 33(d).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including finance lease receivable, trade and other receivables, loan receivable, financial assets classified as receivables, amounts due from related parties, deposits in other financial institutions and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated unlisted investment fund as available-for-sale investments on initial recognition.

Equity investments held by the Group that are classified as available-for-sale investments are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale investments are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – *continued*

For certain categories of financial assets, such as trade and other receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale investments is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – *continued*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to related parties, interest-bearing borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – ***continued***

Financial assets – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment losses on tangible assets and intangible assets – *continued*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Fair value measurement – *continued*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Construction contracts

As explained in accounting policy in note 3, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificate issued by the customer. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred.

Significant assumptions are required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken.

Management estimates the contract costs and revenues with the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Estimated useful life of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group reviews the estimated useful lives of the plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Estimated impairment of plant and equipment

The Group assesses annually whether plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. At the end of the reporting period, the directors of the Company consider that there is no impairment indication and the carrying values of plant and equipment is approximately HK$86,044,000 (For the year ended 31 March 2016: HK$105,732,000).

Estimated impairment of trade and other receivables

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated. At the end of the reporting period, the carrying value of trade and other receivables is approximately HK$235,851,000 (For the year ended 31 March 2016: HK$183,912,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Estimated impairment of financial assets classified as receivables, loan receivable and finance lease receivable

The Group reviews its financial assets classified as receivables, loan receivable and finance lease receivable to assess impairment on a periodic basis. In determining whether there is objective evidence of impairment, the Group makes judgments as to whether the estimated future cash flows from financial assets classified as receivables, loan receivable and finance lease receivables would likely be lower than those stated on the repayment schedule as stipulated in the agreements. The Group first makes the assessment on an individual basis to determine allowance for impairment losses. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. At the end of the reporting period, the carrying value of financial assets classified as receivables, loan receivable and finance lease receivables are approximately HK$294,306,000, HK$29,927,000 and HK$55,896,000 respectively. (For the year ended 31 March 2016: nil, nil and nil respectively).

Estimated fair value of financial instruments

Some of the Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The finance department would report the valuation findings to the Board of Directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 33(d) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

5. REVENUE AND OPERATING INCOME

Revenue represents revenue from construction contracts and rental income from lease of machinery. Operating incomes represents net income from direct investment, 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 income is as follows:

	1 April 2016 to 31 December 2016 HK$'000	1 April 2015 to 31 March 2016 HK$'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 service	4,753	—
Service income from provision of financial arrangement services and others	50,013	—
	215,805	—
	685,669	791,664

6. 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 HK$'000	Financial services and others HK$'000	Foundation and substructure construction services HK$'000	Total HK$'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

6. SEGMENT INFORMATION – *continued*

Segment revenue and results – *continued*

	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 described in note 3. 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.

6. SEGMENT INFORMATION – *continued*

Segment assets and liabilities

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

Segment assets	31 December 2016 HK$'000	31 March 2016 HK$'000
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

Segment liabilities	31 December 2016 HK$'000	31 March 2016 HK$'000
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.

6. SEGMENT INFORMATION – *continued*

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

6. SEGMENT INFORMATION – *continued*

Other segment information – *continued*

For the year ended 31 March 2016	Direct investments	Financial services and others	Foundation and substructure construction services	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	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.

6. SEGMENT INFORMATION – *continued*

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 equity 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 and operating income 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.

6. SEGMENT INFORMATION – *continued*

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 operating income of the Group

7. 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

Note:

(i) On 24 November 2016, the Group entered into the placing letter with 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.

8. 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

9. 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 (note 30)	(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.

9. INCOME TAX EXPENSE – *continued*

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.

The tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	1 April 2016 to 31 December 2016 HK$'000	1 April 2015 to 31 March 2016 HK$'000
Profit before taxation	**178,353**	52,085
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	**29,428**	8,594
Effect of different tax rate of subsidiaries operating in other jurisdiction	**4,345**	—
Tax effect on non-deductible expenses	**550**	204
Tax effect on non-taxable income	**(26,494)**	(24)
75% tax deduction, capped at $20,000	—	(20)
Over-provision in prior years	—	(5)
Tax effect of deductible temporary differences previously not recognised	—	(200)
Tax effect of tax loss not recognised	**14,707**	—
Tax expense for the period/year	**22,536**	8,549

10. PROFIT FOR THE PERIOD/YEAR

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

	1 April 2016 to 31 December 2016 HK$'000	1 April 2015 to 31 March 2016 HK$'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

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the sixteen (for the year ended 31 March 2016: eight) directors of the Company and chief executive were as follows:

For the period from 1 April 2016 to 31 December 2016	Notes	Directors' fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director of the Company, whether of the Company or its subsidiaries' undertaking					
Executive directors of the Company					
– Mr. Qin Ling *(Chairman)*	(a)	—	862	103	965
– Mr. Yeung Chun Wai, Anthony *(Vice Chairman)*	(b)	146	—	7	153
– Mr. Xu Xiaowu *(Chief Executive Officer)*	(c)	—	596	—	596
– Mr. Chen Youhua	(d)	23	—	1	24
– Mr. Tian Ren Can	(e)	134	—	—	134
– Ms. Lin Changhua	(f)	—	385	26	411
– Mr. Leung Kam Chuen	(g)	192	—	—	192
– Mr. Kwan Wai Ming	(h)	—	990	14	1,004
Non-executive director of the Company					
– Mr. Wu Qinghua	(i)	—	—	—	—
Independent non-executive directors of the Company					
– Mr. Zhang Xiaoman		113	—	—	113
– Mr. Tse Chi Wai	(k)	105	—	—	105
– Mr. Chan Kee Huen Michael	(l)	117	—	—	117
– Mr. Wu Tak Lung	(m)	23	—	—	23
– Prof. Lam Sing Kwong Simon	(n)	13	—	—	13
– Mr. Cheung Kwok Yan Wilfred	(o)	29	—	—	29
– Ms. Wong Fong	(o)	29	—	—	29
		924	2,833	151	3,908

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – *continued*

For the year ended 31 March 2016	Notes	Directors' fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director of the Company, whether of the Company or its subsidiaries' undertaking					
Executive directors of the Company					
– Mr. Leung Kam Chuen *(Chairman)*		—	1,320	—	1,320
– Mr. Kwan Wai Ming *(Chief Executive Officer)*		—	1,320	18	1,338
– Mr. Chen Youhua	(d)	—	20	1	21
– Mr. Lo Ka Lung	(p)	—	700	16	716
Independent non-executive directors of the Company					
– Mr. Cheung Kwok Yan Wilfred		150	—	—	150
– Prof. Lam Sing Kwong Simon		150	—	—	150
– Ms Wong Fong		150	—	—	150
– Mr. Zhang Xiaoman	(j)	—	—	—	—
		450	3,360	35	3,845

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – *continued*

Notes:

(a) Appointed as non-executive director of the Company on 24 June 2016, re-designated from non-executive director to executive director of the Company and appointed as the chairman of the board of directors on 27 July 2016.

(b) Appointed as the chairman of the board of directors of the Company and executive director of the Company on 23 May 2016, re-designated from the chairman to the vice chairman and remained as an executive director of the Company on 27 July 2016.

(c) Appointed as an executive director of the Company and chief executive officer on 19 September 2016.

(d) Appointed as executive director of the Company on 1 February 2016 and resigned on 10 June 2016.

(e) Appointed as executive director of the Company on 10 June 2016.

(f) Appointed as executive director of the Company on 7 November 2016.

(g) Resigned as executive director of the Company and chairman of the board of directors of the Company on 23 May 2016.

(h) Resigned as the chief executive officer on 19 September 2016.

(i) Appointed as non-executive director of the Company on 7 November 2016.

(j) Appointed as independent non-executive director of the Company on 24 March 2016.

(k) Appointed as independent non-executive director of the Company on 19 April 2016.

(l) Appointed as independent non-executive director of the Company on 10 June 2016.

(m) Appointed as independent non-executive director of the Company on 7 November 2016.

(n) Resigned as independent non-executive director of the Company on 22 April 2016.

(o) Resigned as independent non-executive director of the Company on 10 June 2016.

(p) Resigned as executive director of the Company on 24 March 2016.

Neither the chief executive nor any of the directors waived any emoluments for the period from 1 April 2016 to 31 December 2016 and for the year ended 31 March 2016.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none was director of the Company for the period from 1 April 2016 to 31 December 2016. Three were directors of the Company for the year ended 31 March 2016, whose emoluments are included in the disclosures in note 11. The emoluments of the five (for the year ended 31 March 2016: remaining two) individuals were as follows:

	1 April 2016 to 31 December 2016 HK$'000	1 April 2015 to 31 March 2016 HK$'000
Salaries and other benefits	2,530	1,751
Discretionary bonus	7,800	514
Contributions to retirement benefits scheme	11	36
	10,341	2,301

Their emoluments were within the following bands:

	1 April 2016 to 31 December 2016 No. of employees	1 April 2015 to 31 March 2016 No. of employees
HK$1,000,001 to HK$1,500,000	—	2
HK$1,500,001 to HK$2,000,000	3	—
HK$2,000,001 to HK$2,500,000	2	—

For the period from 1 April 2016 to 31 December 2016, no emoluments were paid by the Group to the five highest paid individuals (including directors of the Company and employees) or other directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. DIVIDEND

No dividend was paid or proposed by the Company for the period from 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).

14. 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.

15. PLANT AND EQUIPMENT

	Machinery HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Total HK$'000
COST						
At 1 April 2015	139,585	822	778	11,257	—	152,442
Additions	41,574	4,404	441	10,230	3,096	59,745
Write-off	(656)	(822)	(86)	(1,140)	—	(2,704)
Disposals	(17,739)	—	(11)	(2,161)	—	(19,911)
At 31 March 2016 and 1 April 2016	162,764	4,404	1,122	18,186	3,096	189,572
Additions	4,223	—	1,094	3,160	8	8,485
Write-off	(760)	—	(85)	(198)	—	(1,043)
Disposals	(1,840)	—	(13)	—	—	(1,853)
At 31 December 2016	164,387	4,404	2,118	21,148	3,104	195,161
ACCUMULATED DEPRECIATIONN						
At 1 April 2015	62,357	411	384	6,612	—	69,764
Charge for the year	27,310	778	179	3,037	129	31,433
Eliminated on write-off	(386)	(822)	(43)	(382)	—	(1,633)
Eliminated on disposals	(13,556)	—	(7)	(2,161)	—	(15,724)
At 31 March 2016 and 1 April 2016	75,725	367	513	7,106	129	83,840
Charge for the year	21,922	1,652	246	3,428	581	27,829
Eliminated on write-off	(700)	—	(64)	(198)	—	(962)
Eliminated on disposals	(1,588)	—	(2)	—	—	(1,590)
At 31 December 2016	95,359	2,019	693	10,336	710	109,117
CARRYING VALUES						
At 31 December 2016	69,028	2,385	1,425	10,812	2,394	86,044
At 31 March 2016	87,039	4,037	609	11,080	2,967	105,732

15. PLANT AND EQUIPMENT – *continued*

The above items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery	4 – 5 years
Leasehold improvements	Over the term of the lease
Office equipment	3 – 5 years
Motor vehicles	4 – 6 years
Furniture and fixtures	4 – 5 years

As at 31 December 2016, the carrying value of machinery and motor vehicles include amount of HK$17,660,000 and HK$4,010,000 (31 March 2016: HK$25,249,000 and HK$5,031,000) in respect of assets held under finance leases respectively.

16. INTANGIBLE ASSET

	31 December 2016 HK$'000	31 March 2016 HK$'000
License, at cost	1,840	—

Intangible asset represents the money lender's license acquired by the Group from an independent third party through acquisition of a subsidiary as disclosed in note 34.

The license has a legal life of one year but is renewable every year at minimal cost. The directors of the Company are of the opinion that the license has indefinite useful life and the Group would renew the license continuously and has the ability to do so.

The license will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. The directors of the Company have performed the assessment on impairment and determined that the recoverable amount of CGUs was higher than the carrying amount of license based on the management judgment.

17. 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 them in the foreseeable future. They are measured at fair values at the end of the reporting period.

18. 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	193,580	—
	294,306	—

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

18. FINANCIAL ASSETS CLASSIFIED AS RECEIVABLES – *continued*

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	—

Effective interest rates of the above debt instruments range from 8.33% - 11.92% per annum.

In the opinion of the director of the Company, 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 warrant (note 23) 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. Details of the fair value of the warrant are disclosed in note 23(c). As at 31 December 2016, the carrying amount of the unlisted debts instrument was approximately HK$92,727,000.

19. FINANCE LEASE RECEIVABLE

The Group entered into a finance lease transaction during the 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	—

Effective interest rate of the above finance lease is 5.75% per annum.

20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	31 December 2016 HK$'000	31 March 2016 HK$'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	2,067,704	1,863,565
Less: progress billings	(2,038,866)	(1,869,284)
	28,838	(5,719)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	43,840	30,936
Amounts due to customers for contract work	(15,002)	(36,655)
	28,838	(5,719)

21. 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) was 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.

21. TRADE AND OTHER RECEIVABLES – *continued*

	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.

22. 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	—

At 31 December 2016, the effective interest rate on the fixed rate loan receivable is 9.01% per annum. The loan was secured by a listed company's shares and repayable within one year.

Included in the Group's loan receivables 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 of the Company 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.

23. 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 bond	(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 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 bond, with 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 bond is freely transferrable and can be converted at any time. The fair value of the convertible bond amounted to approximately HK$128,027,000 as at 31 December 2016, which was determined by Grant Sherman Appraisals Limited (" Grant Sherman"), an independent valuer not connected to the Group by using binomial option pricing model. The fair value of the convertible bond during the period was estimated using the following assumption:

	31 December 2016	31 March 2016
Stock price	HK$1	N/A
Tenor	1.54 years	N/A
Volatility	40.74%	N/A
Risk-free rate	1.59%	N/A
Discount rate	18.72%	N/A

23. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

Notes: – continued

(c) As disclosed in note 18, 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 transferrable and can be exercised at any time. The fair value of the warrant during the period was estimated using the following assumption:

	31 December 2016	31 March 2016
Stock price	HK$ 0.73	N/A
Tenor	2.79 years	N/A
Volatility	34.69%	N/A
Risk-free rate	1.95%	N/A

(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.

	31 December 2016	31 March 2016
Stock price	HK$ 11.7	N/A
Tenor	2.73 years	N/A
Volatility	32.06%	N/A
Risk-free rate	1.93%	N/A

24. 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.

25. DEPOSITS IN OTHER FINANCIAL INSTITUTIONS

The amounts at 31 December 2016 (31 March 2016: Nil) represented deposits placed with securities brokers for trading securities and carried interest at prevailing market rates.

26. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 0.01% (31 March 2016: 0.001% to 0.01%) per annum.

Short-term bank deposits carry interest at market rates which range from 0.3% to 1.3% (31 March 2016: 0.2% to 0.4%) per annum.

27. 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.

28. INTEREST-BEARING BORROWINGS

	Notes	31 December 2016 HK$'000	31 March 2016 HK$'000
Current portion			
Unsecured loan from a director	(i)	31,500	—
Unsecured loan from a related person	(ii)	38,500	—
Unsecured loan from a related company	(iii)	250,000	—
Total current interest-bearing borrowings		320,000	—
Non-current portions			
Unsecured loan from an independent third party	(iv)	89,434	—
Unsecured loan from the indirect major shareholder	(v)	2,326,524	—
Total non-current interest-bearing borrowings		2,415,958	—
Total interest-bearing borrowings		2,735,958	—

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	31 December 2016	31 March 2016
Effective interest rate:		
Fixed-rate borrowings	3% to 6.3%	N/A

28. INTEREST-BEARING BORROWINGS – *continued*

(i) As at 31 December 2016, the Group had loan from a director of the Company, Mr. Kwan Wai Ming ("Mr. Kwan") amounting to HK$31,500,000 for the expansion of the Group's business. The loan bears interest at fixed rate 3% per annum and is repayable within one year from the end of the reporting period.

(ii) As at 31 December 2016, the Group had loan from a related person, Mr. Leung Kam Chuen ("Mr Leung") amounting to HK$38,500,000 for the expansion of the Group's business. The loan bears interest at fixed rate 3% per annum and is repayable within one year from the end of the reporting period.

(iii) As at 31 December 2016, the Group had loan from a related company, Acute Peak Investments Limited ("Acute Peak") amounting to HK$250,000,000 for the expansion of the Group's business. The loan bears interest at fixed rate 3% per annum and is repayable on demand.

(iv) As at 31 December 2016, the Group had loan from an independent third party, amounting to RMB80,000,000 (approximately HK$89,434,000) for the expansion of the Group's business. The loan bears interest at fixed rate at 6.3% per annum and is repayable in three years from the end of the reporting period.

(v) As at 31 December 2016, the Group had loan from its indirect major shareholder, CHIH, being the major shareholder of Right Select, amounting to US$300,000,000 (approximately HK$2,326,524,000) for the expansion of the Group's business. The loan bears interest ranged from 3.87% to 5.81% per annum and the loans is repayable in three to ten years from the end of reporting period.

29. OBLIGATIONS UNDER FINANCE LEASES

	31 December 2016 HK$'000	31 March 2016 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**7,633**	9,179
Non-current liabilities	**5,362**	10,945
	12,995	20,124

29. OBLIGATIONS UNDER FINANCE LEASES – *continued*

It is the Group's policy to lease certain of its machinery and motor vehicles under finance leases. The lease term ranges from 3 to 4 (31 March 2016: 3 to 5) years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.45% to 4.8% (31 March 2016: 2.5% to 8.7%) per annum.

	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
Analysed for reporting purposes as:				
Within one year	**7,973**	9,749	**7,633**	9,179
After one year but within two years	**5,259**	7,556	**5,163**	7,275
After two years but within five years	**200**	3,726	**199**	3,670
	13,432	21,031	**12,995**	20,124
Less: future finance charges	**(437)**	(907)	**N/A**	N/A
Present value of lease obligations	**12,995**	20,124	**12,995**	20,124
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(7,633)**	(9,179)
Amount due for settlement after 12 months			**5,362**	10,945

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

As at 31 December 2016, finance leases of approximately HK$6,927,000 were secured by the corporate guarantee issued by the Company, and approximately HK$461,000 was jointly guaranteed by a director of the Company and a director of a Hong Kong subsidiary.

As at 31 March 2016, finance leases of approximately HK$6,690,000 were secured by the corporate guarantee issued by the Company, and approximately HK$2,335,000 was jointly guaranteed by the directors of the Company.

30. DEFERRED TAX LIABILITIES

The followings are the major deferred tax (liabilities) assets recognised and movements thereof from 1 April 2016 to 31 December 2016 and year ended 31 March 2016:

	Depreciation allowances in excess of the related depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 April 2015	(9,610)	3,403	(538)	(6,745)
(Charged) credited to profit or loss	(2,503)	1,710	(251)	(1,044)
At 31 March 2016 and 1 April 2016	(12,113)	5,113	(789)	(7,789)
(Charged) credited to profit or loss	2,625	(1,308)	(276)	1,041
At 31 December 2016	(9,488)	3,805	(1,065)	(6,748)

As at 31 December 2016, the Group has unused estimated tax losses of approximately HK$23,059,000 (31 March 2016: HK$30,986,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of such tax losses.

As at 31 December 2016, the Group had deductible temporary differences of approximately HK$1,212,000 (31 March 2016: HK$1,212,000) where no deferred tax assets had been recognised due to the unpredictability of future profits streams.

No deferred tax asset has been recognised in respect of an estimated tax loss of HK$89,132,000 (31 March 2016: nil) due to the unpredictability of future profit streams. The loss can be carried forward against future taxable income indefinitely.

31. SHARE CAPITAL

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 April 2015, 31 March 2016 and 1 April 2016		2,000,000,000	20,000
Increase in the year	(a)	18,000,000,000	180,000
At 31 December 2016		20,000,000,000	200,000
Issued and fully paid:			
At 1 April 2015, 31 March 2016 and 1 April 2016		1,030,000,000	10,300
Issue of new shares upon placing	(b)	206,000,000	2,060
At 31 December 2016		1,236,000,000	12,360

Notes:

(a) On 26 August 2016, the Company had approved in annual general meeting the increase in authorised share capital of the Company from HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each to HK$200,000,000 by the creation of an additional 18,000,000,000 shares.

(b) On 13 May 2016, the Company entered into a private placing agreement with a placing agent for the placing of an aggregate 206,000,000 new ordinary shares of the Company at a placing price of HK$0.90 per share. The gross proceeds raised amounted to HK$185,400,000 (before transaction costs of approximately HK$2,004,000) and resulted in the net increase in share capital and share premium of approximately HK$2,060,000 and HK$181,336,000 respectively. The proceeds were used to reduce borrowings and to provide additional working capital for the Company. The placing was completed on 3 June 2016. Details of the placing are set out in the Company's announcements dated 13 May 2016.

All shares issued rank pari passu in all respects with all shares then in issue.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of obligations under finance leases disclosed in note 29, interest-bearing borrowings disclosed in note 28, amounts due to related parties disclosed in note 39(c), deposits in other financial institutions disclosed in note 25 and bank balances and cash disclosed in note 26, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31 December 2016 HK$'000	31 March 2016 HK$'000
Financial assets		
Available-for-sale investments	925,033	—
Financial assets at FVTPL		
Financial assets designated as at FVTPL	244,283	—
Held for trading investments	201,940	—
Loans and receivables (including bank balances and cash)	2,100,414	325,456
	3,471,670	325,456
Other financial liabilities		
At amortised cost	2,996,652	193,725

33. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets designated at fair value through profit or loss, held for trading investments, financial assets classified as receivables, loan receivable, finance lease receivable, trade and other receivables, amounts due from (to) related parties, bank balances and cash, deposits in other financial institutions, trade and other payables, interest–bearing borrowings and obligations under finance leases. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Financial risk management

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate financial assets classified as receivables (note 18), fixed-rate finance lease receivable (note 19), fixed-rate loan receivable (note 22), interest-bearing borrowings (note 28) and fixed-rate obligations under finance leases (note 29) held by the Group. The Group is also exposed to cash flow interest rate risk in relation to variable-rate deposits in other financial institutions (note 25) and variable-rate bank balances (note 26).

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The Group's bank balances are short-term in nature and the exposure of interest rate is minimal and no sensitivity analysis to interest rate risk on this is presented.

33. FINANCIAL INSTRUMENTS – *continued*

(c) Financial risk management – *continued*

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% (31 March 2016: nil) higher/lower:

– post-tax profit for the period from 1 April 2016 to 31 December 2016 would increase/decrease by approximately HK$8,431,000 (31 March 2016: nil) as a result of the changes in fair value of held-for-trading investment.

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In respect of financial assets classified as receivables, the Group would assess the credit quality of each potential debts instrument and define the limits for each debts instruments before purchase any new debts instruments. In addition, the Group reviews the recoverability of each individual debt instrument at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

33. FINANCIAL INSTRUMENTS – *continued*

(c) Financial risk management – *continued*

Credit risk – continued

In respect of finance lease receivable, the Group would assess the credit quality of each potential lessee and define limits for each lessee before accepting any new finance lease. In addition, the Group would also monitor the repayment history of finance lease payments from each lessee with reference to the repayment schedule from the date of finance lease was initially granted up to the reporting date to determine the recoverability of a finance lease receivable.

The credit risk on bank balances and cash and deposits in other financial institutions are limited because the counterparties are banks and institutions with high credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables from foundation and substructure construction services are normally due within 14 days to 21 days (31 March 2016: 42 days), trade receivables from financial servies and others are normally due within 30 days to 60 days (31 March 2016: nil) from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. As at 31 December 2016, 97% (31 March 2016: 65%) of the total trade receivables was due from the Group's largest customer and 97% (31 March 2016: 99%) of the total trade receivables was due from the Group's five largest customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and interest-bearing borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

33. FINANCIAL INSTRUMENTS – *continued*

(c) Financial risk management – *continued*

Liquidity risk – continued

The table includes both interest and principal cash flows.

		Contractual undiscounted cash flow					
	Weighted average interest rate	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	5 years or above HK$'000	Total contractual undiscounted cashflow HK$'000	Carrying amount HK$'000
As at 31 December 2016							
Trade and other payables	—	201,791	—	—	—	201,791	201,791
Retention money payables	—	14,801	12,542	1,956	—	29,299	29,299
Obligations under finance leases	3.06%	7,973	5,259	200	—	13,432	12,995
Amounts due to related parties	—	16,609	—	—	—	16,609	16,609
Interest-bearing borrowings	4.61%	328,151	—	1,733,686	1,077,422	3,139,259	2,735,958
		569,325	17,801	1,735,842	1,077,422	3,400,390	2,996,652
As at 31 March 2016							
Trade and other payables	—	145,496	—	—	—	145,496	145,496
Retention money payables	—	7,180	18,144	2,712	—	28,036	28,036
Obligations under finance leases	3.31%	9,749	7,556	3,726	—	21,031	20,124
Amounts due to related parties	—	69	—	—	—	69	69
		162,494	25,700	6,438	—	194,632	193,725

33. FINANCIAL INSTRUMENTS – *continued*

(d) Fair value measurements of financial instruments

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2016			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Unlisted fund investments	—	89,434	—	89,434
Unlisted convertible bond	—	—	128,027	128,027
Unlisted warrant	—	—	153	153
Put option of equity securities	—	—	26,669	26,669
Available-for-sale investments	—	925,033	—	925,033
Held for trading investments	201,940	—	—	201,940
Total	201,940	1,014,467	154,849	1,371,256

No financial instruments were measured at fair value as at 31 March 2016.

There were no transfers between levels of fair value hierarchy in the current and prior years.

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial Instruments	Fair value hierarchy	Fair value as at 31/12/2016 HK$'000	Fair value as at 31/03/2016 HK'000	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Listed equity securities classified as "Held for trading investments"	Level 1	HK$201,940	N/A	Quoted bid prices in an active market	N/A	N/A
Unlisted fund investments classified as "Financial assets designated at fair value through profit or loss"	Level 2	HK$89,434	N/A	Quoted prices based on net asset value of the funds	N/A	N/A
Unlisted fund investments classified as "Available-for-sale investments"	Level 2	HK$925,033	N/A	Quoted prices based on net asset value of the funds	N/A	N/A

33. FINANCIAL INSTRUMENTS – *continued*

(d) Fair value measurements of financial instruments – *continued*

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below: - *continued*

Financial Instruments	Fair value hierarchy	Fair value as at 31/12/2016 HK$'000	Fair value as at 31/03/2016 HK'000	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Unlisted convertible bond classified as "Financial assets designated at fair value through profit or loss"	Level 3	HK$128,027	N/A	Valuation technique: Binomial option pricing model for put option. Key inputs: Exercise price of the options, current share price of the underlying assets of the options, expected volatility, risk-free rate, dividend yield, time to maturity and discount rate.	Volatility: 40.74% Risk-free rate 1.59% Discount rate: 18.72%	A slight increase or decrease in the default volatility would result in an increase or decrease in the fair value of the convertible bond. A 5% increase and decrease in the volatility with all other variables constant would increase and decrease of fair value of HK$770,000 and HK$1,396,000 on financial assets designated at fair value through profit or loss respectively. A slight increase or decrease in the risk-free rate would result in an increase or decrease in the value of the convertible bond. A 5% increase and decrease in the risk-free rate with all other variables constant would increase and decrease of fair value of HK$5,000 and HK$6,000 on financial assets designated at fair value through profit or loss respectively. A slight increase or decrease in the discount rate would result a decrease or increase in the value of the convertible bond. A 5% increase and decrease in the discount rate with all other variables constant would decrease and increase of fair value of HK$895,000 and HK$931,000 on financial assets designated at fair value through profit or loss respectively.

33. FINANCIAL INSTRUMENTS – *continued*

(d) Fair value measurements of financial instruments – *continued*

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below: - *continued*

Financial Instruments	Fair value hierarchy	Fair value as at 31/12/2016 HK$'000	Fair value as at 31/03/2016 HK'000	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Unlisted warrant classified as "Financial assets designated at fair value through profit or loss"	Level 3	HK$153	N/A	Valuation technique: Binomial option pricing model. Key inputs: Exercise price of the options, current share price of the underlying assets of the options, expected volatility, risk-free rate, dividend yield and time to maturity.	Volatility: 34.69% Risk-free rate 1.95%	A slight increase or decrease in the default volatility would result in an increase or decrease in the fair value of the warrant. A 5% increase and decrease in the volatility with all other variables constant would increase and decrease of fair value of HK$34,000 and HK$31,000 on financial assets designated at fair value through profit or loss respectively. A slight increase or decrease in the risk-free rate would result in an increase or decrease in the value of the warrant. A 5% increase and decrease in the risk-free rate with all other variables constant would increase and decrease of fair value of HK$2,000 and HK$1,000 on financial assets designated at fair value through profit or loss respectively.

33. FINANCIAL INSTRUMENTS – *continued*

(d) Fair value measurements of financial instruments – *continued*

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below: - *continued*

Financial Instruments	Fair value hierarchy	Fair value as at 31/12/2016 HK$'000	Fair value as at 31/03/2016 HK'000	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Put option of equity securities classified as "Financial assets designated at fair value through profit or loss"	Level 3	HK$26,669	N/A	Valuation technique: Binomial option pricing model. Key inputs: Exercise price of the options, current share price of the underlying assets of the options, expected volatility, risk-free rate, dividend yield and time to maturity.	Volatility:32.06% Risk-free rate 1.93%	A slight increase or decrease in the volatility would result in an increase or decrease in the fair value of the put option. A 5% increase and decrease in the volatility with all other variables constant would increase and decrease of fair value of HK$1,052,000 and HK$1,079,000 on financial assets designated at fair value through profit or loss respectively. A slight increase or decrease in the risk-free rate would result in a decrease or increase in the value of the put option. A 5% increase and decrease in the risk-free rate with all other variables constant would decrease and increase of fair value of HK$139,000 and HK$141,000 on financial assets designated at fair value through profit or loss respectively.

33. FINANCIAL INSTRUMENTS – *continued*

(d) Fair value measurements of financial instruments – *continued*

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Unlisted convertible bond HK$'000	Unlisted warrant HK$'000	Put option of equity securities HK$'000
At 31 March 2016 and 1 April 2016			
Purchases	122,087	637	—
Interest earned during the period	—	—	—
Changes in fair value	5,940	(484)	26,669
At 31 December 2016	128,027	153	26,669

The changes in fair value for the period from 1 April 2016 to 31 December 2016 recognised in profit or loss of approximately HK$32,125,000 (31 March 2016: nil) are included in operating income.

The directors of the Company consider that the fair value of the other current financial assets and financial liabilities approximates to their carrying amounts as they are carried at amortised cost by using the effective interest rate.

34. ACQUISITION OF ASSET THROUGH ACQUISITION OF A SUBSIDIARY

On 30 June 2016, the Group completed the acquisition of 100% equity interest of Goldyard Finance Limited ("Goldyard Finance") from an independent third party for a cash consideration of HK$1,700,000. The directors of the Company are of the opinion that the acquisition of Goldyard Finance is in substance an asset acquisition instead of a business combination, as the net assets of Goldyard Finance was mainly the money lender license and Goldyard Finance was inactive and did not constitute a business prior to the acquisition by the Group.

	31 December 2016 HK$'000
Intangible asset (money lender's license) (note 16)	1,840
Cash	5
Other receivable	15
Other payable	(160)
	1,700
Satisfied by:	
Cash	1,700

Net cash outflow on acquisition of Goldyard Finance Limited

	31 December 2016 HK$'000
Cash consideration paid	1,700
Less: cash and cash equivalent balances acquired	(5)
	1,695

35. OPERATING LEASE COMMITMENT

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Within one year	38,177	1,475
In the second to fifth year inclusive	133,385	—
	171,562	1,475

Operating lease payments represent rentals payable by the Group for certain of its storage, office premises, staff quarters and car parking spaces. Leases are negotiated and rentals are fixed for an average term of one to five years (31 March 2016: one to five years).

36. COMMITMENT

a)

	31 December 2016 HK$'000	31 March 2016 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	15,072	—

b) On 30 December 2016, the Group entered into a loan agreement with New China IQ Limited (the "Borrower"), pursuant to which the Group has agreed to lend to the Borrower a loan in the principal amount of HK$35 million in two tranches for a term of twenty-four months, which carries interest at an interest rate of 10% per annum. The transaction constitutes a discloseable transaction on the part of the Company. The loan was subsequently withdrawn by the Borrower in January 2017. Relevant details are set out in the Company's announcement dated 30 December 2016.

37. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the written resolutions of the sole shareholder of the Company on 8 December 2014, the Company adopted a share option scheme (the "Scheme") to attract and retain the best available personnel, to provide additional incentive to employees (full-time or part-time), directors of the Company, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the directors of the Company may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the directors of the Company, and will be at least the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of each reporting period.

38. RETIREMENT BENEFITS PLANS

The Group participates in a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% (31 March 2016: 5%) of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of PRC. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the period from 1 April 2016 to 31 December 2016, the total amount contributed by the Group to these schemes and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK$2,847,000 (31 March 2016: HK$3,283,000).

39. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group has the following related parties transactions.

(a) During the Reporting Period, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationships
Mr. Leung	Director of a subsidiary (31 March 2016: shareholder and director of the Company)
Mr. Kwan	Executive Director of the Company (31 March 2016: shareholder and director of the Company)
Fortune Famous Engineering (Transportation) Company Limited ("Fortune Famous")	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Hongkong Gold Gate Enterprise Limited ("HKGG")	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Group Team Limited	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Acute Peak	55% and 45% owned by Mr. Leung and Mr. Kwan respectively
Right Select	Major shareholder
CHIH	Intermediate holding company of a major shareholder Right Select
Mr. Qin Ling	Chairman of the Board of Director of the Company
Ms. Lin Changhua	Executive Director of the Company

39. RELATED PARTY TRANSACTIONS – *continued*

(b) During the Reporting Period, the Group entered into the following transactions with related parties:

	Notes	31 December 2016 HK$'000	31 March 2016 HK$'000
Management fee income received from			
– Right Select	(i)	933	—
Expenses paid on behalf			
– Mr. Qin Ling	(i)	96	—
– Ms. Lin Changhua	(i)	4	—
Recharge of office rent, rates and management fee by			
– Group Team Limited	(i)	(2,464)	(256)
Operating lease payments of motor vehicles			
– Fortune Famous	(i)	(405)	(540)
– HKGG	(i)	(351)	(468)
Interest expenses paid to			
– CHIH	(i)	(39,441)	—
– Mr. Leung	(ii)	(1,074)	—
– Mr. Kwan	(ii)	(879)	—
– Acute Park	(i)	(5,384)	—

The related party transactions in respect of (i) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

The related party transactions in respect of (ii) above constitute connected transactions and the disclosures required by Chapter 14A of the Listing Rules are provided in the 'Report of the Directors' section to the annual report.

39. RELATED PARTY TRANSACTIONS – *continued*

(c) The information about amounts due from (to) of the following related parties are as follows:

		Amounts due from related parties		Amounts due to related parties	
	Notes	**31 December 2016 HK$'000**	31 March 2016 HK$'000	**31 December 2016 HK$'000**	31 March 2016 HK$'000
Right Select		**933**	—	—	—
CHIH		—	—	**8,627**	—
Acute Peak		—	—	**5,384**	—
Fortune Famous		—	—	**45**	45
HKGG		**161**	—	—	24
Mr. Leung		—	—	**1,374**	—
Mr. Kwan		—	—	**1,179**	—
Group Team Limited		—	132	—	—
Mr. Qin Ling	(i)	**96**	—	—	—
Ms. Lin Changhua	(i)	**4**	—	—	—
		1,194	132	**16,609**	69

The amounts due from (to) related parties are unsecured, interest-free and repayable on demand.

(i) The maximum amount outstanding of amounts due from Mr. Qin Ling and Ms. Lin Changhua during the period was approximately HK$96,000 and HK$4,000 respectively.

(d) Guarantee from related parties

At 31 December 2016, obligations under finance leases of approximately HK$461,000 (31 March 2016: HK$2,335,000) was jointly guaranteed by Mr. Leung and Mr. Kwan.

(e) Compensation of key management personnel

The remunerations of the directors of the Company and other members of key management during both years were as follows:

	31 December 2016 HK$'000	31 March 2016 HK$'000
Short-term benefits	**10,656**	6,718
Post-employment benefits	**183**	89
	10,839	6,807

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	31 December 2016 HK$'000	31 March 2016 HK$'000
Non-current assets			
Plant and equipment		1,233	—
Deposit paid for acquisition of plant and equipment		2,220	—
Investments in subsidiaries		—	87,838
		3,453	87,838
Current assets			
Other receivables		9,543	—
Amounts due from subsidiaries	(a)	2,116,561	63,351
Amounts due from related parties		1,034	—
Bank balances and cash		590,510	229
		2,717,648	63,580
Current liabilities			
Other payables		51,223	92
Amounts due to subsidiaries	(a)	1,455	—
Amount due to a related party		8,627	—
		61,305	92
Net current assets		2,656,343	63,488
Total assets less current liabilities		2,659,796	151,326
Non-current liabilities			
Interest-bearing borrowings		2,326,524	—
Deferred tax liabilities		185	—
		2,326,709	—
Net assets		333,087	151,326
Capital and reserves			
Share capital		12,360	10,300
Reserves	(b)	320,727	141,026
Total equity		333,087	151,326

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Notes:

(a) Amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

(b) Movements in reserves

	Share premium HK$' 000	Capital reserve HK$' 000	Accumulated losses HK$' 000	Total HK$' 000
At 1 April 2015	150,524	7,164	(15,582)	142,106
Loss and total comprehensive expenses for the year	—	—	(1,080)	(1,080)
At 31 March 2016 and 1 April 2016	150,524	7,164	(16,662)	141,026
Issue of new shares	183,340	—	—	183,340
Expense incurred in connection with the issue of new shares	(2,004)	—	—	(2,004)
Loss and total comprehensive expenses for the period	—	—	(1,635)	(1,635)
At 31 December 2016	331,860	7,164	(18,297)	320,727

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2016 and 31 March 2016 are as follow:

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Company				Principal activities
				Directly		Indirectly		
				31 December 2016	31 March 2016	31 December 2016	31 March 2016	
Chun Sing Engineering Company Limited	Hong Kong	Ordinary	HK$10,000	—	—	100%	100%	Construction and engineering
Chun Sing Machinery Company Limited	Hong Kong	Ordinary	HK$60,000	—	—	100%	100%	Machinery leasing
Auto Brave Limited	BVI	Ordinary	US$1	100%	100%	—	—	Investment holding
中聚(深圳)融資租賃有限公司	PRC	Ordinary	Nil	—	—	100%	100%	Investment holding and financial leasing
新余華融晟遠投資有限公司	PRC	Ordinary	Nil	—	—	100%	—	Financial advisory service
華融晟遠 (北京) 投資有限公司	PRC	Ordinary	Nil	—	—	100%	—	Financial advisory service and fund investment
Wise United Holdings Limited	BVI	Ordinary	US$1	—	—	100%	—	Debts instrument investment
Ideal Trader Limited	BVI	Ordinary	US$1	—	—	100%	—	Financial advisory service
Dazzling Elite Limited	BVI	Ordinary	US$1	—	—	100%	—	Fund and debts instrument investment
Wealth Channel Global Limited	BVI	Ordinary	US$1	—	—	100%	—	Securities trading
Coastal Treasure Limited	BVI	Ordinary	US$1	—	—	100%	—	Securities trading
Coastal Star	BVI	Ordinary	US$1	—	—	100%	—	Securities trading
Bloom Right Limited	BVI	Ordinary	US$1	—	—	100%	—	Securities trading and debts instrument investment

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affect the results for the Reporting Period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding as at the end of the Reporting Period or at any time during the Reporting Period.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

At the end of the Reporting Period, the Company has other subsidiaries that are not material to the Group. Majority of these subsidiaries operates in Hong Kong, BVI and the Cayman Islands. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31 December 2016	31 March 2016
Dormant	Hong Kong	**2**	—
	BVI	**7**	—
	Cayman Islands	**2**	—
Investment holding	Hong Kong	**4**	1
	BVI	**8**	5
	Cayman Islands	**1**	—
		24	6
Material subsidiaries		**13**	4
		37	10

42. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 March 2016, the Group entered into finance lease agreements in respect of plant and equipment with a total capital value at the inception of the leases of approximately HK$13,772,000.

(ii) During the year ended 31 March 2016, the Group acquired a machinery with cost of approximately HK$840,000 which was settled by cash of approximately HK$720,000 and trade-in-value of a machinery disposed of at approximately HK$120,000.

43. SUBSEQUENT EVENTS

(i) On 4 January 2017, the Group (the "Lessor") entered into the agreement with Zhangye Pingshan Lake Wind Power CO., LTD (the "Lessee"), pursuant to which the Lessor agreed to purchase several wind turbine generators (the "Leased Assets") from the Lessee at a consideration of RMB100 million. The Lessor 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 transaction constitutes a discloseable transaction on the part of the Company. Details of the transaction are disclosed in the Company's announcement dated 4 January 2017. The transaction was completed in January 2017.

(ii) On 5 January 2017, the Group entered into the subscription agreement with Leadingchina Hightechnique GP Limited, where the Group agreed to purchase the equity interest in the Leadingchina Creative Fund LP for a purchase price of HK$99 million. Details of the transaction are disclosed in the Company's announcement dated 5 January 2017. Up to the date of this report, the Group has not yet settled the commitment amount.

(iii) On 5 January 2017, the Group entered into the subscription agreement with Grandis Capital Limited, where the Group agreed to purchase the equity interest in the Grandis Capital Fund L.P., for a purchase price of US$15 million. 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. The transaction constitutes a discloseable transaction on the part of the Company. Details of the transaction are disclosed in the Company's announcements dated 5 January 2017 and 28 February 2017. Up to the date of this report, the Group has not yet fund the commitment.

(iv) On 5 January 2017, the Group entered into the 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 on the part of the Company. Details of the transaction are disclosed in the Company's announcement dated 6 January 2017. Up to the date of this report, the Group has partially paid the commitment amounted to US$19,775,000.

(v) On 6 January 2017, the Group entered into the investment services agreement with Income Partners Asset Management (HK) Limited ("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 on the part of the Company. Details of the transaction are disclosed in the Company's announcement dated 6 January 2017. Up to the date of this report, the Group has not yet fund the commitment.

(vi) On 6 January 2017, the Group entered into the subscription agreement with its substantial shareholder, Right Select International Limited (the "Subscriber"), where the Group has conditionally agreed to allot and issue, 580,000,000 subscription shares in cash at a subscription price of HK$0.40 per subscription share and the Subscriber has conditionally agreed to subscribe. The transaction has been approved through EGM held on 22 February 2017 and 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. Details of the transaction are disclosed in the Company's announcements dated 12 January 2017, 2 February 2017, 3 February 2017, 22 February 2017 and 28 February 2017.

FIVE YEARS FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial period/years, as extracted from the published audited financial statements and as appropriate, is set out below.

Consolidated Results	**2016 HK$'000 For the period from 1 April to 31 December**	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
		For the year ended 31 March			
Revenue and operating income	**685,669**	791,664	808,083	581,431	452,267
Revenue from construction services	**469,864**	791,664	808,083	581,431	452,267
Cost of construction services	**(398,830)**	(709,846)	(682,160)	(497,048)	(384,023)
Gross profit from construction services	**71,034**	81,818	125,923	84,383	68,244
Operating income	**215,805**	—	—	—	—
Other income	**38,357**	3,440	1,425	3,133	2,166
Administrative expenses	**(97,339)**	(32,302)	(44,200)	(17,960)	(15,113)
Finance costs	**(49,504)**	(871)	(1,218)	(1,306)	(1,643)
Profit before taxation	**178,353**	52,085	81,930	68,250	53,654
Income tax expense	**(22,536)**	(8,549)	(16,159)	(11,429)	(9,234)
Profit for the period/year	**155,817**	43,536	65,771	56,821	44,420
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	65,771	56,821	44,420

Consolidated Assets and liabilities	**2016 HK$'000 As at 31 December**	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
		As at 31 March			
Total Assets	**3,605,842**	464,893	368,924	288,186	204,086
Total Liabilities	**(3,043,802)**	(238,769)	(186,336)	(175,449)	(148,170)
Net assets	**562,040**	226,124	182,588	112,737	55,916