



**Termbray Industries
International (Holdings) Limited**

Stock Code: 0093



INTERIM REPORT
2016/2017



Contents

2	Corporate Information
3	Review of Operations
6	Liquidity and Financial Resources
6	Order Book
6	Staff and Emolument Policy
7	Outlook
9	Directors' Interests in Shares and Options
12	Substantial Shareholders
13	Share Option Scheme
14	Purchase, Sale or Redemption of the Company's Listed Securities
14	Corporate Governance
16	Directors' Securities Transactions
16	Audit Committee
16	Changes of Director's Information Disclosed under Rule 13.51B(1) of the Listing Rules
17	Report on Review of Condensed Consolidated Financial Statements
19	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
20	Condensed Consolidated Statement of Financial Position
22	Condensed Consolidated Statement of Changes in Equity
23	Condensed Consolidated Statement of Cash Flows
24	Notes to the Condensed Consolidated Financial Statements





Corporate Information

Executive Directors

Mr. Lee Lap, Chairman
Mr. Tommy Lee,
Vice Chairman & Chief Executive Officer
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-executive Directors

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Ching Yu Lung

Non-executive Director

Mr. Lee Ka Sze, Carmelo

Company Secretary

Mr. Lo Tai On

Audit Committee

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Ching Yu Lung
Mr. Lee Ka Sze, Carmelo

Remuneration Committee

Mr. Lo Yiu Hee
Mr. Lee Lap
Mr. Tong Hin Wor

Nomination Committee

Mr. Lee Lap
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

Registered Office

Clarendon House, Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Flat B, 8/F, Waylee Industrial Centre,
30-38 Tsuen King Circuit,
Tsuen Wan, New Territories, Hong Kong
Telephone : (852) 2487 5211
Facsimile : (852) 2480 4214
E-mail : group@termbray.com.hk
Website : www.termbray.com.hk

Hong Kong Registrar and Transfer Office

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East,
Hong Kong
Telephone: (852) 2980 1768
Facsimile : (852) 2528 3158

Listing Information

The Listing Code of the Company's share
on The Stock Exchange of Hong Kong
Limited
0093

Principal Banker

The Hongkong & Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

Legal Advisors in Hong Kong

Woo Kwan Lee & Lo

Auditor

Deloitte Touche Tohmatsu



The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) presents to shareholders the interim report together with the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September, 2016.

The unaudited consolidated loss attributable to owners of the Company for the six months ended 30th September, 2016 amounted to approximately HK\$22,619,000 (six months ended 30/9/2015: HK\$10,307,000). An analysis of the Group’s segment results for the period is set out on page 25 of this report.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2016 (six months ended 30/9/2015: Nil).

Review of Operations

During the current six months period under review, the Group achieved a turnover of HK\$14,837,000 (six months ended 30/9/2015: HK\$3,374,000) and suffered a loss for the period of HK\$22,619,000 (six month ended 30/9/2015: HK\$10,307,000).

The increase in loss in the current period under review is mainly due to the Group’s share of operation loss from Petro-king Oilfield Services Limited (“Petro-king”) and its subsidiaries (collectively, the “Petro-king Group”) (Stock code: 2178) for the six months ended 30th June, 2016 (“1H2016”). According to the interim report 2016 issued by Petro-king, the loss attributable to the owners of Petro-king Group was approximately HK\$57 million in the current period, and it was profit of approximately HK\$8 million in the last corresponding period.



Property Investment and Development

The operating environment for the Group's property investment and development business remains tough during the period under review. The activities of the Group's property project, which is mainly located in the Guangdong Province of Mainland China ("PRC"), continue at a low level during the period.

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The commercial arcades is still vacant and the occupancy rate of the residential units is slightly higher than that of last corresponding period. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the period slightly increased by approximately 7% from that of the last corresponding period. Due to the planned construction of Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of properties in Zhongshan market is bloomed. The Group has sold 21 residential units during the period under review. As at 30th September, 2016, 181 residential units remained to be sold, out of which 141 residential units were let out.

Oilfield Engineering and Consultancy Services

The Group held 30.47% interest as at 1st April, 2016 and 30th September, 2016 in Petro-king listed on The Stock Exchange of Hong Kong Limited as an associate through Termbray Natural Resources Company Limited ("Termbray Natural Resources"), a wholly owned subsidiary of the Group.

In July 2016, Petro-king made a rights issue to shareholders on the basis of three rights share for ten existing shares held on the record date at HK\$0.31 per rights share ("Right Issue"). Termbray Natural Resources subscribed for its full entitlement of 121,426,231 rights shares in net consideration of HK\$37,642,000.



During the period under review, the Group's has applied equity method of accounting for the results of Petro-king Group as an associate for the six months ended 30th June, 2016.

According to the interim report issued by Petro-king in 1H2016, Petro-king Group recorded a revenue of HK\$266 million, representing a decrease of approximately 36% from that of HK\$416 million for the six months ended 30th June, 2015 ("1H2015"). The decrease in revenue was mainly due to the general slow-down in exploration and production ("E&P") investments of most oil and gas operators that led to the low level of oilfield service activities. Petro-king Group recorded a net loss attributable to owners in 1H2016 of approximately HK\$57 million, compared to that of a net profit of approximately HK\$8 million in 1H2015.

The first half of 2016 remained challenging for the oilfield service industry. The E&P industry finds itself in a deep financial crisis. Low profitability and uncertainty in cash flow make most oil and gas operators taking cautious approaches in both capital and operating expenditure plans, such as postponing investments in exploration, curtailing development activity, and squeezing service industry prices. As a result, the oilfield service providers have suffered as much as the oil and gas operators. Most of the oilfield service providers were forced to offer discounts on their service pricing when negotiating contracts with the E&P operators in order to stay competitive. Petro-king Group had experienced another challenging half year marked by lower activity levels and continuing pricing pressure in both China and the overseas markets.

During the period, Petro-king Group continuously conducted special risk management plan to cope with the industry downturn and enhance financial position.

As a high-end integrated oilfield services provider, Petro-king Group attaches great importance to technology, and prides itself in introducing innovative products and services in a number of areas in oilfield services. In 1H2016, Petro-king Group continued to seek advancement in technology and introduced new products to the market.



Others

There were no acquisitions of major subsidiaries or associates during the period under review.

Liquidity and Financial Resources

The Group remains cash-rich and has no material capital expenditure commitments. The operations are financed by capital and reserves.

Foreign currency risk of the Group is not significant as the assets of the Group comprised substantially of cash denominated in Hong Kong dollar. No financial instrument is needed for hedging purposes in respect of interest rate and currency.

Order Book

Due to its business nature, the Group has no order book at 30th September, 2016. The Group has no new product and service to be introduced to the market.

Staff and Emolument Policy

As at 30th September, 2016, the Group employed 40 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration.



Outlook

The global economy has been recovering from the global financial crisis happened in 2008. United States (“US”) and China are experiencing various challenges after the global economic crisis. All of the factors including debt crisis in Europe, the fluctuation in oil price and Renminbi currency, and the progress of increase in US interest rate have an unpredictable impact on the recovery of global economy. In China, Central government has implemented various tightening monetary policies to cool down the overheated property market. We believe China will continue to play a key role in the future global economic recovery. The Group is confidence in capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in China.

Property investment and development has been the principal business of the Group for all these years and the Group is looking for investment opportunities in the property markets in the PRC, especially Guangdong Province. However, due to the intense competition of the property market in Guangdong Province, the Group has not yet acquired any land or properties during the period under review, but the Group will still continue to explore the investment opportunities in the property markets.

While the global oil production continues to fall as a result of the E&P investments cut by major oil and gas operators in the current period, low oil prices continue to drive demand growth, making the oil and gas market on a pace to healthy recovery in past few months. The management of Petro-king Group believed that the upward movement in the oil price will continue in the second half of 2016 and 2017.

In the past months, Petro-king Group have taken a conservative approach in coping with the industry downturn, such as downsized certain service lines, reduced headcount and implemented certain cost control measures, tightened up customer credit policy and raised capital in order to enhance Petro-king Group’s financial position. After taking all the above measures, Petro-king Group safeguarded its core expertise and competency for being a high-end oilfield technology and service provider, while keeping the operating costs at a relatively low level.



In light of the recent transform of the China oil and gas industry, the management of Petro-king Group believe that there will be more and more industry consolidation and collaboration among service providers and the operators in the foreseeable future. It is the Petro-king Group's intention to actively seeking collaborations and commercial alignments with oil and gas investors as well as other oilfield service providers.

In anticipating a market recovery of the oilfield service sector in 2017, Petro-king Group started to expand its marketing and sales team in certain regions in the overseas market earlier this year, and started to reallocate Petro-king Group's resources and service capacity to those markets that they believe will offer Petro-king Group more opportunities in forth coming industry recovery.

The Group will continue to operate its property investment and development business and be engaged in oilfield engineering and consultancy services through its interest in Petro-king Group. The Group will cautiously explore investment opportunities which will result in a steady growth in the Group's long term performance. On the other hand, there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements, the recovery progress of the global economy and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of its business and has the confidence to strengthen its competitiveness and to build value for our shareholders.



Directors' Interests in Shares and Options

As at 30th September, 2016, the interests of the Company's directors, chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or otherwise notified pursuant to Divisions 7 to 9 of Part XV of the SFO, were as follows:

(A) Long Positions in Shares of the Company

Name of directors	Number of shares				Total	Percentage of total issued shares
	Personal interest	Family interest	Corporate interest	Other interest		
Mr. Lee Lap	-	-	-	1,252,752,780 <i>(note)</i>	1,252,752,780	63.99%
Mdm. Leung Lai Ping	-	-	-	1,252,752,780 <i>(note)</i>	1,252,752,780	63.99%
Mr. Tommy Lee	-	-	-	1,252,752,780 <i>(note)</i>	1,252,752,780	63.99%

Note:

The 1,252,752,780 shares included under the other interest of Mr. Lee Lap, Mdm. Leung Lai Ping and Mr. Tommy Lee are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of Lee & Leung Family Trust. The discretionary beneficiaries of Lee & Leung Family Trust are Mdm. Leung Lai Ping, certain children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.



(B) Long Positions in Shares of Petro-king Oilfield Services Limited, an Associated Corporation

Name of directors	Number of shares interested	% of total issued shares
Mr. Lee Lap	526,180,335	30.47%
Mr. Tommy Lee	526,180,335	30.47%

Note:

All the above shares are held by the Company's wholly owned subsidiary as beneficial owner. 1,252,752,780 shares of the Company are held by Lee & Leung (B.V.I.) Limited, representing approximately 63.99% of the total issued shares of the Company. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of Lee & Leung Family Trust. The discretionary beneficiaries of Lee & Leung Family Trust are Mdm. Leung Lai Ping, certain children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.

(C) Long Positions in Underlying Shares in respect of Share Options of Petro-king Oilfield Services Limited, an Associated Corporation

Name of directors	Number of underlying shares	% of total issued shares
Mr. Tommy Lee	109,481	0.01%
Mr. Tong Hin Wor	109,481	0.01%



(D) Long Positions in Shares of Other Associated Corporations

Name of directors	Name of subsidiary	Number of non-voting deferred shares held <i>(note)</i>	% of total issued non-voting deferred shares
Mr. Lee Lap	Applied Industrial Company Limited	1,000	40%
	Lee Plastics Manufacturing Company Limited	250,000	50%
	Magnetic Electronics Limited	5,000	100%
	Termbray Electronics Company Limited	7,000	70%
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500	60%
	Lee Plastics Manufacturing Company Limited	250,000	50%
	Termbray Electronics Company Limited	3,000	30%

Note: All the above non-voting deferred shares are held by the above directors personally as beneficial owner.

Saved as disclosed above, as at 30th September, 2016, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

Apart from the share option scheme of the Company, at no time during the period was the Company or any of its subsidiaries a party to any arrangements as enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



Substantial Shareholders

As at 30th September, 2016, the person (other than the directors as disclosed in the "Directors' interests in Shares and Options") interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK\$0.08 each held	Percentage of the issued share capital of the Company
Lee & Leung (B.V.I.) Limited <i>(Note 1)</i>	Beneficial owner	1,252,752,780	63.99%
Lee & Leung Family Investment Limited <i>(Note 1)</i>	Held by controlled corporation	1,252,752,780	63.99%
HSBC International Trustee Limited <i>(Note 1)</i>	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	63.99%
Cosmo Telecommunication Inc. <i>(Note 2)</i>	Beneficial owner	151,202,960	7.72%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	7.72%
East Glory Trading Limited <i>(Note 3)</i>	Beneficial owner	103,397,540	5.28%
Master Winner Limited <i>(Note 3)</i>	Held by controlled corporation	103,397,540	5.28%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	5.28%



Notes:

- (1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by Lee & Leung Family Investment Limited, which is wholly owned by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of Lee & Leung Family Trust. The discretionary beneficiaries of Lee & Leung Family Trust are Mdm. Leung Lai Ping, certain children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.
- (2) Cosmo Telecommunication Inc. is a wholly owned by Ms. Jing Xiao Ju.
- (3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30th September, 2016.

Share Option Scheme

The share option scheme ("Scheme") of the Company was adopted on 18th August, 2006 as an incentive to attract, retain and motivate talented participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. The Scheme was for a period of 10 years from the date of adoption.



No option was granted, exercised, lapsed or cancelled during the six months ended 30th September, 2016. The Scheme was expired on 18th August, 2016 and there was no outstanding options as at 30th September, 2016.

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 during the six months ended 30th September, 2016.

Corporate Governance

The Company has met the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30th September, 2016 save as disclosed below.

Pursuant to code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called "The Termbray Industries International (Holdings) Limited Act 1991". Section 4(g) of the said Act provides that: "Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation". The Company had amended its existing bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director, shall be subject to retirement by rotation at least once every three years, while directors holding the office of chairman or managing director shall be subject to re-election every 3 years.



Code provision E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the annual general meeting. Mr. Lee Lap, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 9th September, 2016 due to physical discomfort and Mr. Tommy Lee, the Vice-Chairman of the Board, took the chair of the annual general meeting.

Following the passing away of Mr. Siu Lok Chow, Gabriel, an independent non-executive director of the Company on 6th May, 2016, the Board comprises seven members, including four executive directors, one non-executive director and two independent non-executive directors, with the number of independent non-executive directors falling below the minimum number required under Rule 3.10(1) of the Listing Rules and falling below one-third of the Board as required under Rule 3.10A of the Listing Rules. Besides, the remuneration committee members decreased from three to two, comprising one independent non-executive director and one executive director, which did not fulfill the requirement that a remuneration committee must comprise a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and the nomination committee members decreased from three to two, comprising one independent non-executive director and one executive director, which did not fulfill the requirement that a nomination committee must comprise a majority of independent non-executive directors under code provision A.5.1. of the CG Code.

On 4th November, 2016, Mr. Tong Hin Wor, an independent non-executive director of the Company, was appointed as members of remuneration committee and nomination committee of the Company. Following the said appointment, the Company complies with Rule 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

On 10th November, 2016, Mr. Ching Yu Lung was appointed as an independent non-executive director and a member of audit committee of the Company. Following the said appointment, the number of independent non-executive directors of the Company is three and is not less than one-third of the Board which fulfils the requirements under Rule 3.10(1) and Rule 3.10A of the Listing Rules.



Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions. The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the six months period ended 30th September, 2016.

Audit Committee

The Company has established an audit committee currently comprising three independent non-executive directors and one non-executive director of the Company. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30th September, 2016.

Change of Director's Information Disclosed under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of director's information of the Company since the date of the 2015/16 annual report of the Company are as follows:

Mr. Lee Ka Sze, Carmelo was appointed as a Convenor cum member of the Financial Reporting Review Panel for a term of 3 years from 16th July, 2016 to 15th July 2019.

By order of the Board

Lee Lap

Chairman

Hong Kong, 18th November, 2016



Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED**

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Termbray Industries International (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 19 to 32, which comprises the condensed consolidated statement of financial position as of 30th September, 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 18th November, 2016



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th September, 2016

	Notes	Six months ended 30/9/2016 HK\$'000 (unaudited)	30/9/2015 HK\$'000 (unaudited)
Revenue	3	14,837	3,374
Cost of goods sold and services rendered		(5,908)	(1,433)
Gross profit		8,929	1,941
Other income	4	383	439
Other gains and losses	5	(6,660)	(4,421)
Administrative expenses		(6,620)	(9,417)
Share of result of an associate		(18,005)	1,478
Loss before taxation		(21,973)	(9,980)
Taxation	6	(646)	(327)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	7	(22,619)	(10,307)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		1,250	1,112
Share of other comprehensive (expense) income of an associate			
– currency translation differences		(228)	965
– revaluation gain on available-for-sale financial asset of an associate		428	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		1,450	2,077
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(21,169)	(8,230)
		HK cents (unaudited)	HK cents (unaudited)
BASIC LOSS PER SHARE	9	(1.16)	(0.53)



Condensed Consolidated Statement of Financial Position

At 30th September, 2016

	<i>Notes</i>	30/9/2016 HK\$'000 (unaudited)	31/3/2016 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		40,139	40,654
Investment property		28,674	28,840
Interest in an associate	<i>10</i>	242,451	222,614
Pledged bank deposits	<i>12</i>	2,000	2,000
		313,264	294,108
CURRENT ASSETS			
Completed properties for sale		104,247	113,328
Deposits, prepayments and other receivables		1,741	1,854
Bank balances and cash		273,076	302,771
		379,064	417,953
CURRENT LIABILITIES			
Other payables and accrued charges		3,604	3,948
Dividend payable		12,505	12,505
Deposits received		2,220	798
Amount due to a related company	<i>13(b)</i>	2,740	2,553
Taxation payable		2,862	2,720
		23,931	22,524
NET CURRENT ASSETS		355,133	395,429
TOTAL ASSETS LESS CURRENT LIABILITIES		668,397	689,537



		30/9/2016	31/3/2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		265	236
NET ASSETS		<u>668,132</u>	<u>689,301</u>
CAPITAL AND RESERVES			
Share capital	<i>11</i>	156,611	156,611
Reserves		<u>511,104</u>	<u>532,273</u>
Equity attributable to owners of the Company		667,715	688,884
Non-controlling interests		<u>417</u>	<u>417</u>
TOTAL EQUITY		<u>668,132</u>	<u>689,301</u>



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2016

	Attributable to owners of the Company							
	Share capital	Share premium	Exchange translation reserve	Other reserve <i>(Note)</i>	Retained profits	Total	Non-controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 2015 (audited)	156,611	404,370	29,969	-	521,704	1,112,654	417	1,113,071
Loss for the period	-	-	-	-	(10,307)	(10,307)	-	(10,307)
Exchange differences arising from translation of foreign operations	-	-	1,112	-	-	1,112	-	1,112
Share of other comprehensive income of an associate	-	-	965	-	-	965	-	965
Total comprehensive income (expense) for the period	-	-	2,077	-	(10,307)	(8,230)	-	(8,230)
At 30th September, 2015 (unaudited)	156,611	404,370	32,046	-	511,397	1,104,424	417	1,104,841
At 1st April, 2016 (audited)	156,611	404,370	14,572	(1,159)	114,490	688,884	417	689,301
Loss for the period	-	-	-	-	(22,619)	(22,619)	-	(22,619)
Exchange differences arising from translation of foreign operations	-	-	1,250	-	-	1,250	-	1,250
Share of other comprehensive (expense) income of an associate								
- currency translation differences	-	-	(228)	-	-	(228)	-	(228)
- revaluation gain on available-for-sale financial asset of an associate	-	-	-	428	-	428	-	428
Total comprehensive income (expense) for the period	-	-	1,022	428	(22,619)	(21,169)	-	(21,169)
At 30th September, 2016 (unaudited)	156,611	404,370	15,594	(731)	91,871	667,715	417	668,132

Note: The other reserve of the Group represents the changes in fair value of the available-for-sale financial asset of an associate recognised in other comprehensive income.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2016

	Six months ended	
	30/9/2016 <i>HK\$'000</i> (unaudited)	30/9/2015 <i>HK\$'000</i> (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	8,522	(6,916)
INVESTING ACTIVITIES		
Interest received	337	388
Prepayments for subscription of new shares of an associate	–	(22,499)
Subscription of shares of an associate	(37,642)	–
NET CASH USED IN INVESTING ACTIVITIES	(37,305)	(22,111)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,783)	(29,027)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	302,771	330,334
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(912)	(438)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	273,076	300,869



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS 34”) *“Interim Financial Reporting”* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2016

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the period is as follows:

	Six months ended	
	30/9/2016	30/9/2015
	HK\$'000	HK\$'000
Sales of properties	12,098	674
Rental income	2,739	2,700
	14,837	3,374

The following is an analysis of the Group's results from the property investment and development segment:

	Six months ended	
	30/9/2016	30/9/2015
	HK\$'000	HK\$'000
Segment revenue	14,837	3,374
Segment profit (loss)	2,468	(2,279)
Unallocated other income	330	392
Unallocated other gains and losses	(1,372)	(1,023)
Unallocated expenses	(6,040)	(8,875)
Share of result of an associate	(18,005)	1,478
Loss for the period	(22,619)	(10,307)



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2016

4. OTHER INCOME

	Six months ended	
	30/9/2016	30/9/2015
	HK\$'000	HK\$'000
Interest income from bank balances	337	388
Sundry income	46	51
	<u>383</u>	<u>439</u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	30/9/2016	30/9/2015
	HK\$'000	HK\$'000
Net exchange loss	<u>(6,660)</u>	<u>(4,421)</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2016

6. TAXATION

	Six months ended	
	30/9/2016	30/9/2015
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong Profits Tax	142	141
People's Republic of China ("PRC") Enterprise Income Tax	475	184
	<u>617</u>	<u>325</u>
Deferred taxation	29	2
	<u>646</u>	<u>327</u>

7. LOSS FOR THE PERIOD

	Six Months ended	
	30/9/2016	30/9/2015
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging the following terms:		
Cost of inventories recognised as expense	4,584	238
Depreciation of		
– property, plant and equipment	515	522
– investment property	166	166
Gross rental income from investing property	942	942
Less: direct operating expense incurred for investment property that generated rental income during the period	(232)	(234)
	<u>710</u>	<u>708</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2016

8. DIVIDEND

No dividend was paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th September, 2016 (six months ended 30th September, 2015: Nil).

9. BASIC LOSS PER SHARE

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

	Six months ended	
	30/9/2016	30/9/2015
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(22,619)</u>	<u>(10,307)</u>
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic loss per share	<u>1,957,643</u>	<u>1,957,643</u>

The computation of the diluted loss per share for the current and prior interim periods does not assume the exercise of the associate's share options and convertible bonds, because this would result in a decrease in the loss per share.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2016

10. INTEREST IN AN ASSOCIATE

	30/9/2016 HK\$'000	31/3/2016 HK\$'000
Cost of investment in an associate listed in Hong Kong	368,847	331,205
Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate, net of dividend received	146,053	163,858
Impairment loss recognised	(272,449)	(272,449)
	<u>242,451</u>	<u>222,614</u>
Market value of interest in an associate	<u>202,579</u>	<u>222,614</u>

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the management accounts of the associate for the six months period ended 30th June, 2016 have been used.

Included in the cost of investment in an associate is goodwill of HK\$167,088,000 (31/3/2016: HK\$167,088,000) which is the difference between the initial cost of investment and the Group's share of the net value of the associate's identifiable assets and liabilities as at the date of acquisition of the associate.

On 8th July, 2016, the associate completed a rights issue of 398,463,388 rights shares at HK\$0.31 per rights share on the basis of three rights shares for every ten existing shares held on 29th June, 2016. The Group has applied for 121,426,231 rights shares for a consideration of approximately HK\$37,642,000. As at 30th September, 2016, the Group's shareholding in the associate remains at 30.47% as the subscription is in proportion to the total shares held by the shareholders.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2016

10. INTEREST IN AN ASSOCIATE (continued)

As at 30th September, 2016, the carrying amount of the associate is higher than the market capitalisation with reference to the quoted market price of the shares of the associate which constitutes an impairment indicator. In this regard, the Group conducted an impairment assessment of the associate. The recoverable amount of the associate is determined based on the value in use estimation by the management, as the value in use was higher than the fair value less cost of disposal. In determining the value in use of the interest in an associate, the directors estimated the present value of the estimated future cash flow comprising expected dividend incomes from an associate and expected ultimate disposal, by using a discount rate to discount the cash flow projections to net present value. The future cash flow from the expected ultimate disposal is calculated with reference to the expected return from the associate. Based on the assessment, the recoverable amount of the Group's interest in an associate was determined based on the value in use, which is higher than the carrying amount and no further impairment loss is recognised.

As at 31st March, 2016, the management reviewed the recoverable amount of the associate after taking into account of (i) the sluggish global oil and gas market that caused further decline in oilfield service orders of the associate for the year ended 31st December, 2015; (ii) the weak international oil price which led to stringent capital expenditure and cost cutting plans for most of the associate's customers; (iii) the estimated limits on business growth of the associate in 2016 brought about by the continuing effects of a bearish market on crude oil price; and (iv) the continuing downward trend of the associate's share price. The directors estimated that there is a significant decline in the present value of the estimated future cash flow comprising expected dividend income from the associate and expected ultimate disposal, which was lower than the fair value less cost of disposal. Based on the assessment, the recoverable amount of the Group's interest in an associate was determined based on the fair value less cost of disposal, which was lower than the carrying amount and an impairment loss of HK\$272,449,000 was recognised.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2016

11. SHARE CAPITAL

Ordinary shares of HK\$0.08 each, issued and fully paid

	Number of shares '000	Share capital HK\$'000
At 1st April, 2015, 31st March, 2016 and 30th September, 2016	<u>1,957,643</u>	<u>156,611</u>

12. PLEDGE OF ASSETS

At 30th September, 2016, bank deposits of HK\$2,000,000 (31/3/2016: HK\$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by banks.

13. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with related parties:

- (a) Pursuant to the tenancy agreement entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises and warehouses from Panda Investment and paid rental of HK\$243,000 (six months ended 30/9/2015: HK\$243,000) during the current period. Panda Investment is a wholly owned subsidiary of Lee & Leung Family Investment Limited, the ultimate parent of the Company.
- (b) At 30th September, 2016, the Group had an amount of approximately HK\$2,740,000 (31/3/2016: HK\$2,553,000) due to Panda Investment, which is unsecured, interest-free and repayable on demand.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2016

13. RELATED PARTY TRANSACTIONS (continued)

- (c) Pursuant to the tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap and Mdm. Leung Lai Ping, directors of the Company and the Group, the Group leased its land and building to Mr. Lee Wing Keung for a period of 3 years from 16th March, 2014 to 15th March, 2017 at the monthly rental of HK\$157,000 (exclusive of rates, management fee and utility charges). The rental income recognised during the period is HK\$942,000 (six months ended 30/9/2015: HK\$942,000).

- (d) The compensation of key management personnel paid or payable by the Group in respect of the current period, substantially all of which comprised of short term benefits attributable to the directors of the Company, amounted to HK\$4,613,500 (six months ended 30/9/2015: HK\$4,663,500).

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

