比速科技集團國際有限公司

Bisu Technology Group International Limited

(Formerly known as Excel Development (Holdings) Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1372)

FINAL RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2016

The board (the "Board") of directors (the "Directors") of Bisu Technology Group International Limited (the "Company") hereby announces the consolidated financial results of the Company and its subsidiaries (collectively refer to as the "Group") for the nine months ended 31 December 2016, together with comparative figures for the year ended 31 March 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Nine months ended 31 December 2016

	Notes	**Nine months ended 31 December 2016** *HK$'000*	Year ended 31 March 2016 *HK$'000*
REVENUE	*5*	**2,145,926**	609,335
Cost of sales		**(1,928,463)**	(603,483)
Gross profit		**217,463**	5,852
Other income and gains	*5*	**8,244**	10,756
Administrative expenses		**(41,083)**	(38,171)
Research and development costs		**(4,839)**	—
Finance costs	*6*	**(48,277)**	(10,370)
Change in fair value of a financial asset at fair value through profit or loss	*13*	**(6,725)**	(416)
PROFIT/(LOSS) BEFORE TAX	*7*	**124,783**	(32,349)
Income tax expense	*8*	**(34,631)**	(774)
PROFIT/(LOSS) FOR THE PERIOD/YEAR		**90,152**	(33,123)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(78,126)**	(769)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD/YEAR		**(78,126)**	(769)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT		**12,026**	(33,892)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*10*		
Basic *(HK cents)*		**45.1**	(16.6)
Diluted *(HK cents)*		**27.8**	(16.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	31 December 2016 HK$'000	31 March 2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**45,263**	48,327
Goodwill	*11*	**463,257**	490,948
Intangible assets	*12*	**569,171**	687,523
Total non-current assets		**1,077,691**	1,226,798
CURRENT ASSETS			
Financial asset at fair value through profit or loss	*13*	**2,911**	9,636
Inventories		**50,235**	1,622
Gross amount due from customers for contract work		**27,120**	30,150
Accounts and bills receivables	*14*	**1,392,597**	396,360
Tax recoverable		**3,177**	3,177
Prepayments, deposits and other receivables		**16,185**	18,308
Cash and cash equivalents		**24,899**	16,885
Total current assets		**1,517,124**	476,138
CURRENT LIABILITIES			
Accounts payable	*15*	**931,748**	225,796
Accruals of costs for contract work		**91,009**	38,688
Tax payable		**28,490**	2,926
Other payables and accruals		**64,480**	19,531
Interest-bearing other borrowings		**20,000**	13,013
Total current liabilities		**1,135,727**	299,954
NET CURRENT ASSETS		**381,397**	176,184
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,459,088**	1,402,982

	Notes	**31 December 2016 HK$'000**	31 March 2016 HK$'000
NON-CURRENT LIABILITIES			
Convertible bonds	*16*	**359,818**	340,316
Promissory notes	*17*	**453,938**	426,576
Deferred tax liabilities		**93,960**	103,139
Total non-current liabilities		**907,716**	870,031
Net assets		**551,372**	532,951
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,000**	2,000
Equity component of convertible bonds	*16*	**390,716**	390,716
Reserves		**158,656**	140,235
Total equity		**551,372**	532,951

1. CORPORATE AND GROUP INFORMATION

Bisu Technology Group International Limited (formerly known as Excel Development (Holdings) Limited) is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1–1111, Cayman Islands. The principal place of business of the Company is located at 21st Floor, 1 Duddell Street, Central, Hong Kong.

During the reporting period, the Group were principally engaged in the following principal activities:

- Civil engineering works and building construction and maintenance works (the "Civil Engineering and Construction Business")

- Development, production and sale of automotive engines (the "Automotive Engines Business", and acquired during the year ended 31 March 2016 – note 18)

On 5 June 2015, the then intermediate holding company, Vantage International (Holdings) Limited ("Vantage"), disposed of its entire equity interest in the Company to Youth Force Asia Ltd. ("Youth Force"), a company incorporated in the British Virgin Islands ("BVI"). Youth Force has become the immediate holding company and the ultimate holding company of the Company since then.

2.1 BASIS OF PREPARATION AND PRESENTATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. It has been prepared under the historical cost convention, except for a financial asset at fair value through profit or loss which has been measured at fair value.

This financial information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Change of financial year end date

Pursuant to the resolution of the board of directors of the Company dated 30 December 2016, the Group's financial year end date has been changed from 31 March to 31 December. The change is to align the financial year end date of the Company with those of the principal subsidiaries in the Automotive Engines Business in order to facilitate the preparation of the consolidated financial statements of the Group and for the benefit of the overall development of the Group in the long run.

Accordingly, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related notes for the current period shall cover a nine-month period from 1 April 2016 to 31 December 2016 while the corresponding comparative amounts shown for this financial information and the related notes shall cover a twelve-month period from 1 April 2015 to 31 March 2016, which, as a result, may not be comparable with amounts shown for the current period.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
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 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, and amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in *the Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of this financial information, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in HKAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on this financial information.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of this financial information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Construction, renovation and other contracts

Revenue and profit recognition on contract work is dependent on the estimation of the total outcome of the construction contract, as well as the work performed to date. Based on the Group's past experience and the nature of the contract activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. As a result, until this point is reached, the amount due from customers for contract work will not include profit which the Group may eventually realise from the work performed to date. In addition, actual outcomes in terms of total contract costs and/or revenue may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years.

Significant assumptions are required to estimate the total budgeted contract costs and the recoverable variation works that will affect whether any provision is required for foreseeable losses. The estimates are made based on past experience and knowledge of the project management.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was HK$463,257,000 (31 March 2016: HK$490,948,000). Further details are given in note 11.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and impairment of property, plant and equipment

The Group determines the estimated useful lives and related depreciation for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in future periods.

Impairment of receivables

The Group records impairment of receivables based on an assessment of the recoverability of trade and bills receivables, and other receivables. The identification of doubtful debts requires directors' estimates. Where the expectation is different from the original estimate, the difference will impact on the carrying values of the trade and bills receivables and other receivables and doubtful debt expenses in the period in which the estimate has been changed.

Income tax

The Group is subject to income taxes in the People's Republic of China (the "PRC") and Hong Kong. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

Contingent consideration arising from business combinations

One of the Group's business acquisitions has involved post-acquisition performance-based contingent consideration. The Group follows the requirement of HKFRS 3 (Revised) *Business Combinations* to recognise the fair value of the contingent consideration for the acquisition, as of its acquisition date as part of the consideration transferred in exchange for the acquired business/subsidiary. The fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired subsidiary/business and significant judgement on time value of money. Contingent consideration shall be remeasured at their fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognised in the profit or loss in accordance with HKFRS 3 (Revised) *Business Combinations*.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and service and has two reportable operating segments as follows:

- Civil engineering and construction segment — civil engineering works and building construction and maintenance works

- Automotive engines segment — development, production and sale of automotive engines*

Management monitors the results of the Group's operating segments separately for the purpose of making decision about resources allocations and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs as well as head office and corporate expenses are excluded from such measurement.

* Commenced in February 2016 upon the completion of the acquisition of 100% equity interest in Well Surplus Enterprises Limited and its subsidiaries (the "Automotive Engines Group") (note 18).

	Civil engineering and construction		Automotive engines		Total	
	Nine months ended 31 December 2016	Year ended 31 March 2016	**Nine months ended 31 December 2016**	Year ended 31 March 2016	**Nine months ended 31 December 2016**	Year ended 31 March 2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**375,960**	467,631	**1,769,966**	141,704	**2,145,926**	609,335
Segment results	**(6,908)**	(12,881)	**204,342**	5,195	**197,434**	(7,686)
Corporate and unallocated income					**—**	424
Corporate and unallocated expenses					**(24,374)**	(14,717)
Finance costs					**(48,277)**	(10,370)
Profit/(loss) before tax					**124,783**	(32,349)
Other segment information:						
Capital expenditure						
— operating segment	**97**	58	**3,057**	1,139	**3,154**	1,197
— unallocated					**1,644**	756
					4,798	1,953
Bank interest income						
— operating segment	**1**	25	**6**	3	**7**	28
Depreciation						
— operating segment	**428**	587	**3,712**	704	**4,140**	1,291
— unallocated					**279**	90
					4,419	1,381
Amortisation of intangible assets	**—**	—	**83,551**	8,389	**83,551**	8,389

Geographical information

(a) Revenue from external customers

	Nine months ended 31 December 2016 *HK$'000*	Year ended 31 March 2016 *HK$'000*
Mainland China	**1,769,966**	141,704
Hong Kong	**375,960**	467,631
	2,145,926	609,335

(b) Non-current assets

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Mainland China	**1,075,768**	1,224,468
Hong Kong	**1,923**	2,330
	1,077,691	1,226,798

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the period/year, is set out below:

	Nine months ended 31 December 2016 *HK$'000*	Year ended 31 March 2016 *HK$'000*
Customer A#	**965,651**	70,552
Customer B#	**803,360**	71,536
Customer C##	**N/A***	260,643
Customer D##	**N/A***	97,700

\# These customers are under the automotive engines segment

\## These customers are under the civil engineering and construction segment

* Less than 10% of revenue

Except for the aforesaid, no revenue from a single external customer accounted for 10% or more of the Group's revenue. Government bureaus and departments of the Government of the Hong Kong Special Administrative Region ("HKSAR Government") are considered as a single customer in the above analysis.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the appropriate proportion of contract revenue from construction, renovation and other contracts and the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Note	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000
Revenue			
Contract revenue		**375,960**	467,631
Sales of goods		**1,769,966**	141,704
		2,145,926	609,335
Other income and gains			
Interest income		**7**	28
Consultancy fee income		**1,200**	1,200
Rental income		**6,350**	8,400
Government subsidies*		**36**	28
Gain on disposal of items of property, plant and equipment		**1**	44
Gain on disposal of subsidiaries	*19*	**—**	85
Gain on disposal of investment properties		**—**	300
Sundry income		**650**	671
		8,244	10,756

* Subsidies have been received from the Hong Kong Vocational Training Council, an institution established by the HKSAR Government, for providing on-the-job training for graduate engineers and trainers. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Nine months ended 31 December 2016 *HK$'000*	Year ended 31 March 2016 *HK$'000*
Interest on other borrowings	**1,413**	340
Interest on promissory notes	**27,362**	5,696
Imputed interest on convertible bonds	**19,502**	4,334
	48,277	10,370

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	Nine months ended 31 December 2016 *HK$'000*	Year ended 31 March 2016 *HK$'000*
Cost of sales			
Cost of inventories sold		**1,472,732**	127,386
Amortisation of intangible assets	*12*	**83,551**	8,389
Cost of services provided		**372,180**	467,708
		1,928,463	603,483
Depreciation*		**4,419**	1,381
Auditor's remuneration		**1,950**	1,750
Gain on disposal of investment properties		**—**	(300)
Gain on disposal of subsidiaries	*19*	**—**	(85)
Research and development costs			
— current period expenditure		**4,839**	—
Equity-settled share option expenses (included in directors' and chief executive's remuneration)		**6,395**	—
Employee benefits expense (excluding directors' and chief executive's remuneration)*:			
Wages and salaries		**40,497**	26,754
Pension scheme contributions (defined contribution schemes)		**2,502**	1,145
		42,999	27,899
Minimum lease payments under operating leases		**2,449**	1,589

* For the nine months ended 31 December 2016, depreciation and employee benefit expense of HK$3,799,000 (Year ended 31 March 2016: HK$704,000) and HK$22,410,000 (Year ended 31 March 2016: HK$7,710,000), respectively, are included in cost of inventories sold and cost of services provided above.

8. INCOME TAX

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. Hong Kong profits tax has been provided at the rate of 16.5% (Year ended 31 March 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Chongqing Bisu Yunbo Motor Technology Limited# (重慶比速雲博動力科技有限公司), a wholly-owned subsidiary of the Group, is subject to a preferential corporate income tax ("CIT") rate of 15% (Year ended 31 March 2016: 15%).

	Nine months ended 31 December 2016 *HK$'000*	Year ended 31 March 2016 *HK$'000*
Current charge for the period/year		
Hong Kong profits tax	**—**	—
PRC CIT	**43,810**	2,626
Deferred	**(9,179)**	(1,852)
Total tax charge for the period/year	**34,631**	774

The English name of this company to directly translate its Chinese name as no official English name has been registered.

9. DIVIDEND

	Nine months ended 31 December 2016 *HK$'000*	Year ended 31 March 2016 *HK$'000*
Special dividend	**—**	50,000

The directors do not recommend the payment of any final dividend in respect of the period (Year ended 31 March 2016: Nil).

On 5 June 2015, the directors declared a special cash dividend of HK$50,000,000, representing HK$0.25 per ordinary share in the issued share capital of the Company, out of the share premium account of the Company. The special cash dividend was approved by the Company's shareholders (the "Shareholders") at the extraordinary general meeting on 4 August 2015 and was paid on 2 September 2015.

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit for the period attributable to owners of the parents of HK$90,152,000 (Year ended 31 March 2016: loss of HK$33,123,000) and the weighted average number of ordinary shares in issue during the reporting period.

The calculation of the diluted earnings per share amount for the nine months ended 31 December 2016 is based on the profit for the period attributable to the owners of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2016 in respect of a dilution as the impact of the convertible bonds had an anti-dilutive effect on the basic loss per share amount presented.

11. GOODWILL

	31 December 2016	31 March 2016
	HK$'000	*HK$'000*
Cost and net carrying amount:		
At 1 April	**490,948**	—
Acquisition of subsidiaries *(note 18)*	**—**	490,948
Exchange realignment	**(27,691)**	—
At 31 March	**463,257**	490,948

Goodwill acquired through a business combination is allocated to the cash-generating unit of the Automotive Engines Business (the "Automotive Engines CGU") for impairment testing.

Impairment test of goodwill

The recoverable amount of the Automotive Engines CGU was determined based on a value in use calculation using cash flow projections of financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections was 21.26% (31 March 2016: 20.79%). Management has determined the sales growth rate with reference to the sales volume stipulated in the Automotive Engine Sales Framework Agreements (as defined in note 12). The cash flow projections of the Automotive Engines Business beyond the five-year period of financial budgets are extrapolated using a growth rate of 3% (31 March 2016: 3%), which did not exceed the long term average growth rate of the industry. The discount rate used is before tax and reflects specific risks relating to the Automotive Engines CGU.

Assumptions were used in the value in use calculation of the Automotive Engines CGU for 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Sales growth rates — The sales growth rates on product types of the Group are estimated with reference to the sales volume stipulated in the Automotive Engine Sales Framework Agreements (as defined in note 12).

Discount rate — The discount rate used is before tax and reflects specific risks relating to the Automotive Engines CGU.

12. INTANGIBLE ASSETS

	Customer contracts
	HK$'000
Nine months ended 31 December 2016	
Net carrying amount:	
At 1 April 2016	**687,523**
Amortisation provided during the period *(note 7)*	**(83,551)**
Exchange realignment	**(34,801)**
At 31 December 2016	**569,171**
At 31 December 2016:	
Cost	**656,660**
Accumulated amortisation	**(87,489)**
Net carrying amount	**569,171**
Year ended 31 March 2016	
Net carrying amount:	
At 1 April 2015	—
Acquisition of subsidiaries *(note 18)*	695,912
Amortisation provided during the year *(note 7)*	(8,389)
At 31 March 2016	687,523
At 31 March 2016:	
Cost	695,912
Accumulated amortisation	(8,389)
Net carrying amount	687,523

Customer contracts represent certain automotive engine sales framework agreements (the "Automotive Engine Sales Framework Agreements") entered into by the Automotive Engines Group in 2015 and pursuant to which the related customers agreed to procure pre-agreed quantities of engines from the Automotive Engines Group from 2016 to 2020. Customer contracts acquired through the acquisition of the Automotive Engines Group are recognised at fair value on the date of acquisition and are amortised to profit or loss under the unit of production method over the relevant contract periods.

13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Contingent consideration — profit guarantee
	HK$'000
At 1 April 2015	—
Acquisition of subsidiaries *(note 18)*	10,052
Change in fair value	(416)
At 31 March 2016 and 1 April 2016	9,636
Changes in fair value	(6,725)
At 31 December 2016	2,911

Pursuant to the sale and purchase agreement (the "Engines SPA") entered into by the Group and Power Expert Global Limited ("Power Expert") for the acquisition of the Automotive Engines Group in October 2015 (the "Engines Acquisition"), Power Expert has warranted and guaranteed to the Group that the audited consolidated profit after tax of the Automotive Engines Group (excluding any fair value adjustments arising from purchase price allocation upon the completion of the Engines Acquisition by the Group) as prepared in accordance with HKFRSs, for the two years ending 28 February 2017 and 2018 shall not be less than HK$170,000,000 ("1st Guaranteed Profit") and HK$230,000,000 ("2nd Guaranteed Profit") (collectively, the "Guaranteed Profit"), respectively.

In the event that the Guaranteed Profit has not been achieved, Power Expert shall compensate the Group. Details of the calculation of the compensation are set out in the Group's circular dated 19 January 2016.

As at 31 December 2016, the fair value of the profit guarantee was HK$2,911,000 (31 March 2016: HK$9,636,000), which was determined by Vigers Appraisal and Consulting Limited (31 March 2016: Jones Lang LaSalle Corporate Appraisal and Advisory Limited), independent professional valuer, based on the probabilistic flow method in which the cash flows for each year represent the difference between the guaranteed profit and the projected net profit. The directors of the Company estimated the projected net profits of the Automotive Engines Group under two (31 March 2016: four) different scenarios with respective scenario probabilities. The fair value of the profit guarantee was the probability-weighted average of the present values of the shortfalls between the guaranteed profits and the projected net profits under the two scenarios. A discount rate of 17.09% (31 March 2016: 6.45%) has been used to calculate the present value of cash flows of the profit guarantee.

Below is a summary of a significant unobservable input to the valuation of the contingent consideration together with a quantitative sensitivity analysis as at 31 December 2016 and 31 March 2016:

	Valuation technique	**Significant unobservable input**	**Sensitivity of fair value to the input**
31 December 2016			
Discounted financial instrument in respect of the profit guarantee	Probabilistic flow method	Discount rate 17.09%	5% increase/decrease in discount rate would result in decrease in fair value by HK$138,000/ increase in fair value by HK$151,000
31 March 2016			
Discounted financial instrument in respect of the profit guarantee	Probabilistic flow method	Discount rate 6.45%	1% increase/decrease in discount rate would result in decrease in fair value by HK$145,000/ increase in fair value by HK$149,000

14. ACCOUNTS AND BILLS RECEIVABLES

Accounts and bills receivables represented receivables for contract work and sale of automotive engines. The payment terms of contract work receivables are stipulated in the relevant contracts and the credit period is generally one month. The payment terms for receivables arising from sales of automotive engines are mainly on credit and the credit period is generally three months. The payment terms of bills receivable are stipulated in the relevant bills receivable from bank and its maturity period is ranging from 90 to 180 days. The carrying amounts of accounts and bills receivables approximate to their fair values.

	31 December 2016	31 March 2016
	HK$'000	*HK$'000*
Accounts receivable	**1,320,537**	396,216
Bills receivable	**72,060**	144
	1,392,597	396,360

As at 31 December 2016, retentions receivable included in accounts receivable amounted to HK$155,700,000 (31 March 2016: HK$128,806,000) and are repayable on terms ranging from two to three years.

In view of the aforementioned and the fact that the Group's accounts receivable relate to a few number of major customers, there is concentration of credit risk.

The ageing analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	31 December 2016	31 March 2016
	HK$'000	*HK$'000*
Past due but not impaired:		
One to three months past due	**5,324**	2,926
Four to six months past due	**225**	225
Over six months past due	**209**	209
	5,758	3,360
Neither past due nor impaired	**1,314,779**	392,856
	1,320,537	396,216

As at 31 December 2016 and 31 March 2016, the bills receivable, based on the issue date, aged from one to two months.

Accounts receivable that were past due but not impaired relate to a few number of major customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Accounts receivable that are neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

15. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of each reporting period, based on the invoice date, is as follows:

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
Current to three months	**927,251**	223,123
Four to six months	**3,262**	2,304
Over six months	**1,235**	369
	931,748	225,796

At 31 December 2016, retentions payable included in accounts payable amounted to HK$7,978,000 (31 March 2016: HK$5,749,000) and are normally settled on terms ranging from two to three years. The carrying amounts of accounts payable approximate to their fair values.

Accounts payable are non-interest-bearing and are normally settled on terms ranging from 7 to 120 days. The payment terms are stipulated in the relevant contracts.

16. CONVERTIBLE BONDS

The convertible bonds recognised in the consolidated statement of financial position are bifurcated into two components for accounting purposes, namely the liability component and the equity component, and the movements in these components during the reporting period are as follows:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 April 2015	—	—	—
Issue of convertible bonds for a business combination *(note 18)*	335,982	390,716	726,698
Interest expense *(note 6)*	4,334	—	4,334
At 31 March 2016 and 1 April 2016	340,316	390,716	731,032
Interest expense *(note 6)*	19,502	—	19,502
At 31 December 2016	359,818	390,716	750,534

The movement of the principal amount of the convertible bonds is set out below:

	HK$'000
At 1 April 2015	—
Issue of convertible bonds for a business combination	390,000
At 31 March 2016, 1 April 2016 and 31 December 2016	390,000

A reconciliation of the principal amount of the convertible bonds to their fair value upon completion of the Engines Acquisition is as follows:

	HK$'000
Principal amount	390,000
Fair value adjustment	336,698
Fair value *(note 18)*	726,698

On 4 February 2016, the Company issued zero coupon convertible bonds with an aggregate principal amount of HK$390,000,000 to Power Expert as part of the consideration for the Engines Acquisition. The maturity date of the convertible bonds is on the second anniversary of the date of issuance (i.e. 3 February 2018). The convertible bonds bear no interest on the principal amount. No security or guarantee is granted in respect of the convertible bonds. The convertible bonds can be converted into 195,000,000 ordinary shares in the Company at the initial conversion price of HK$2.00 per conversion share (subject to adjustment pursuant to the terms of the convertible bonds). The Company may at any time before the maturity date by written notice redeem the convertible bonds at 100% of the principal amount. Any amount of the convertible bonds which is redeemed by the Company will forthwith be cancelled. At 31 December 2016 and 31 March 2016, no convertible bonds were converted and the outstanding principal amount of the convertible bonds was HK$390,000,000.

As at 31 December 2016 and 31 March 2016, the convertible bonds with an aggregate principal amount of HK$390,000,000 were deposited with an escrow agent in favour of the Company as security for the 1st Guaranteed Profit and the 2nd Guaranteed Profit. The convertible bonds in the principal amounts of HK$165,750,000 and HK$224,250,000 shall be released to Power Expert if the audited consolidated profits after tax of the Automotive Engines Group for the two years ending 28 February 2017 and 2018 are equal to or more than the 1st Guaranteed Profit and the 2nd Guaranteed Profit, respectively, after the issue of the auditors' certificate for each period.

17. PROMISSORY NOTES

	31 December 2016 *HK$'000*	31 March 2016 *HK$'000*
First Note	**192,170**	179,979
Second Note	**261,768**	246,597
	453,938	426,576

On 4 February 2016, the Company issued two promissory notes with face values of HK$174,250,000 (the "First Note") and HK$235,750,000 (the "Second Note") in favour of Power Expert as part of the consideration for the Engines Acquisition. Both the First Note and Second Note carry interest at a rate of 10% per annum. The outstanding principal amounts plus any accrued interest will be repayable on the maturity date falling on the second anniversary of the date of the First Note and Second Note, i.e. 3 February 2018. The carrying amounts of the First Note and Second Note at year end were computed by discounting the face values of the notes by the effective interest rate.

As at 31 December 2016 and 31 March 2016, the promissory notes with an aggregate face value of HK$410,000,000 were deposited with an escrow agent in favour of the Company as security for the 1st Guaranteed Profit and the 2nd Guaranteed Profit. The promissory notes in the face values of HK$174,250,000 and HK$235,750,000 shall be released to Power Expert if the audited consolidated profits after tax of the Automotive Engines Group for the two years ending 28 February 2017 and 2018 are equal to or more than the 1st Guaranteed Profit and the 2nd Guaranteed Profit, respectively, after the issue of the auditors' certificate for each period.

18. BUSINESS COMBINATION

On 12 October 2015, the Group entered into the Engines SPA with Power Expert for the acquisition of the Automotive Engines Group at an aggregate consideration of HK$800,000,000 (the "Engines Consideration"). The Engines Consideration consisted of convertible bonds with an aggregate principal amount of HK$390,000,000, promissory notes with an aggregate face value of HK$410,000,000 and a contingent consideration. The aggregate fair value of the Engines Consideration on the date of completion was HK$1,137,526,000.

The fair values of the identifiable assets and liabilities of the Automotive Engines Group as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*
Property, plant and equipment		45,561
Intangible assets	*12*	695,912
Cash and bank balances		3,789
Inventories		40,975
Accounts receivable		47,126
Prepayments and other receivables		6,314
Accounts payable		(80,661)
Other payables and accruals		(1,240)
Tax payable		(300)
Interest-bearing other borrowing		(5,915)
Deferred tax liabilities		(104,983)
Total identifiable net assets at fair value		646,578
Goodwill on acquisition	*11*	490,948
		1,137,526
Satisfied by:		
Convertible bonds	*16*	726,698
Promissory notes		420,880
Contingent consideration — profit guarantee	*13*	(10,052)
		1,137,526

The fair values of the accounts receivable and other receivables as at the date of acquisition amounted to HK$47,126,000 and HK$6,314,000, respectively. The gross contractual amounts of accounts receivable and other receivables were HK$47,126,000 and HK$6,314,000, respectively, of which no receivables are expected to be uncollectible.

The Group incurred transaction costs of HK$4,290,000 for this acquisition. These transaction costs have been expensed and are included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016.

An analysis of the cash flows in respect of the acquisition is as follows:

	HK$'000
Cash and bank balances acquired and net inflow of cash and cash equivalents included in cash flows from investing activities	3,789
Transaction costs of the acquisition included in cash flows from operating activities	(4,290)
	(501)

Since the acquisition, the Automotive Engines Group contributed HK$141,704,000 to the Group's revenue and HK$3,165,000 to the consolidated profit for the year ended 31 March 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year ended 31 March 2016 would have been HK$640,606,000 and HK$30,713,000, respectively.

19. DISPOSAL OF SUBSIDIARIES

On 3 June 2015, the Group entered into a conditional agreement with an independent third party to dispose of the Group's entire equity interest in Top Integration Limited, a wholly-owned subsidiary of the Group, together with its wholly-owned subsidiary, Gadelly Construction Company Limited (collectively the "Disposal Group"), for an aggregate cash consideration of HK$8,920,000 (the "Disposal"). The Disposal Group is mainly engaged in civil engineering works and construction and maintenance. The Disposal was completed on 3 June 2015.

	Note	**31 March 2016** *HK$'000*
Net assets disposed of:		
Cash and bank balances		8,823
Prepayments		12
		8,835
Gain on disposal of subsidiaries	*5*	85
		8,920
Satisfied by:		
Cash		8,920

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

	HK$'000
Cash consideration	8,920
Cash and bank balances disposed of	(8,823)
Net inflow of cash and cash equivalents in respect of the Disposal	97

20. CONTINGENT LIABILITIES

(a) At 31 December 2016, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK$24,446,000 (31 March 2016: HK$23,435,000).

(b) In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL REVIEW

During the nine months under review, the Group was engaged in two business segments which are the Automotive Engines Business and the Civil Engineering and Construction Business.

The Group has achieved encouraging growth both in terms of revenue and profit for the nine months ended 31 December 2016. For the nine months ended 31 December 2016, the Group recorded a consolidated revenue of approximately HK$2,145.9 million (year ended 31 March 2016: approximately HK$609.3 million). Profit for the period attributable to shareholders was approximately HK$90.2 million (year ended 31 March 2016: loss of approximately HK$33.1 million). The turnaround was mainly due to (i) a full nine months results of the Automotive Engines Business was incorporated into the Group's financial results for the current period, while revenue of this segment for approximately two months was recorded in last year; and (ii) production cycle became more smooth and efficient.

Basic and diluted earnings per share for the nine months ended 31 December 2016 were approximately HK$45.1 cents and HK$27.8 cents respectively (year ended 31 March 2016: basic and diluted loss per share of approximately HK$16.6 cents).

Automotive Engines Business

The global automotive market plays a significant influence in the business and operating results of our Automotive Engines Business. During the current period, the automotive industry in China experienced rapid growth, allowing the Group to deliver strong top line growth and expand production. Specifically, global light vehicle production for the Asia Pacific segment increased by 7.2% from 2015 to 2016, while the Chinese market for light vehicle grew by 13.6% over the same period.

The Group aims to produce and distribute high quality products at a competitive price point through extensive research and development to identify innovative solutions to increase cost efficiency and product quality. Through a selective procurement process, the Group sources materials from renowned suppliers who can consistently deliver top notch materials in an efficient and cost-effective manner. As consumers continue to demand higher capacity engines in motor vehicles, the Group is well-positioned to take advantage of a robust growth through both the regular and turbo engines.

During the nine months ended 31 December 2016, the revenue of the Automotive Engines Business was approximately HK$1,770.0 million (year ended 31 March 2016: approximately HK$141.7 million), represented 82.5% of the total revenue of the Group. Average monthly production increased approximately 49.7% from 10,808 units per month for the year ended 31 March 2016 to 16,177 units per month for the nine months ended 31 December 2016. This increase was mainly attributable to the increased consumer demand due to market strength of the light vehicle market, as well as the earlier timing of Chinese New Year in 2017 which drove additional demand for vehicles to be delivered prior to the holiday.

Excluding the amortisation of intangible assets amounting to approximately HK$83.6 million (year ended 31 March 2016: approximately HK$8.4 million), the gross profit margin of the Automotive Engines Business increased from approximately 10.1% for the year ended 31 March 2016 to approximately 16.8% for the nine months ended 31 December 2016. The increase in gross profit margin was a result of additional cost savings and increased efficiency on the production line identified through research and development.

The segment results of the Automotive Engines Business reached approximately HK$275.4 million (year ended 31 March 2016: approximately HK$11.7 million) excluding the amortisation of intangible assets and deferred tax credit amounting to approximately HK$83.6 million (year ended 31 March 2016: approximately HK$8.4 million) and approximately HK$12.5 million (year ended 31 March 2016: approximately HK1.9 million) respectively, which merely represented an accounting treatment on the acquisition but no cash flow effect to the Group.

Pursuant to the terms of Engines SPA dated 12 October 2015, 20 November 2015 and 15 January 2016 in relation to the acquisition of the Automotive Engines Business, the vendor has irrevocably warranted and guaranteed to the Company that the audited profit after tax of the Automotive Engines Business shall not be less than the 1st Guaranteed Profit (i.e. HK$170.0 million) and the 2nd Guaranteed Profit (i.e. HK$230.0 million) for the two years ending 28 February 2017 and 2018 respectively. During the nine months ended 31 December 2016, the 1st Guaranteed Profit was already achieved. Driven by the increasing demand and consumer spending on automotive and positive results during the reporting period, the Board is confident of good prospects with healthy and sustainable growth in the Automotive Engines Business and expect the revenue stream of the Group would be further strengthened next year.

Strategic Cooperation Agreement

On 20 October 2016, ChongQing Xunli Commercial Management Limited ("ChongQing Xunli"), a wholly owned subsidiary of the Company, and ChongQing North Automobile Company Limited ("ChongQing North Automobile") entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement"), in relation to the provision of services and advices to ChongQing North Automobile by ChongQing Xunli including but not limited to business production and operation management, consultation of sales service and the support and expansion of sales channel.

Pursuant to the Strategic Cooperation Agreement, ChongQing North Automobile shall pay ChongQing Xunli an annual basic service fee of Renminbi ("RMB") 2,000,000 and an additional service commission fee, which is calculated in accordance with the net profit of ChongQing North Automobile. For the nine months ended 31 December 2016, approximately RMB400,000 revenue was generated from this service provision. Further details of which are set out in the Company's announcement dated 20 October 2016.

Civil Engineering and Construction Business

All of the Group's contracts undertaken for the Civil Engineering and Construction Business were for customers which are independent third parties including certain departments of the Government of Hong Kong, public utilities companies and private organisations in Hong Kong.

During the nine months ended 31 December 2016, the revenue of the Civil Engineering and Construction Business was approximately HK$376.0 million (year ended 31 March 2016: approximately HK$467.6 million). For the period under review, included in the turnover was: (i) revenue from civil engineering works of approximately HK$357.4 million (year ended 31 March 2016: approximately HK$437.3 million); and (ii) revenue from building construction and maintenance works of approximately HK$18.6 million (year ended 31 March 2016: approximately HK$30.3 million).

The overall gross profit of this segment was approximately HK$3.8 million for the nine months ended 31 December 2016 as opposed to gross loss of approximately HK$77,000 for the year ended 31 March 2016. The turnaround to gross profit was mainly attributable to the completion of certain loss-making projects during the period.

As of 31 December 2016, the Group had 20 significant projects in progress. Three of them were building construction and maintenance projects while the remaining were civil engineering construction projects.

As of 31 December 2016, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK$1,894.0 million and HK$362.0 million respectively.

During the nine months ended 31 December 2016, the Group was awarded with the following new substantial contracts:

- Provision of External Cable Construction Works and Outside Telecommunications Plant Maintenance Services
- Advance Civil Engineering Works for Public Housing Development Projects Batch 6 (2016 – 2018)
- Refurbishment to Leisure Pool and Water Play Equipment at Hammer Hill Road Swimming Pool, Wong Tai Sin, Kowloon
- District Term Contract for Maintenance, Improvement and Vacant Flat Refurbishment for Tai Po, North, Shatin and Sai Kung Region (4) 2017/2019
- Provision of Integrated Field Works for Field Services in KLA & KLB Regions

PROSPECT

The Automotive Engines Business became a growth engine of the Group for the nine months ended 31 December 2016 because of the high demand of the low-end automotive market. This consumer market in the PRC is expected to have a steady growth in the next few years, driven by the reduction of purchase tax on passenger vehicles and the international oil price. The Group remains optimistic on the demand of automotive engines and thus stimulating the Automotive Engines Business.

In the meantime, the Group will continuously focus on research and development to develop automotive engines with high quality and advanced features to enhance market penetration and brand recognition. Also, expanding distribution channels and sourcing other suppliers to provide materials with stable quality and with lower cost are the future goals to enhance competitiveness from the automotive engines market. The Group strives to develop the Automotive Engines Business.

On the other hand, although the operating environment of the construction business is expected to remain tough in the coming years such as continuously rising wages and cost of construction materials and shortage of skilled labour, the Board is confident that the Group would be capable of securing promising business opportunities given its vast experience in handling a wide variety of construction works. The Group will continue to adopt a prudent approach when submitting new tenders. In addition, the Group will make use of its competitive strengths by continuing to improve its quality of service and competitiveness to capitalise on the trend of increasing civil engineering construction works projects in Hong Kong in the coming years to further strengthen the Group's business growth.

Looking ahead, the Group remains optimistic on the business outlook for the years ahead. Through diversification into the automotive industry with the acquisition of the Automotive Engines Business, the Group believes that the additional streams of revenue will strengthen the financial position of the Group. Despite the current competitive market, the Group will continue to deliver quality products at a competitive price point to achieve sustainable long term growth.

DIVIDEND

The Board does not recommend payment of any final dividend for the nine months ended 31 December 2016 (year ended 31 March 2016: Nil).

CAPITAL STRUCTURE, FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$24.9 million, representing an increase of approximately 47.3% from approximately HK$16.9 million as at 31 March 2016. The increase was mainly attributable to the combined effect of (i) the other loans drawn, net of repayment of HK$7 million; and (ii) net cash inflow from operating activities in respect of the Group's business. The Group had not pledged any bank deposits for the bank loans.

The Group's cash and cash equivalents were denominated in HK$ and RMB.

As at 31 December 2016, the total assets were approximately HK$2,594.8 million, representing an increase of approximately 52.4% from approximately HK$1,702.9 million as at 31 March 2016. The significant increase was mainly due to the increase in accounts and bills receivable which increase represented at approximately HK$996.2 million. It is because the Automotive Engines Business was developed rapidly.

As at 31 December 2016, the total liabilities were approximately HK$2,043.4 million, representing an increase of approximately 74.6% from approximately HK$1,170.0 million as at 31 March 2016. Given the acquisition of the Automotive Engines Business, the Company issued convertible bonds and promissory notes at principal amount of HK$390.0 million and HK$410.0 million respectively, as the consideration. The convertible bonds are due in 2018 with non-interest bearing and its carrying amount as at 31 December 2016 was approximately HK$751.0 million (31 March 2016: approximately HK$731.0 million) in which approximately HK$390.7 million was recognised as equity as at 31 March 2016. The promissory notes are interest-bearing of 10% per annum and repayable within two years and its carrying amount as at 31 December 2016 was approximately HK$453.9 million (31 March 2016: approximately HK$426.6 million). Other borrowings of the Group comprised loans from independent third parties amounting to HK$20.0 million (31 March 2016: HK$7.0 million) with 12% annual interest and they are repayable within 1 year.

As at 31 December 2016, the Group had banking facilities of HK$50.0 million (31 March 2016: HK$60.0 million) which was not utilised and was secured by corporate guarantees.

As at 31 December 2016, the net current assets were approximately HK$381.4 million, representing an increase of approximately 116.5% from approximately HK$176.2 million as at 31 March 2016. And the net assets were approximately HK$551.4 million, representing an increase of approximately 3.5% from approximately HK$533.0 million as at 31 March 2016.

Current ratio of the Group was maintained at a healthy level at approximately 1.3 as at 31 December 2016 (31 March 2016: approximately 1.6). Current ratio is calculated by dividing current assets by current liabilities.

Gearing ratio is calculated based on the amount of net cash and bank balances (interest-bearing borrowings, liability component of the convertible bonds and promissory notes less cash and cash equivalent) divided by the total equity. As at 31 December 2016, the Group's gearing ratio was therefore approximately 146.7% (31 March 2016: approximately 143.2%.)

CONVERTIBLE BONDS

On 4 February 2016, the Company issued zero coupon convertible bonds with an aggregate principal amount of HK$390.0 million to Power Expert as part of the consideration for the Engines Acquisition. The maturity date of the convertible bonds is on the second anniversary of the date of issuance (i.e. 3 February 2018). The convertible bonds bear no interest on the principal amount. No security or guarantee is granted in respect of the convertible bonds. The convertible bonds can be converted into 195,000,000 ordinary shares in the Company at the initial conversion price of HK$2.00 per conversion share (subject to adjustment pursuant to the terms of the convertible bonds). The Company may at any time before the maturity date by written notice redeem the convertible bonds at 100% of the principal amount. Any amount of the convertible bonds which is redeemed by the Company will forthwith be cancelled. At 31 December 2016 and 31 March 2016, no convertible bonds were converted and the outstanding principal amount of the convertible bonds was HK$390.0 million.

As at 31 December 2016, the convertible bonds with an aggregate principal amount of HK$390.0 million were deposited with an escrow agent in favour of the Company as security for the 1st Guaranteed Profit (i.e. HK$170.0 million for the year ending 28 February 2017) and the 2nd Guaranteed Profit (i.e. HK$230.0 million for the year ending 28 February 2018). The convertible bonds in the principal amounts of HK$165,750,000 and HK$224,250,000 shall be released to Power Expert if the audited consolidated profits after tax of the Automotive Engines Group for the two years ending 28 February 2017 and 2018 are equal to or more than the 1st Guaranteed Profit and the 2nd Guaranteed Profit, respectively, after the issue of the auditors' certificate for each period.

CONTINGENT LIABILITIES

Detail of the Group's contingent liabilities are set out in note 20 to this announcement.

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in HK$ and RMB, which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 793 employees (31 March 2016: 750) in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on discretionary basis, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for PRC employees.

GRANT OF SHARE OPTIONS

The purpose of the share option scheme of the Company (the "Share Option Scheme") is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Company. As part of the remuneration package relating to the appointment of Ms. Liu Yan (the "Grantee") as an executive Director and the chief executive officer of the Company, options were granted to the Grantee on 22 December 2016 to subscribe up to 2,000,000 shares of the Company (the "Options") at a subscription price of HK$8.12 per share of the Company with a validity period of 3 years. During the option period, the Options may be exercised by the Grantee at any time or times. Ms. Liu has resigned as the chief executive officer of the Company and an executive Director with effect from 1 March 2017 due to other business engagement which requires more of her attention and dedication. According to the Share Option Scheme, the Options automatically lapsed on the date of Ms. Liu ceased to be an eligible participant by reason of voluntary resignation of her directorship.

CHANGE OF FINANCIAL YEAR END DATE

Pursuant to the resolution of the Board dated 30 December 2016, the Group's financial year end date has been changed from 31 March to 31 December. The change is to align the financial year end date of the Company with those of the principal subsidiaries in the Automotive Engines Business in order to facilitate the preparation of the consolidated financial statements of the Group and for the benefit of the overall development of the Group in the long run. Accordingly, this consolidated financial results cover a nine-month period from 1 April 2016 to 31 December 2016.

NO MATERIAL CHANGE

Save as disclosed above, during the nine months ended 31 December 2016, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 March 2016.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the nine months ended 31 December 2016.

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 December 2013, the date on which dealings in its shares first commence on the Stock Exchange.

For the nine months ended 31 December 2016, the Company has complied with the code provisions set out in the CG Code with the following exception:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the financial period and up to 22 December 2016, the Company did not have any officer with the title of Chief Executive Officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operations and execution is vested in the Board itself. Ms. Liu Yan ("Ms. Liu") was appointed as the chief executive officer of the Company (the "Chief Executive Officer") as well as an executive Director on 22 December 2016. Code provision A.2.1 has been complied since then. However, Ms. Liu has resigned as the Chief Executive Officer and an executive Director with effect from 1 March 2017 due to other business engagement which requires more of her attention and dedication. Mr. Wong Hin Shek has been appointed as the Chief Executive Officer and Mr. Lo Kin Ching Joseph has been appointed as the chairman of the Board (the "Chairman") both with effect from 1 March 2017.

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest developments.

Model Code for Securities Transactions by Directors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the nine months ended 31 December 2016.

Audit Committee

The audit committee of the Company (the "Audit Committee") has reviewed together with the management the accounting principles and policies adopted by the Group, discussed risk management, internal controls and financial reporting matters and the consolidated results of the Group for the nine months ended 31 December 2016. The Audit Committee comprises three members including Mr. Chan Kai Wing (Chairman), Ms. Chu Yin Yin Georgiana and Mr. Yip Tai Him, all being independent non- executive Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the Company's directors as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Change of Company Name

Subsequent to the passing of a special resolution in relation to the change of company name by the Shareholders at the extraordinary general meeting of the Company held on 16 January 2017, the Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in the Cayman Islands regarding the change of the English and Chinese names of the Company to "Bisu Technology Group International Limited" and "比速科技集團國際有限公司" respectively, with effect from 16 January 2017. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 2 February 2017 confirming the registration of the new English and Chinese names of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Completion of Change of Company Name"). Further details of the Completion of Change of Company Name are set out in the Company's announcements dated 16 January 2017 and 6 February 2017.

Appointment of Chairman of the Board, Executive Director and Chairman of the Nomination Committee; Resignation of Chief Executive Officer and Executive Director; and Cessation to act as Chairman of the Board and Chairman of the Nomination Committee and Appointment of Chief Executive Officer

With effect from 1 March 2017, Mr. Lo Kin Ching Joseph has been appointed as the Chairman and an executive Director and the chairman of the nomination committee of the Company (the "Nomination Committee") (the "Appointment"). Ms. Liu has resigned as the Chief Executive Officer and an executive Director with effect from 1 March 2017 due to other business engagement which requires more of her attention and dedication (the "Resignation"). Mr. Wong Hin Shek has ceased to be the Chairman and the chairman of the Nomination Committee, but has been appointed as the Chief Executive Officer and remains to be an executive Director and a member of the Nomination Committee all with effect from 1 March 2017 (the "Re-designation"). Further details of the Appointment, the Resignation and the Re-designation are set out in the Company's announcement dated 1 March 2017.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.bisu-tech.com). The annual report will be dispatched to the Shareholders and will be available on websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management team and staff for their hard work and dedication, as well as our shareholders, business partners and associates, bankers and auditors for their continuous support to the Group.

By Order of the Board
Bisu Technology Group International Limited
Wong Hin Shek
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2017

As at the date of this announcement, the executive Directors are Mr. Lo Kin Ching Joseph, Mr. Wong Hin Shek and Mr. Xing Bin; and the independent non-executive Directors are Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing.