



Interim Report

For the six months ended 30 September 2016



華融投資股份有限公司

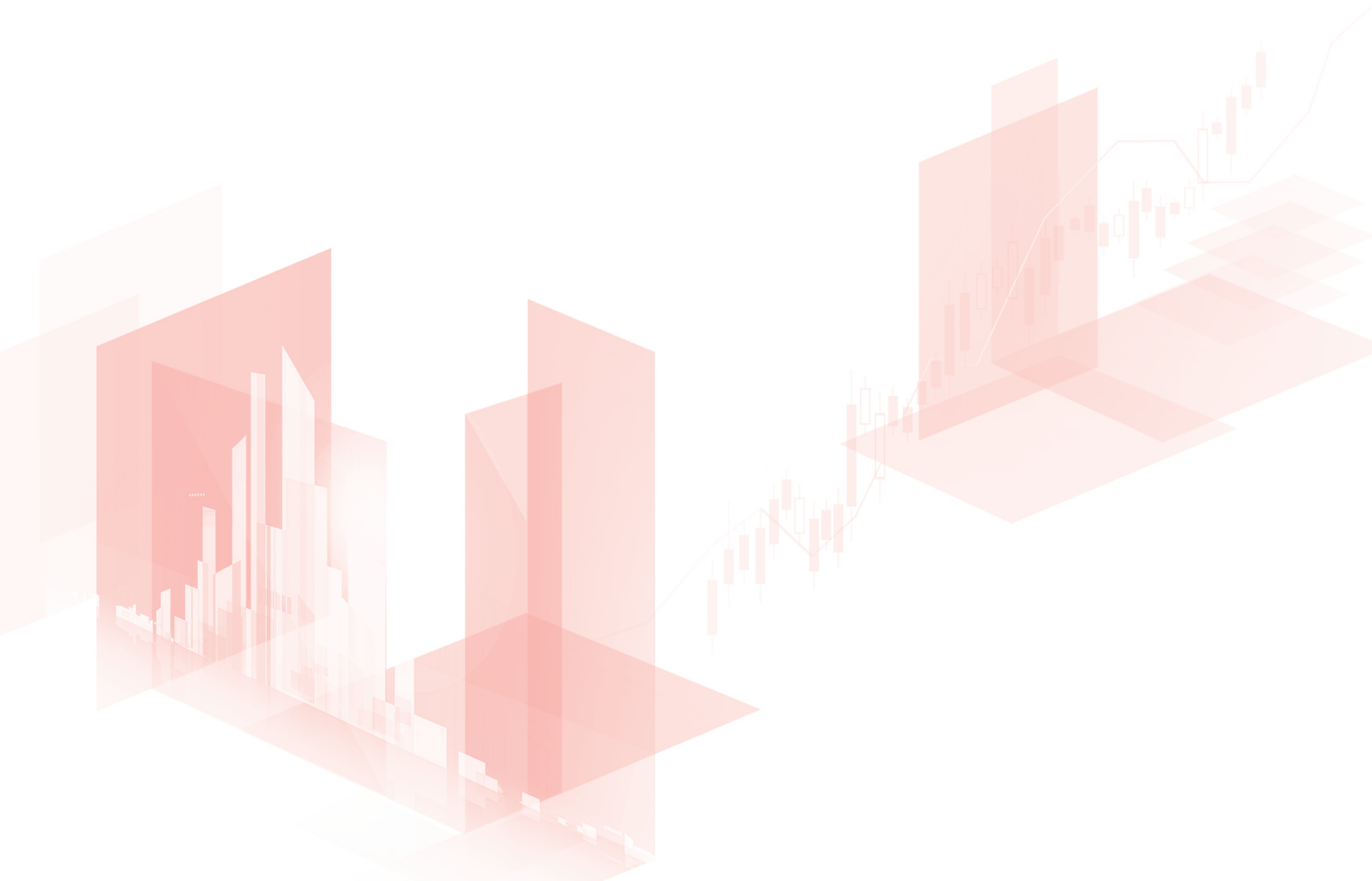
HUARONG INVESTMENT STOCK CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2277

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Qin Ling (*Chairman*)
Mr. Yeung Chun Wai Anthony (*Vice Chairman*)
Mr. Xu Xiaowu (*Chief Executive Officer*)
Mr. Kwan Wai Ming
Mr. Tian Ren Can
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. Kwan Wai Ming
Mr. Chan Kee Huen Michael

NOMINATION COMMITTEE

Mr. Yeung Chun Wai Anthony (*Chairman*)
Mr. Tse Chi Wai
Mr. Chan Kee Huen Michael

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3402, 34/F,
Two Pacific Place, 88 Queensway,
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Michael Li & Co.

AUDITOR

SHINEWING (HK) CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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 BANKER

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

STOCK CODE

2277

WEBSITE

www.cseng.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The business performance and evaluation of Huarong Investment Stock Corporation Limited (formerly known as Chun Sing Engineering Holdings Limited, the “Company”) and its subsidiaries (collectively, the “Group”) two main business segments namely (1) foundation and substructure construction service; and (2) finance leasing and direct investment for the six months ended 30 September 2016 (the “Reporting Period”) are detailed below:

Revenue from construction and rental income from lease of machinery

During the six months ended 30 September 2016, the Group had income generated from construction contracts and rental income from lease of machinery. Set out below is the breakdown of revenue of the Group during the six months ended 30 September 2016 and 2015 respectively.

	Six months ended 30 September	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Revenue from construction contracts	307,954	357,519
Rental income from lease of machinery	—	896
	<u>307,954</u>	<u>358,415</u>

Revenue from construction contracts

Construction contract income is recognised based on the stage of completion. The 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 of our Group in the respective period.

For the six months ended 30 September 2016, there were 15 (six months ended 30 September 2015: 21) construction projects contributing approximately HK\$307,954,000 (six months ended 30 September 2015: HK\$357,519,000) to our revenue.

Set out below is the breakdown of such projects based on their respective revenue recognised during the six months ended 30 September 2016 and 2015 respectively.

	Six months ended 30 September	
	2016 No. of project(s)	2015 No. of project(s)
Revenue recognized		
HK\$100,000,001 to HK\$200,000,000	1	1
HK\$10,000,001 to below HK\$100,000,000	7	7
HK\$1,000,000 to below HK\$10,000,000	2	7
Below HK\$1,000,000	5	6
	<u>15</u>	<u>21</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Rental income from lease of machinery

In addition to undertaking construction works, the Group also leased certain unutilised machineries on a short term basis to independent third parties during the six months ended 30 September 2016 and 2015.

Revenue from finance leasing and direct investment

The Group's business on provision of finance leasing and related service, direct investment in equities, bonds, funds, derivative instruments and other financial products was newly introduced during the six months ended 30 September 2016. Set out below is the breakdown of revenue from finance leasing and direct investment of the Group during the six months ended 30 September 2016.

	Six months ended 30 September 2016 HK\$'000 (Unaudited)
Unrealised gain on held for trading investments	10,778
Realised gain on held for trading investments	946
Interest income from financial assets classified as receivables	200
Unrealised gain on financial assets at fair value through profit and loss	1,195
Income from provision of finance lease arrangement service	5,807
	<hr/>
	18,926

Gross Profit and Gross Profit Margin

The Group's gross profit increased from approximately HK\$47,592,000 for the six months ended 30 September 2015 to approximately HK\$58,941,000 for the six months ended 30 September 2016, which represented an increase of approximately 23.8%. The increase in gross profit was mainly due to the revenue generated from finance leasing and direct investment.

Significant Investments

As at 30 September 2016, the Group held approximately HK\$44,264,000 equity investments at fair value through profit or loss (31 March 2016: Nil). Details of the significant investments are as follows:

	Notes	Stock code	Place of incorporation	Fair value gain HK\$'000	Market values HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage the net assets %
Master Glory Group Limited	1	00275	Bermuda	4,622	10,784	24.4	2.5
CNQC International Holdings Limited	2	01240	Cayman Islands	6,156	33,480	75.6	7.8

During the six months ended 30 September 2016, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$4,008,000 and income recognized in revenue for the amount of HK\$946,000.

Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds <i>HK\$'000</i>	Realised gain <i>HK\$'000</i>
CNQC International Holdings Limited	01240	Cayman Islands	4,008	946

Notes:

1. Master Glory Group Limited was principally engaged in the provision of water supply services, trading of securities, property development and trading business. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$3,736,066,000 as at 31 March 2016.
2. CNQC International Holdings Limited was principally engaged in the foundation and superstructure construction business, and construction and property development business. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$2,144,974,000 as at 30 June 2016.

Administrative Expenses

The Group's general and administrative expenses increased to approximately HK\$18,726,000 for the six months ended 30 September 2016 from approximately HK\$12,556,000 for the six months ended 30 September 2015, which represented an increase of approximately 49.1%. Such increase was mainly due to 3 factors i.e. (1) increase in company incorporation expenses in newly set up subsidiaries; (2) increase in professional fees in investment projects and (3) increase in directors' fee and salaries.

DEBTS AND CHARGE ON ASSETS

The total interest bearing debts of the Group as at 30 September 2016 were approximately HK\$2,676,841,000. All borrowings were denominated in Hong Kong dollar. The loans from of the indirect major shareholder are repayable at fixed interest rates ranging from 3.87% to 5.81% per annum within 3 to 10 years. The finance leases are repayable 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\$16,118,000 and HK\$4,350,000 as at 30 September 2016 respectively.

The loan from a director, loan from a related person and loan from a related company bear interest at fixed interest rates of 3% per annum and are repayable within 1 year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2016, the Group had bank balances and cash of approximately HK\$2,661,189,000. During the six months ended 30 September 2016, the Group financed its operation mainly with a loan from the indirect major shareholder, proceeds from placing of new shares of HK\$0.01 (the “Shares”) of the Company and internally generated cash flow. The gearing ratio of the Group as at 30 September 2016 (defined as total interest-bearing liabilities divided by the Group’s total equity) was approximately 6.3 (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 six months ended 30 September 2016. 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 (the “Board”) of directors (the “Directors”) of the Company 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 30 September 2016.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2016.

IMPORTANT EVENTS

Placing of Shares under General Mandate

As at 30 September 2016, the number of issued Shares increased from 1,030,000,000 to 1,236,000,000. All Shares in issue during the year rank *pari passu* with the existing Shares in all respects. On 3 June 2016, the Company allotted and issued an aggregate of 206,000,000 Shares each for cash to six independent investors at a placing price of HK\$0.90 per Share under the general mandate granted by the shareholders at the annual general meeting of the Company held on 16 September 2015. The net proceeds were approximately HK\$183,396,000.

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

On 27 May 2016, Right Select International Limited (“Right Select”), a direct wholly-owned subsidiary of China Huarong International Holdings Limited (“CHIH”) acquired 240,000,000 Shares.

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

SUBSEQUENT EVENTS

- (i) On 11 October 2016, the Group has entered into a subscription agreement with Agate-JT Healthcare GP Ltd., where the Group agreed to purchase the equity interest in the Agate-JT Healthcare Fund L.P. for a purchase price of US\$5,000,000. The transaction constitutes a discloseable transaction on the part of the Company. Please refer to the Company's announcement dated 11 October 2016 for further information.
- (ii) On 19 October 2016, Huarong Shengyuan (Beijing) Investment Co Ltd.* (華融晟遠(北京)投資有限公司) ("Huarong Shengyuan"), an indirect wholly-owned subsidiary of the Company, entered into a limited partnership agreement with Wu Ming Xiang, Su Wei Na, Gu Qi, and China Merchant United Fortune Investment Fund (Beijing) Co Ltd. ("China Merchant United") in relation to the investment in Shenzhen China Merchant Huarong Investment Advisory (Limited Partnership) (深圳中商華融投資諮詢(有限合夥)) (the "Shenzhen Fund"). Pursuant to which Huarong Shengyuan has committed to a cash contribution of RMB80 million (approximately HK\$92 million) (the "Partnership Interest") to the Shenzhen Fund, representing approximately 24% of the Shenzhen Fund size amounting to RMB330 million (approximately HK\$380 million).

Together with the limited partnership agreement above, Huarong Shengyuan also entered into the partnership interest agreement with China Merchant United, pursuant to which (i) China Merchant United agreed to pay the maintenance fee (being 12% per annum of the capital contributions actually paid by Huarong Shengyuan to the Shenzhen Fund) to Huarong Shengyuan; and (ii) Huarong Shengyuan has conditionally agreed to sell, and China Merchant United has conditionally agreed to purchase, the Partnership Interest on the date falling on the fourth anniversary of the actual payment of the capital contribution by Group to the Shenzhen Fund. Please refer to the Company's announcement dated 19 October 2016 for further information.

- (iii) On 25 October 2016, the Group has entered into a framework agreement with Edge Platinum Alliance Limited ("General Partner") to subscribe for equity interest in the Edge Venture Partners L.P. (the "Edge Venture Fund"), where the Group has agreed to make a capital contribution of US\$20,000,000 to the Edge Venture Fund upon the written request of General Partner. Please refer to the Company's announcement dated 25 October 2016 for further information.
- (iv) On 31 October 2016, the Group and Alltronics Holdings Limited ("Alltronics") (HKEX: 833), entered into a subscription agreement, pursuant to which the Group conditionally agreed to subscribe for, and Alltronics conditionally agreed to allot and issue a total of 23,437,980 new shares in it ("Subscription Shares") at the subscription price of HK\$1.49 per Subscription Share. Please refer to the Company's announcement dated 31 October 2016 for further information.
- (v) On 1 November 2016, the English name of the Company has been changed from "Chun Sing Engineering Holdings Limited" to "Huarong Investment Stock Corporation Limited" and the dual foreign name "震昇工程控股有限公司" to "華融投資股份有限公司", as pursuant to a special resolution passed at the extraordinary general meeting held on 23 September 2016. Please refer to the Company's announcement dated 1 November 2016 under the title "Change of Company Name and Stock Short Name" for further details.
- (vi) On 9 November 2016, Huarong Shengyuan entered into a new limited partnership agreement, supplement to the limited partnership agreement stated in (v) above with Wu Ming Xiang, Su Wei Na, Gu Qi, Northern International Trust Co., Ltd and China Merchant United pursuant to which the size of the Shenzhen Fund be increased from RMB330 million to RMB3,500 million (approximately HK\$4,025 million) while Huarong Shengyuan's cash contribution commitment remain as RMB80 million (approximately HK\$92 million), representing approximately 2% of the revised fund size. Please refer to the Company's announcement dated 9 November 2016 for further information.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group had 266 staff. The total staff costs incurred by the Group for the six months ended 30 September 2016 were approximately HK\$50,942,000.

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 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 training 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.

INTERIM DIVIDEND

The Board did not recommend payment of an interim dividend to shareholders of the Company for the six months ended 30 September 2016 and 30 September 2015.

PROSPECTS

Currently, the global economy is still under a period of profound adjustments after the financial crisis, the Brexit and the United States presidential election have caused more fluctuations in the global economic and financial markets. As mentioned in latest annual report of the Company, in order to respond to the dynamic business environment, the Group has been actively seeking suitable investment opportunities for business diversification, so as to reduce the Group's reliance on its construction business and maximise the returns and values of the Group and our shareholders as a whole. Therefore, the Group has acquired 2 subsidiaries, namely Zhongju (Shenzhen) Finance Leasing Limited 中聚(深圳)融資租賃有限公司 and Goldyard Finance Limited, which are licensed to carry out finance lease arrangement and money lending business and can enable the Group to diversify its business scope, broaden its sources of income and achieve better return to the shareholders of the Company.

During the Reporting Period, our indirect largest shareholder, CHIH and the Company entered into a loan agreement, pursuant to which CHIH agreed to grant loans in an aggregate amount of US\$300 million to the Company. With the support of CHIH through the provision of the Company Loans, the Group made or proposed to make several direct investments in equities, bonds, funds, derivative instruments and other financial products in September and October 2016. The Board believes that CHIH, as a substantial shareholder, which has extensive experience and strong brand strength in the area of finance business, can continue to carry out in-depth cooperation with the Company to develop including but not limited to finance leasing and money lending business and make great contribution to the overall development of the Group. With the support of CHIH, the Group will continuously enhance its competitiveness and comprehensive profitability, striving to create greater value for shareholders of the Company.

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

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

CORPORATE GOVERNANCE REPORT

Save for disclosed below, the Company is adapting and adhering to recognise the standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices. The Board has adopted the code provisions of the Corporate Governance Code (the “Code Provisions”) set out in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company had complied with the Code Provisions throughout the six months ended 30 September 2016.

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. Mr. Yeung Chun Wai Anthony (“Mr. Yeung”) acts as the vice chairman (the “Vice Chairman”) of the Board and also acts 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 composition of Nomination Committee comprises majority of the members are independent non-executive Directors. 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 to be more effective and efficient in developing long term business strategies and executive plans.

AUDIT COMMITTEE

The audit committee (the “Audit Committee”) of the Company 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.

The unaudited condensed interim financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND LONG POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 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 Securities and Futures Ordinance (“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 (including interests and long positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the

CORPORATE GOVERNANCE REPORT

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	Interest in controlled corporation – Corporate Interest (Note)	200,080,000	16.19%
	Interest of spouse	30,000,000	2.42%

Note: 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%

Note: 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as is known to the Directors, as at 30 September 2016, the following persons (not being a Director or chief executive of the Company) had interests or short positions in Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares held/ interested in	Percentage of shareholding
Right Select	Beneficial owner (Note)	346,000,000	27.99%
Finest Elite	Beneficial owner	200,080,000	16.19%

Note: Right Select is a direct wholly-owned subsidiary of CHIH.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this interim 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.

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.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the then 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 in issue upon the date on which the Shares are listed and permitted to be dealt in the Stock Exchange, 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 or with a value in excess of HK\$5 million must be approved 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 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.

No share options were granted, exercised, cancelled or lapsed since the adoption date of the Scheme and there are no outstanding share options under the Share Option Scheme from the date of its adoption to the date of this interim report.

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

Save for transactions in connection with the corporate reorganisation (the "Reorganisation") in preparation for the listing of the Shares on the Stock Exchange, as disclosed in the prospectus and in the annual report of the Company dated 15 December 2014 and 28 July 2015 respectively, 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.

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.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my gratitude and appreciation to the Board members, the management and our employees for their loyalty, continuous support and dedicated services.

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

Hong Kong, 17 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		Six months ended 30 September	
Notes	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	
Revenue	5 326,880	358,415	
Cost of services	(267,939)	(310,823)	
Gross profit	58,941	47,592	
Other income	1,985	1,584	
Administrative expenses	(18,726)	(12,556)	
Finance costs	6 (16,225)	(410)	
Profit before taxation	7 25,975	36,210	
Income tax expense	8 (5,067)	(6,069)	
Profit and total comprehensive income for the period attributable to owners of the Company	<u>20,908</u>	<u>30,141</u>	
Earnings per share (HK cents)			
– Basic and diluted	10 <u>1.9</u>	<u>2.9</u>	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Notes	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
Non-current assets			
Intangible asset	11	1,840	—
Plant and equipment	12	94,430	105,732
Financial assets classified as receivables	13	92,638	—
		<u>188,908</u>	<u>105,732</u>
Current assets			
Financial assets at fair value through profit or loss	14	123,936	—
Held for trading investments	15	44,264	—
Amounts due from customers for contract work	16	21,903	30,936
Trade and other receivables	17	305,184	183,912
Amounts due from related parties	23	—	132
Tax recoverable		—	1,973
Bank balances and cash		2,661,189	142,208
		<u>3,156,476</u>	<u>359,161</u>
Current liabilities			
Amounts due to customers for contract work	16	37,456	36,655
Trade and other payables	18	169,070	174,132
Amounts due to related parties	23	5,551	69
Tax payables		2,984	—
Obligations under finance leases	19	7,998	9,179
Interest-bearing borrowings	20	350,000	—
		<u>573,059</u>	<u>220,035</u>
Net current assets		<u>2,583,417</u>	<u>139,126</u>
Total assets less current liabilities		<u>2,772,325</u>	<u>244,858</u>
Non-current liabilities			
Obligations under finance leases	19	7,157	10,945
Interest-bearing borrowings	20	2,326,841	—
Deferred tax liabilities		7,899	7,789
		<u>2,341,897</u>	<u>18,734</u>
Net assets		<u>430,428</u>	<u>226,124</u>
Capital and reserves			
Share capital	21	12,360	10,300
Reserves		418,068	215,824
Total equity		<u>430,428</u>	<u>226,124</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Share capital HK\$' 000	Share premium HK\$' 000	Capital reserve HK\$' 000	Merger reserve HK\$' 000	Retained earnings HK\$' 000	Total HK\$' 000
At 1 April 2015 (audited)	10,300	150,524	7,164	(87,838)	102,438	182,588
Profit and total comprehensive income for the period	—	—	—	—	30,141	30,141
At 30 September 2015 (unaudited)	<u>10,300</u>	<u>150,524</u>	<u>7,164</u>	<u>(87,838)</u>	<u>132,579</u>	<u>212,729</u>
At 1 April 2016 (audited)	10,300	150,524	7,164	(87,838)	145,974	226,124
Issue of new shares (Note 21(b))	2,060	183,340	—	—	—	185,400
Expense incurred in connection with the issue of new shares	—	(2,004)	—	—	—	(2,004)
Profit and total comprehensive income for the period	—	—	—	—	20,908	20,908
At 30 September 2016 (unaudited)	<u>12,360</u>	<u>331,860</u>	<u>7,164</u>	<u>(87,838)</u>	<u>166,882</u>	<u>430,428</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Six months ended 30 September	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Cash used in operating activities	(312,516)	(1,837)
Tax paid	—	(3,066)
NET CASH USED IN OPERATING ACTIVITIES	(312,516)	(4,903)
INVESTING ACTIVITIES		
Interest received	1,282	—
Purchase of plant and equipment	(7,533)	(26,400)
Acquisition of a subsidiary accounted for an asset acquisition	(1,840)	—
Proceeds from disposal of plant and equipment	865	2,733
NET CASH USED IN INVESTING ACTIVITIES	(7,226)	(23,667)
FINANCING ACTIVITIES		
Proceeds from issue of new shares	185,400	—
Expenses incurred in connection with issue of new shares	(2,004)	—
New interest-bearing borrowings raised	2,676,841	—
Repayments of bank borrowings	(30,000)	(5,000)
Capital element of finance lease rentals paid	(5,289)	(10,929)
Interest element of finance lease rentals paid	(320)	(401)
Interest paid	(15,905)	(9)
New bank borrowings raised	30,000	5,000
Net proceeds from sale and lease back transactions	—	5,180
NET CASH FROM (USED IN) FINANCING ACTIVITIES	2,838,723	(6,159)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,518,981	(34,729)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	142,208	117,941
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	2,661,189	83,212

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1. GENERAL

The Company was incorporated in the Cayman Islands on 15 July 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange on 29 December 2014.

The Company acts as an investment holding company and the principal activities of the Group are provision of foundation and substructure construction service; provision of finance lease and related service, direct investment in equities, bonds, funds, derivative instruments and other financial products and provision of money lending services. (31 March 2016: provision of foundation and substructure construction service).

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”.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2016 have been prepared in accordance with the applicable disclosure provision of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical basis.

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2016, except as described below.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretation (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial period beginning on 1 April 2016.

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

The application of the new and revised HKFRSs in the current period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

4. SEGMENT INFORMATION

During the period, in order to more accurately reflect the resources allocation and assessment of performance of the Group, the structure of the financial reports provided to the operating decision maker, has been changed such that financial information relating to finance leasing and direct investment operations are separately reported with effect from the period. Accordingly, it is determined that the change in the structure of its internal organisation and reporting has resulted in the composition of operating and reportable segments to change.

Specifically, the Group's reportable and operating segments from continuing operations are now determined to be as follows:

- (1) Foundation and substructure construction service - excavation and lateral support works, pile cap construction and substructure construction for residential, commercial and infrastructure projects and rental of relevant equipments.
- (2) Finance leasing and direct investment - provision of finance lease and related service, direct investment in equities, bonds, funds, derivative instruments and other financial products.

The Group's business on finance leasing and direct investment was newly introduced during the six months ended 30 September 2016.

(a) Segment revenues and results

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

For the six months ended 30 September 2016

	Foundation and substructure construction service	Finance leasing and direct investment	Total
	HK\$' 000 (Unaudited)	HK\$' 000 (Unaudited)	HK\$' 000 (Unaudited)
Segment revenue			
External sales	<u>307,954</u>	<u>18,926</u>	<u>326,880</u>
Segment profit	<u>40,015</u>	<u>18,926</u>	58,941
Unallocated income			1,985
Unallocated expenses			<u>(34,951)</u>
Consolidated profit before tax			<u>25,975</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

4. SEGMENT INFORMATION – *continued*

(a) Segment revenues and results – *continued*

For the six months ended 30 September 2015

	Foundation and substructure construction service	Finance leasing and direct investment	Total
	HK\$' 000	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue			
External sales	358,415	—	358,415
Segment profit	47,592	—	47,592
Unallocated income			1,584
Unallocated expenses			(12,966)
Consolidated profit before tax			36,210

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of central administrative cost, directors' emoluments, other income and finance costs. This is the measure reported to the chairman of the Board of Directors, being the operating decision maker, for the purposes of resources allocation and performance assessment.

(b) Segment assets and liabilities

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

	30 September 2016 HK\$' 000 (Unaudited)	30 September 2015 HK\$' 000 (Unaudited)
Segment assets		
Foundation and substructure construction service	411,550	304,984
Finance leasing and direct investment	268,506	—
Total segment assets	680,056	304,984
Unallocated assets	2,665,328	83,212
Consolidated assets	3,345,384	388,196

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

4. SEGMENT INFORMATION – *continued*

(b) Segment assets and liabilities – *continued*

	30 September 2016 HK\$' 000 (Unaudited)	30 September 2015 HK\$' 000 (Unaudited)
Segment liabilities		
Foundation and substructure construction service	209,904	160,910
Finance leasing and direct investment	825	—
Total segment liabilities	210,729	160,910
Unallocated liabilities	2,704,227	14,557
Consolidated liabilities	2,914,956	175,467

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than the equipment of head office, certain deposits and other receivables, bank balances and cash; and
- All liabilities are allocated to reportable segments other than certain other payables, interest-bearing borrowings and tax liabilities.

(c) Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 September	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Customer A	200,194	210,247
Customer B	33,673	65,821
Customer C	—	42,515
Customer D	33,189	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

5. REVENUE

Revenue represents the amount received and receivable for the provision of foundation and substructure construction service and the finance leasing and direct investment net of sales related taxes. An analysis of the Group's revenue is as follows:

	Six months ended 30 September	
	2016	2015
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
Foundation and substructure construction service		
-Revenue from construction contracts	307,954	357,519
-Rental income from lease of machinery	—	896
Finance leasing and direct investment		
-Unrealised gain on held for trading investments	10,778	—
-Realised gain on held for trading investments	946	—
-Interest income from financial assets classified as receivables	200	—
-Unrealised gain on financial assets at fair value through profit and loss	1,195	—
-Income from provision of finance lease arrangement service	5,807	—
	326,880	358,415
	326,880	358,415

6. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
Interest on:		
- Bank borrowing	311	9
- Interest-bearing borrowing	15,594	—
- Finance leases	320	401
	16,225	410
	16,225	410

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Depreciation in respect of plant and equipment		
– assets held under finance leases	3,938	4,403
– owned assets	14,576	10,277
	<u>18,514</u>	<u>14,680</u>
Gain on disposals of plant and equipment	(544)	(1,177)
Minimum lease payments under operating leases in respect of:		
– motor vehicles	504	—
– machinery	—	508
– land and buildings	2,401	1,565
	<u>2,905</u>	<u>2,073</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Current income tax – Hong Kong:		
Provision for the period	4,957	6,433
Deferred income tax/(credit)	110	(364)
	<u>5,067</u>	<u>6,069</u>

9. DIVIDEND

No dividend was paid or proposed by the Company during the Reporting Period, nor has any dividend been proposed since the end of the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	<u>20,908</u>	<u>30,141</u>
	Six months ended 30 September	
	2016 ' 000 (Unaudited)	2015 ' 000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,097,726</u>	<u>1,030,000</u>

The diluted earnings per share are equal to the basic earnings per share as there were no dilutive potential ordinary shares during the six months ended 30 September 2016 and 2015.

The weighted average number of ordinary share in issue during the six months ended 30 September 2015 represents 1,030,000,000 ordinary shares (note 21) issued as part of common control combination as if such shares were issued on 1 April 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

11. INTANGIBLE ASSET

	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
License, at cost and carrying value	<u>1,840</u>	<u>—</u>

Intangible asset is represented by the money lender's license acquired by the Group from an independent third party as disclosed in note 24.

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 Group would renew the license continuously and has the ability to do so. Various studies including product life cycle studies, market and competitive and environmental trends have been performed by directors of the Company, which supports that the license has no foreseeable limit to the period over which the provision of service restricted by license are expected to generate net cash flows for the Group.

As a result, the license is considered by the directors of the Company as having an indefinite useful life because it is expected to contribute the net cash inflows indefinitely. 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. No impairment loss was recognised for the intangible asset as at 30 September 2016 (31 March 2016: nil).

12. PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired approximately HK\$7,533,000 (six months ended 30 September 2015: HK\$26,400,000) of plant and equipment.

Plant and equipment with a net carrying amount of approximately HK\$321,000 (six months ended 30 September 2015: HK\$1,556,000) were disposed of by the Group during the Reporting Period, resulting in a net gain on disposal of approximately HK\$544,000 (six months ended 30 September 2015: HK\$1,177,000).

13. FINANCIAL ASSETS CLASSIFIED AS RECEIVABLES

Financial assets classified as receivables are neither impaired nor overdue as of 30 September 2016.

On 23 September 2016, the Group purchased unlisted debt instruments, with principal amount of US\$12,000,000 (approximately HK\$93,600,000) which was issued by an independent party, a listed company in Hong Kong, and bears fixed interest rates of 11% per annum payable quarterly, and matures on 23 September 2019. The debt instruments are freely transferrable and secured by guarantees and collaterals. Regular reviews on the receivables are conducted by the risk management department based on the latest status of the receivables, and the latest announced or available information about the borrowers and the underlying collateral held.

On 23 September 2016, as part of the transaction of the purchase of the debt instruments, the issuer of the debt instruments has proposed to issue unlisted warrants to the Group at nil consideration, subject to the approval from the shareholders of the issuer. The warrants will entitle the Group to subscribe for 7,021,755 shares in a issuer of the debt instruments in Hong Kong at a pre-determined price in a specific period. The unlisted warrants was subsequently issued to the Group on 14 October 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 HK\$' 000 (Unaudited)	30 September 2015 HK\$' 000 (Unaudited)
Financial assets at fair value through profit or loss		
– Unlisted convertible bonds, at fair value (note a)	123,323	—
– Rights to receive unlisted warrant, at fair value (note b)	613	—
	<u>123,936</u>	<u>—</u>

- a. On 14 September 2016, the Group acquired unlisted convertible bonds, 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 bonds are freely transferrable. The fair value of the convertible bonds amounted to approximately HK\$123,323,000 as at 30 September 2016, which was estimated by an independent firm of professional valuer.
- b. As disclosed in note 13, the fair value of the rights to receive unlisted warrants amounted to approximately HK\$613,000 as at 30 September 2016, which was estimated by an independent firm of professional valuer.
- c. Fair values of unlisted investments with no recent transactions noted were arrived at on the basis of valuations carried out by an independent valuer not connected with the Group. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of comparable companies listed on stock exchanges.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

15. HELD FOR TRADING INVESTMENTS

Held for trading investments consisted solely 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 of Hong Kong Limited at the end of the Reporting Period.

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

	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
Contracts in progress at the end of the Reporting Period		
Contract costs incurred plus recognised profits less recognised losses	2,199,574	1,863,565
Less: progress billings	<u>(2,215,127)</u>	<u>(1,869,284)</u>
	<u>(15,553)</u>	<u>(5,719)</u>
Analysed for reporting purposes as:		
Amounts due from customers for contract work	21,903	30,936
Amounts due to customers for contract work	<u>(37,456)</u>	<u>(36,655)</u>
	<u>(15,553)</u>	<u>(5,719)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

17. TRADE AND OTHER RECEIVABLES

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

	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
Trade receivables	226,877	90,868
Deposits, prepayments and other receivables	4,219	4,550
Retention money receivables	74,088	88,494
	<hr/>	<hr/>
Trade and other receivables	305,184	183,912
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables are normally due within 42 days from the date of billing. The following is an aged analysis of trade receivables, presented based on the invoice date (or date of revenue recognition, if earlier) at the end of the Reporting Period:

	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
Within 1 month	61,651	60,178
1 to 2 months	62,495	30,690
Over 3 months	102,731	—
	<hr/>	<hr/>
	226,877	90,868
	<hr/> <hr/>	<hr/> <hr/>

As at 30 September 2016 and 31 March 2016, none of the trade receivables was individually determined to be impaired.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

18. TRADE AND OTHER PAYABLES

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

	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
Trade payables	121,638	122,975
Retention money payables	27,243	28,036
Other payables and accruals	20,189	23,121
Trade and other payables	<u>169,070</u>	<u>174,132</u>

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

	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
Within 1 months	50,290	23,873
1 to 3 months	27,249	69,586
3 to 6 months	44,099	26,414
Over 6 months	—	3,102
	<u>121,638</u>	<u>122,975</u>

The average credit period granted to the Group is 0 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

19. OBLIGATIONS UNDER FINANCE LEASES

	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
Analysed for reporting purposes as:		
Current liabilities	7,998	9,179
Non-current liabilities	7,157	10,945
	<u>15,155</u>	<u>20,124</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

19. OBLIGATIONS UNDER FINANCE LEASES – *continued*

It is the Group's policy to lease certain of its machinery and motor vehicles under finance leases. As at 30 September 2016, the lease term ranges from 3 to 5 (31 March 2016: 3 to 5) years. As at 30 September 2016, interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.6% to 4.8% (31 March 2016: 2.5% to 8.7%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
Analysed for reporting purposes as:				
Within one year	8,406	9,749	7,998	9,179
After one year but within two years	6,551	7,556	6,400	7,275
After two years but within five years	764	3,726	757	3,670
	<u>15,721</u>	<u>21,031</u>	<u>15,155</u>	<u>20,124</u>
Less: future finance charges	(566)	(907)	N/A	N/A
Present value of lease obligations	<u>15,155</u>	<u>20,124</u>	<u>15,155</u>	<u>20,124</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(7,998)</u>	<u>(9,179)</u>
Amount due for settlement after 12 months			<u>7,157</u>	<u>10,945</u>

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

As at 30 September 2016, finance leases of HK\$15,155,000 (31 March 2016: HK\$17,789,000) were secured by the corporate guarantee issued by the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

20. INTEREST-BEARING BORROWINGS

The interest-bearing borrowings are repayable after one year.

	Notes	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
Current portion			
Loan from a director	(i)	45,000	—
Loan from a related person	(ii)	55,000	—
Loans from a related company	(iii)	250,000	—
Total current interest-bearing borrowings		350,000	—
Non-current portion			
Loans from the indirect major shareholder	(iv)	2,326,841	—
Total interest-bearing borrowings		2,676,841	—

- (i) As at 23 April 2016, the Group had loan amounting to HK\$45,000,000 (31 March 2016: Nil) from a director, for the expansion of the Group's business. The stated loan bears interest at fixed interest rates 3% per annum (31 March 2016: Nil) and is repayable in one year (31 March 2016: Nil) from the end of the Reporting Period.
- (ii) As at 23 April 2016, the Group had loan amounting to HK\$55,000,000 (31 March 2016: Nil) from a related person, for the expansion of the Group's business. The stated loan bears interest at fixed interest rates 3% per annum (31 March 2016: Nil) and is repayable in one year (31 March 2016: Nil) from the end of the Reporting Period.
- (iii) As at 13 April 2016, the Group had loan amounting to HK\$250,000,000 (31 March 2016: Nil) from a related company, for the expansion of the Group's business. The stated loan bears interest at fixed interest rates 3% per annum (31 March 2016: Nil) and is repayable on demand (31 March 2016: Nil) from the end of the Reporting Period.
- (iv) As at 30 September 2016, the Group had loans (the "Company Loans") amounting to US\$300,000,000 (31 March 2016: Nil) (approximately HK\$2,326,841,000 (31 March 2016: Nil)) from its indirect major shareholder, CHIH, of a major shareholder, Right Select, for the expansion of the Group's business. The Company Loans bear interest at fixed interest rates ranging from 3.87% to 5.81% per annum (31 March 2016: Nil) and are repayable in three to ten years (31 March 2016: Nil) from the end of the Reporting Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

21. SHARE CAPITAL

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK\$' 000
Ordinary shares of HK\$0.01 each			
<i>Authorised:</i>			
At 31 March 2015 and 2016 (audited)		2,000,000,000	20,000
Increase in authorised share capital	(a)	<u>18,000,000,000</u>	<u>180,000</u>
At 30 September 2016 (unaudited)		<u>20,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>			
At 31 March 2015 and 2016 (audited)		1,030,000,000	10,300
Issue of new shares upon placing	(b)	<u>206,000,000</u>	<u>2,060</u>
At 30 September 2016 (unaudited)		<u>1,236,000,000</u>	<u>12,360</u>

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 3 June 2016, the Company completed the placing while 206,000,000 shares in the Company (the “Placing Shares”) were subscribed by no less than six placees (the “Placees”) at a placing price of HK\$0.90 per Placing Share.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

22. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the written resolutions of the sole shareholder of the Company on 8 December 2014, the Company adopted 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

23. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following significant related party transactions with related parties:

- (a) During the 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 Kam Chuen (“Mr Leung”)	Key management personnel (31 March 2016: Shareholder and director)
Mr. Kwan Wai Ming (“Mr Kwan”)	Director (31 March 2016: Shareholder and director)
Fortune Famous Engineering (Transportation) Company Limited	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Hongkong Gold Gate Enterprise Limited	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 Investments Limited (“Acute Peak”)	55% and 45% owned by Mr. Leung and Mr. Kwan respectively
CHIH	Intermediate holding company of a major shareholder Right Select

- (b) During the period, the Group entered into the following transactions with related parties:

	Notes	Six months ended 30 September	
		2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Recharge of office rent, rates and management fee from			
– Group Team Limited	(i)	(1,533)	—
Lease of motor vehicles from			
– Fortune Famous Engineering (Transportation) Company Limited	(i)	(270)	(270)
– Hongkong Gold Gate Enterprise Limited	(i)	(234)	(234)
		<u> </u>	<u> </u>
Interest expense paid to:			
– CHIH	(i)	(10,791)	—
– Mr. Leung	(ii)	(710)	—
– Mr. Kwan	(ii)	(581)	—
– Acute Peak	(i)	(3,493)	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

23. RELATED PARTY TRANSACTIONS – continued

(b) – continued

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, details of which are provided in the “Report of the Directors” section of the 2016 annual report of the Company.

- (c) The information about other dealings (31 March 2016: loans, quasi-loans and other dealings) entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of a controlled body corporate of Mr. Leung and Mr. Kwan are as follow:

	Maximum amount outstanding during the period/year		Amounts due from related parties		Amounts due to related parties	
	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)	30 September 2016 HK\$' 000 (Unaudited)	31 March 2016 HK\$' 000 (Audited)
Fortune Famous Engineering (Transportation) Company Limited	N/A	N/A	-	-	90	45
Hongkong Gold Gate Enterprise Limited	N/A	293	-	-	77	24
Group Team Limited	N/A	409	-	132	-	-
Mr. Leung	N/A	N/A	-	-	1,010	-
Mr. Kwan	N/A	N/A	-	-	881	-
Acute Peak	N/A	N/A	-	-	3,493	-
			<u>-</u>	<u>132</u>	<u>5,551</u>	<u>69</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

23. RELATED PARTY TRANSACTIONS – continued

- (d) Compensation of key management personnel

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

	Six months ended 30 September	
	2016	2015
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
Short-term benefits	2,520	3,037
Post-employment benefits	27	45
	2,547	3,082
	2,547	3,082

24. 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 licence and Goldyard Finance was inactive and did not constitute a business prior to the acquisition by the Group.

	30 September 2016 HK\$' 000 (Unaudited)
Net assets of Goldyard Finance acquired:	
Intangible asset (money lender’s license) (note 11)	1,840
Cash	5
Other receivable	15
Other payable	(160)
	1,700
	1,700
Satisfied by:	
Cash	1,700

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

25. SUBSEQUENT EVENTS

- (i) On 11 October 2016, the Group has entered into a subscription agreement with Agate-JT Healthcare GP Ltd., where the Group agreed to purchase the equity interest in the Agate-JT Healthcare Fund L.P. for a purchase price of US\$5,000,000. The transaction constitutes a discloseable transaction on the part of the Company. Please refer to the Company's announcement dated 11 October 2016 for further information.
- (ii) On 19 October 2016, Huarong Shengyuan (Beijing) Investment Co Ltd.* (華融晟遠(北京)投資有限公司) ("Huarong Shengyuan"), an indirect wholly-owned subsidiary of the Company, entered into a limited partnership agreement with Wu Ming Xiang, Su Wei Na, Gu Qi, and China Merchant United Fortune Investment Fund (Beijing) Co Ltd. ("China Merchant United") in relation to the investment in Shenzhen China Merchant Huarong Investment Advisory (Limited Partnership) (深圳中商華融投資諮詢(有限合夥)) (the "Shenzhen Fund"). Pursuant to which Huarong Shengyuan has committed to a cash contribution of RMB80 million (approximately HK\$92 million) (the "Partnership Interest") to the Shenzhen Fund, representing approximately 24% of the Shenzhen Fund size amounting to RMB330 million (approximately HK\$380 million).
- Together with the limited partnership agreement above, Huarong Shengyuan also entered into the partnership interest agreement with China Merchant United, pursuant to which (i) China Merchant United agreed to pay the maintenance fee (being 12% per annum of the capital contributions actually paid by Huarong Shengyuan to the Shenzhen Fund) to Huarong Shengyuan; and (ii) Huarong Shengyuan has conditionally agreed to sell, and China Merchant United has conditionally agreed to purchase, the Partnership Interest on the date falling on the fourth anniversary of the actual payment of the capital contribution by Group to the Shenzhen Fund. Please refer to the Company's announcement dated 19 October 2016 for further information.
- (iii) On 25 October 2016, the Group has entered into a framework agreement with Edge Platinum Alliance Limited ("General Partner") to subscribe for equity interest in the Edge Venture Partners L.P. (the "Edge Venture Fund"), where the Group has agreed to make a capital contribution of US\$20,000,000 to the Edge Venture Fund upon the written request of General Partner. Please refer to the Company's announcement dated 25 October 2016 for further information.
- (iv) On 31 October 2016, the Group and Alltronics Holdings Limited ("Alltronics") (HKEX: 833), entered into a subscription agreement, pursuant to which the Group conditionally agreed to subscribe for, and Alltronics conditionally agreed to allot and issue a total of 23,437,980 new shares in it ("Subscription Shares") at the subscription price of HK\$1.49 per Subscription Share. Please refer to the Company's announcement dated 31 October 2016 for further information.
- (v) On 1 November 2016, the English name of the Company has been changed from "Chun Sing Engineering Holdings Limited" to "Huarong Investment Stock Corporation Limited" and the dual foreign name "震昇工程控股有限公司" to "華融投資股份有限公司", as pursuant to a special resolution passed at the extraordinary general meeting held on 23 September 2016. Please refer to the Company's announcement dated 1 November 2016 under the title "Change of Company Name and Stock Short Name" for further details.
- (vi) On 9 November 2016, Huarong Shengyuan entered into a new limited partnership agreement, supplement to the limited partnership agreement stated in (v) above with Wu Ming Xiang, Su Wei Na, Gu Qi, Northern International Trust Co., Ltd and China Merchant United pursuant to which the size of the Shenzhen Fund be increased from RMB330 million to RMB3,500 million (approximately HK\$4,025 million) while Huarong Shengyuan's cash contribution commitment remain as RMB80 million (approximately HK\$92 million), representing approximately 2% of the revised fund size. Please refer to the Company's announcement dated 9 November 2016 for further information.