Termbray Industries International (Holdings) Limited

Stock Code: 0093

2010/2011 Annual Report

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Lee Lap, Chairman
Mr. Tommy Lee,
Vice Chairman & Chief Executive Officer
Mr. Wang Jinlong
(resigned on 1st November, 2010)
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Siu Kang
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

NON-EXECUTIVE DIRECTORS

Mr. Lee Ka Sze, Carmelo
Mr. Lee Wing Sing, Vincent

COMPANY SECRETARY

Mr. Lo Tai On

AUDIT COMMITTEE

Mr. Lo Yiu Hee
Mr. Chan Siu Kang
Mr. Tong Hin Wor
Mr. Lee Ka Sze, Carmelo

REMUNERATION COMMITTEE

Mr. Lee Lap
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

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
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong
Telephone: (852) 2980 1768
Facsimile: (852) 2528 3158

LISTING INFORMATION

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

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

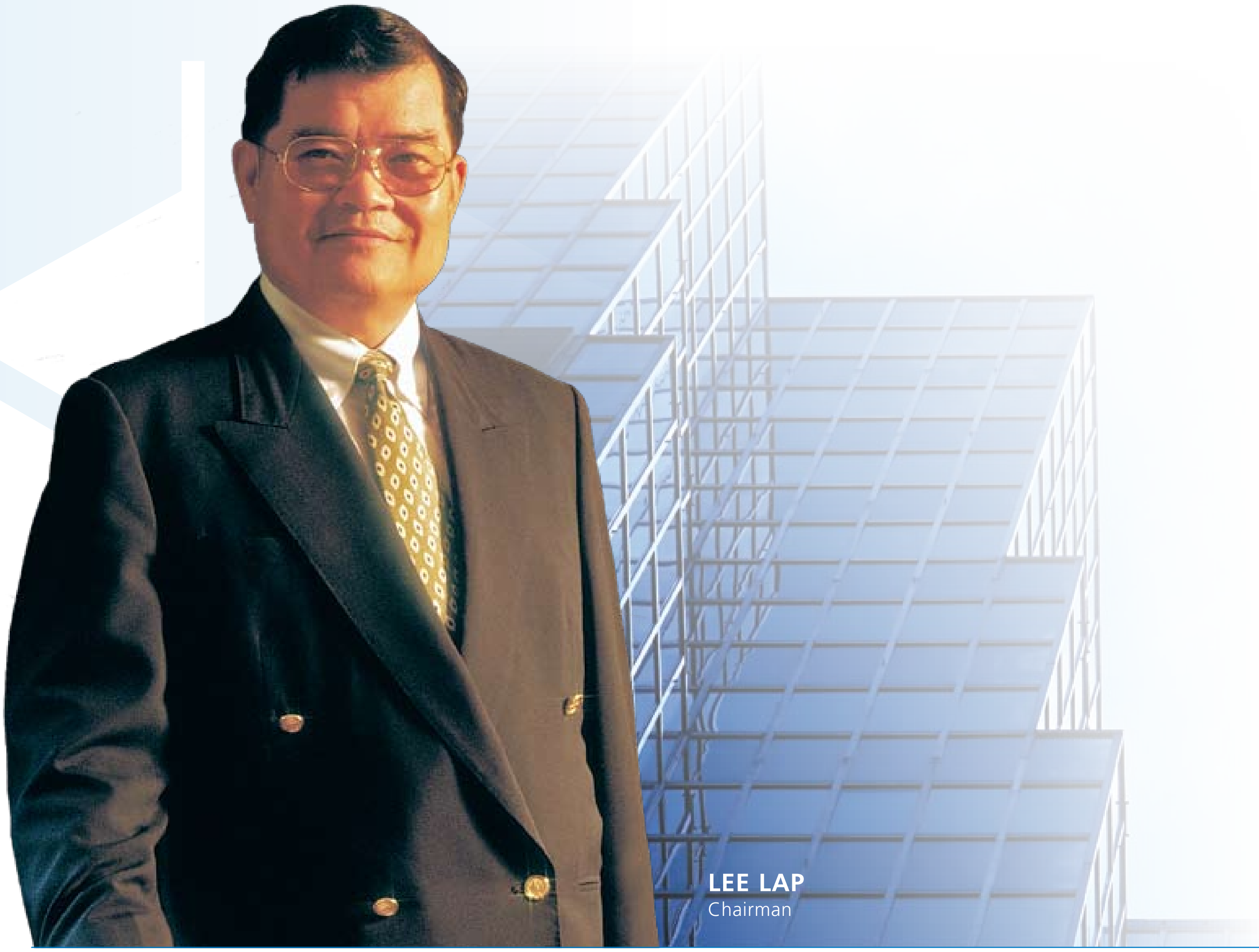
LEGAL ADVISORS IN HONG KONG

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

Chairman's Statement



LEE LAP
Chairman

Chairman's Statement

RESULTS

I report to shareholders the results of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") for the financial year ended 31st March, 2011. The Group recorded a profit for the year of HK$115,945,000 and profit attributable to owners of the Company of HK$109,516,000 for the year ended 31st March, 2011, compared with profit for the year of HK$68,926,000 and profit attributable to owners of the Company of HK$22,977,000 in last year.

DIVIDEND

The board of directors of the Company does not recommend the payment of a dividend in respect of the year (2010: Nil).

REVIEW OF OPERATIONS

Property investment and Development

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

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. Due to the vacancy of the commercial arcades, the occupancy rate of the residential units continues to drop. The management has put much effort in marketing the properties and is still trying to improve the operation of the commercial arcades by looking for innovative trendy commodities which are attractive to the consumers in Zhongshan. The rental income earned by the Group from Ever Success Plaza during the year is decreased by 12.94%. The Group has sold 9 residential units during the year under review. As at 31st March, 2011, 224 residential units remained to be sold, out of which 120 residential units were let out.

With regard to the investment in Cong Hua White Swan Bow Yuen Real Estate Development Limited ("Cong Hua Bow Yuen"), the chance for the extension of the joint venture period of Cong Hua Bow Yuen remains very remote. Full provision for impairment loss against the property held by Cong Hua Bow Yuen had been made in the consolidated financial statements of the Group in prior years.

Oilfield engineering and consultancy services

During the year under review, the Group has accounted for the results of Termbray Petro-king Group for the nine months' period from 1st April, 2010 to 31st December, 2010. The financial year end date for Termbray Petro-king Group is 31st December, 2010. For the purpose of applying the equity method of accounting, the audited consolidated financial statements of Termbray Petro-king Group for the year ended 31st December, 2010 have been used as the Group considers that it is impracticable for Termbray Petro-king Group to issue a separate set of audited consolidated financial statements as of 31st March, 2011.

Chairman's Statement

From 1st April, 2010 to date of completion in October 2010 of the Subscription (as defined below), the Group has accounted for the result of Termbray Petro-king Group as subsidiaries under discontinued operations. From date of completion of the Subscription to 31st December, 2010, the Group has accounted for the result of Termbray Petro-king Group as an associate applying the equity method of accounting. For the period from 1st April, 2010 to 31st December, 2010, Termbray Petro-king Group achieved a turnover of HK$452 million and recorded a profit after tax of HK$66 million (after deducting employee share-based payment of HK$21 million upon the grant of share option to directors and selected employees). For the year from 1st April, 2009 to 31st March, 2010, Termbray Petro-king Group achieved a turnover of HK$382 million and recorded a profit after tax of HK$94 million. The progress of some projects and delivery of equipments were a bit delayed in the first half year. However, they caught up in the second half year and the overall performance of Termbray Petro-king Group for the year is satisfactory. Termbray Petro-king Group has maintained very good relationship with its existing customers, it is engaged in complex oilfields services and the competition for high-end oil exploration technology is not very keen, therefore it is able to expand its business.

Based on the unaudited consolidated financial statements of Termbray Petro-king Group for the 3 months' period from 1st January, 2011 to 31st March, 2011, Termbray Petro-king Group achieved a revenue of HK$86 million and recorded a profit after tax of HK$6 million.

Included in the net fair value on completion date of the Subscription of Group's share of Termbray Petro-king Group's identifiable assets and liabilities is intangible assets in relation to incomplete contracts of HK$66,338,000, determined based on the income-based method. Such intangible assets are amortised according to the management expectation of realisation of profits of the incomplete contracts over their estimated useful lives of one to two years. The Group's share of result of an associate for the current financial year ended 31st March 2011 has accounted for an amortisation of the intangible assets of HK$24 million. The balance of the intangible assets is expected to be amortised in the financial year ending 31st March, 2012.

The major customers of Termbray Petro-king Group have acquired several massive overseas oil reserves, therefore the demand for experienced oilfield engineering and consultancy services have upsurged substantially. Termbray Petro-king Group has the technical knowhow to provide the comprehensive oilfield development design and consultancy services. Termbray Petro-king Group obtained awards of tender bid for several overseas projects, particularly in the Middle East, which will last for several years. Termbray Petro-king Group is now working hard on them and their preparation work is in good order and this will secure business growth of Termbray Petro-king Group in future.

Termbray Petro-king Group has strengthened its technical communication with its domestic customers and introduced advanced technology from abroad to them. The management expected that this would help Termbray Petro-king Group enhances its marketing and sales efforts and domestic sales in near future.

Deemed disposal arising from subscription for new shares by an investor in Termbray Petro-king Group

On 3rd September, 2010, Termbray Petro-king Oilfield Services (BVI) Limited ("Termbray Petro-king"), a non-wholly owned subsidiary of the Company, TCL Industries Holdings (HK) Limited ("TCL"), King Shine Group Limited ("King Shine") and Termbray Natural Resources Limited ("Termbray NRC"), a wholly owned subsidiary of the Company entered into a Subscription Agreement, pursuant to which Termbray Petro-king shall allot and issue and TCL shall subscribe for new shares of Termbray Petro-king, representing 10% of the issued share capital of Termbray Petro-king as enlarged by the subscription ("Subscription") for a consideration of RMB88.8 million payable in US dollars. TCL and its ultimate beneficial owners is an independent third party and not a connected person of the Company.

Chairman's Statement

Upon completion of the Subscription in October 2010, Termbray Petro-king is owned as to 45.9%, 44.1% and 10.0% by Termbray NRC, King Shine and TCL, respectively. Termbray Petro-king has ceased to be subsidiary of the Company and has become an associate of the Company. The assets and liabilities of Termbray Petro-king is no longer consolidated to the consolidated financial statements of the Group.

The Subscription would considerably strengthen Termbray Petro-king Group's financial position and its ability to continue to expand in the oilfield engineering and consultancy services industry. The proceeds of the Subscription has also increased the liquidity of Termbray Petro-king Group and strengthen its position to fund its continued expansion.

In the current year, the Group has applied HKAS 27 (as revised in 2008) *Consolidated and Separate Financial Statements*, which is effective for accounting period beginning on or after 1st July, 2009. The application of the revised Standard has affected the resulted gain for the Group's losing control of Termbray Petro-king in the current year.

When control of a subsidiary is lost as a result of a transaction, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

The fair value of the Group's interest in Termbray Petro-king at the date control is lost has been regarded as cost of interest in an associate from the date on which the Group ceased to have control, and incorporated in the consolidated financial statements using the equity method of accounting. The fair value has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group. The change in accounting policy has resulted in the difference of HK$97,222,000 between the fair value of the retained interest of Termbray Petro-king at the date control is lost of HK$473,826,000 and the interest retained in Termbray Petro-king with carrying amounts of HK$376,604,000, being recognised directly in profit or loss. Therefore, the change in accounting policy has resulted in an increase in the profit for the year and carrying amount of interest in an associate of HK$97,222,000.

For the circular dated 30th September, 2010 ("Circular") regarding the deemed disposal arising from the Subscription, the Group has applied HKAS 27 "Consolidated and Separate Financial Statements" which was issued in December 2004 and was effective during the relevant accounting periods. Therefore, the assumed pro-forma gain on deemed disposal of HK$10.9 million as disclosed in the Circular is calculated based on the difference between the Group's 45.9% share on the net consideration on the Subscription received by Termbray Petro-king and 5.1% of the unaudited net assets value of the disposal group as at 31st March, 2010 and 5.1% of the cumulative amount of exchange differences related to the disposal group recognised in equity as at 31st March, 2010.

TREASURY INVESTMENT ACTIVITY

The Group still holds a substantial amount of funds of approximately HK$0.6 billion which have been placed as short term bank deposits with large financial institutions in Hong Kong.

Chairman's Statement

OUTLOOK

The global economy has been recovering from the global financial crisis happened in 2008. United States and China are experiencing various challenges after the global economic crisis. In United States, the recovery progress of its economy is slower than expected. In China, Central government has implemented various tightening monetary policies to cool down its economy, especially the overheated property market and high inflation rate. We believe China will continue to play a key role in the future global economic recovery. The Group has 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 has spent a lot of resources to look for investment opportunities in the property markets in the PRC, especially Guangdong province. However, due to the intense competition of the property market in the Guangdong province, the Group has not yet acquired any land or properties during the year under review, but the Group will continue to explore investment opportunities in the property markets in the PRC.

Termbray Petro-king Group has kicked-off several projects in overseas markets, particularly in the Middle East. These new projects will last for several years. These projects have completed initial design and will soon undergo production in the coming years. The oil price has maintained at above US$90 per barrel. We expect the oil price at this level will boost substantial capital expenditure investment in new oilfields by large national oil companies. Substantial parts of these capex investment will be invested by China national oil companies in their overseas projects. As Termbray Petro-king Group has extensive overseas oilfield experience and has maintained a very good relationship with those China national oil companies, we believe that Termbray Petro-king Group is likely to be benefited from the coming capex boom. We are cautiously optimistic about the future performance of Termbray Petro-king Group.

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 Termbray Petro-king Group. The Group will cautiously explore investment opportunity 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.

Lee Lap
Chairman

Hong Kong, 17th June, 2011

Management Discussion and Analysis

RESULTS

During the current year under review, the Group achieved a revenue for continuing operations of HK$9,160,000 and recorded a profit for the year of HK$115,945,000 and profit attributable to owners of the Company of HK$109,516,000 compared with the revenue for continuing operations of HK$5,700,000 (restated) and profit for the year of HK$68,926,000 and profit attributable to owners of the Company of HK$22,977,000 recorded in last year.

REVENUE AND SEGMENT INFORMATION

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

	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations		
Sales of properties	**4,111**	385
Rental income	**5,049**	5,315
	9,160	5,700

Segment information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the two principal operating segments of the Group, namely property investment and development which involved property leasing and sales of properties, and oilfield engineering and consultancy services which involved sale of equipment and provision of consultancy services on well drilling. The Group's operations in oilfield engineering and consultancy services were discontinued upon the Subscription. The segment information reported below does not include any amounts for this discontinued operations, which are described in more detail in note 10 to the consolidated financial statements. Accordingly, the comparatives of segment information have been restated.

Management Discussion and Analysis

Segment revenues and results

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

Continuing operations

	2011 HK$'000	2010 HK$'000 (restated)
Revenue from property investment and development segment	**9,160**	5,700
Segment profit from property investment and development segment	**10,047**	3,067
Unallocated other income	**1,843**	2,104
Unallocated other gain and expenses	**2,379**	(65)
Unallocated expenses	**(17,851)**	(20,549)
Share option expense	**(675)**	(3,553)
Effective interest expense on convertible note	**(4,996)**	(6,372)
Corporate income tax credit	**–**	30
Share of results of an associate	**2,195**	–
Loss for the year from continuing operations	**(7,058)**	(25,338)

All of the segment revenue reported above is from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Segment profit represents the profit earned by property investment and development segment without allocation of unallocated other income, unallocated other gain and expenses, unallocated expenses, share option expenses, effective interest expense on convertible note, corporate income tax credit and share of results of an associate. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

The Group's revenue from continuing operations from external customers by location where the goods are delivered and services are rendered are detailed below:

	Revenue from external customers	
	2011	2010
	HK$'000	HK$'000
		(restated)
Hong Kong	**2,289**	2,280
The PRC	**6,871**	3,420
	9,160	5,700

A more detailed analysis of the Group's segment information is set out in note 6 to the consolidated financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2011, the Group remains cash-rich and no material capital expenditure commitments. The operations are financed by capital and reserves.

The non-interest bearing convertible notes of HK$133,692,000 issued to King Shine Group Limited in 2007 matured on 31st December, 2010. On the maturity date, the noteholder had not exercised the conversion right and the Company had made a full repayment of the outstanding principal amount of HK$133,692,000 from internal resources.

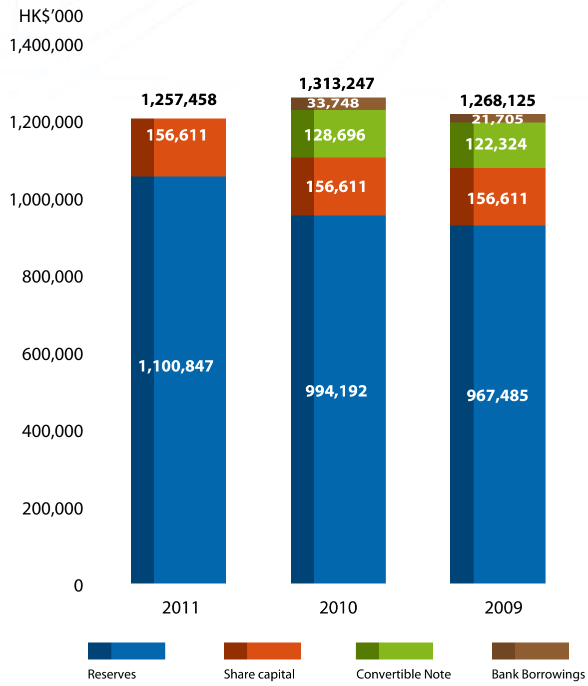
Bank balances and cash amounted to HK$597,413,000 and accounted for 83.1% of total current assets.

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.

Management Discussion and Analysis

CAPITAL STRUCTURE

As at 31st March, 2011, the Group's operations were financed by capital and reserves.



ORDER BOOK

Due to its business nature, the Group has no order book at 31st March, 2011. The Group has no new product and services to be introduced to the market.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales for the continuing operations attributable to the Group's largest customer and five largest customers accounted for approximately 25.0% and 47.9% respectively of the Group's revenue for the continuing operations for the year. The five largest suppliers of the Group for the continuing operations accounted for less than 30.0% of the Group's total purchases for the continuing operations for the year.

During the year for the continuing operations, the Group has not made any purchases other than incurring rental outgoings and overhead expenses.

Save as the connected transaction disclosed in page 24 of this report, none of the Company's directors, their associates or any shareholders of the Company (who to the best of the knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers and the five largest suppliers.

STAFF AND EMOLUMENT POLICY

As at 31st March, 2011, the Group employed 48 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus and share option scheme.

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. The Company has a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out on page 26 of the Director's Report.

Directors' Report

The directors of the Company present their annual report together with the audited consolidated financial statements of the Group for the year ended 31st March, 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries and associates during the year were property development and investment, oilfield engineering and provision of consultancy services.

RESULTS

The results of the Group for the year ended 31st March, 2011 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 39 to 109.

DIVIDEND

The board of directors does not recommend the payment of a dividend (2010: Nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in note 14 and note 15 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Particulars of the Group's major completed properties for sale are set out on page 110.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 43.

DONATIONS

During the year, the Group had not made any charitable and other donations (2010: Nil).

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 111 and 112.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st March, 2011 were as follows:

	HK$'000
Contributed surplus	**191,810**
Retained profits	**89,063**
	280,873

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issue share capital and share premium account.

Directors' Report

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. Lee Lap
Mr. Tommy Lee
Mr. Wang Jinlong (resigned on 1st November, 2010)
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-Executive Directors

Mr. Chan Siu Kang
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

Non-Executive Directors

Mr. Lee Ka Sze, Carmelo
Mr. Lee Wing Sing, Vincent

In accordance with the Company's Bye-laws, Mr. Tommy Lee, Mr. Chan Siu Kang and Mr. Lo Yiu Hee shall retire from the board by rotation in accordance with the Company's Bye-law 99(A). All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company pursuant to paragraph 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

Mr. Lee Lap and Mdm. Leung Lai Ping have respectively a service contract with the Company for service as executive director which is terminable by either party giving to the other party not less than six months' prior notice in writing.

Mr. Chan Siu Kang, Mr. Lo Yiu Hee and Mr. Tong Hin Wor, the independent non-executive directors, and Mr. Lee Ka Sze, Carmelo, the non-executive director, have respectively entered into an appointment letter with the Company for service as an independent non-executive director or non-executive director for a term of 2 years from 1st January, 2011 to 31st December, 2012, which appointment shall terminate on the earlier of (i) 31st December, 2012; or (ii) the date on which the director concerned ceases to be an independent non-executive director or non-executive director pursuant to the Bye-laws or any other applicable laws.

Mr. Lee Wing Sing, Vincent has on 11th December, 2009 entered into an appointment letter with the Company for service as a non-executive director for a term of 2 years from 11th December, 2009 to 10th December, 2011, which appointment shall terminate on the earlier of (i) 10th December, 2011; or (ii) the date on which the director concerned ceases to be a director pursuant to the Bye-laws or any other applicable laws.

Other than the aforesaid, none of the directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lee Lap, aged 68, is the Chairman of the Company and he is also the Chairman of the remuneration committee of the board of directors of the Company. He is the founder of the Group and has been actively involved in the printed circuit board and electronics industry in Hong Kong since 1968. Mr. Lee is responsible for overall policy and decision making and business development of the Group. Mr. Lee is an honorary citizen of Zhongshan, Shenzhen and Guangzhou in PRC.

Mr. Tommy Lee, aged 33, is the Vice Chairman and Chief Executive Officer of the Company since 2008 and 2010 respectively. He is the son of Mr. Lee Lap and Mdm. Leung Lai Ping and the brother of Mr. Lee Wing Sing, Vincent. He studied Economics in the Seneca College in Canada. Mr. Lee had been the Vice President of a private company which is principally engaged in the manufacture and sale of printed circuit board and he was responsible for the overall management and strategic planning of the private company.

Madam Leung Lai Ping, aged 62, is the wife of Mr. Lee Lap. She has been involved in overall policy and decision making and general administration of the Group since 1968.

Mr. Wong Shiu Kee, aged 47, is the Finance Director of the Company. He first joined the Company in 1991 and rejoined the Company in October, 2000. With over 20 years of experience in financial management, he is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and is also a qualified Chartered Secretary designated as ACIS and ACS.

Independent Non-executive Directors

Mr. Chan Siu Kang, aged 74, was appointed as an independent non-executive director in 2004 and is a member of the audit committee and the remuneration committee of the Company. He is a graduate of the National Taiwan University with bachelor's degree in Electrical Engineering. Mr. Chan has 30 years' manufacturing and senior management experience in the electronics industry. Among which, he has held 20 years in the role as general manager and director.

Mr. Lo Yiu Hee, aged 53, was appointed as an independent non-executive director in 2004 and is the Chairman of the audit committee and a member of the remuneration committee of the Company. He holds bachelor and master degrees in business administration from the Chinese University of Hong Kong. Mr. Lo is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo has over 20 years of experience in finance and accounting in various listed companies. He was the Vice President of CPA Australia, Hong Kong China Division for 2000/01 and 2003/04, and councillor from 1997 to 2006. He is presently the chief financial officer and company secretary of a listed apparel manufacturing company and member of the Disciplinary Panel of CPA Australia.

Mr. Tong Hin Wor, aged 66, was appointed as an independent non-executive director in 2008 and is a member of the audit committee of the Company. He holds a diploma in management studies from Hong Kong Polytechnic University. Mr. Tong has over 30 years of working experience in financial management. Mr. Tong was the financial controller of Termbray Electronics Company Limited in 1991. He was the financial controller of Karrie Industrial Company Limited, a company principally engaged in electronics and sheet metal manufacturing in 1993, the Group controller of Elec & Eltek (International) Limited in 1995 and the Group vice president of Elec & Eltek Corporate Services Limited from 1995 to 2004.

Non-Executive Directors

Mr. Lee Ka Sze, Carmelo, aged 51, was an independent non-executive director of the Company from March, 1997 to September, 2004. On 30th September, 2004, he was re-designated as a non-executive director of the Company. He is a member of the audit committee of the Company. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo. Mr. Lee is a non-executive director of Hopewell Holdings Limited, China Pharmaceutical Group Limited, The Cross-Harbour (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company Limited, and an independent non-executive director of KWG Property Holding Limited and Ping An Insurance (Group) Company of China, Ltd., all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is a deputy chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited. Mr. Lee is also a chairman of the Transport Tribunal of the HKSAR Government, a member of SFC Dual Filing Advisory Group of Securities and Futures Commission and a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants.

Mr. Lee Wing Sing, Vincent, aged 38, was appointed as non-executive director of the Company in 2009. He is the son of Mr. Lee Lap and Mdm. Leung Lai Ping and the brother of Mr. Tommy Lee. He studied Economics in York University in Toronto, Canada. Mr. Lee is the Chief Operating Officer of a private company which is principally engaged in the manufacture and sale of printed circuit board and he is responsible for the overall management and strategic business development of the private company.

SENIOR MANAGEMENT

The directors are closely involved in and are directly responsible for all activities of the Group. The board of directors considers that only the above-mentioned four Executive Directors are regarded as members of the Group's senior management.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in note 12 to the consolidated financial statements.

Directors' Report

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The interests of the Company's directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as at 31st March, 2011 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 director	Personal interest	Family interest	Corporate interest	Other interest	Total	Type of securities	Percentage of total issued shares
Mr. Lee Lap	–	–	–	1,252,752,780 (note 1)	1,252,752,780	Shares	63.99%
Mdm. Leung Lai Ping	–	–	–	1,252,752,780 (note 1)	1,252,752,780	Shares	63.99%
Mr. Tommy Lee	–	–	–	1,252,752,780 (note 1)	1,252,752,780	Shares	63.99%
Mr. Lee Wing Sing, Vincent	39,387,120	–	–	1,252,752,780 (note 1)	1,292,139,900	Shares	66.00%

Note:

The 1,252,752,780 shares included under the other interest of Mr. Lee Lap, Mdm. Leung Lai Ping, Mr. Lee Wing Sing, Vincent and Mr. Tommy Lee are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by First Trend Management (PTC) Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee and Mr. Lee Wing Sing, Vincent) and the offspring of such children.

(B) Long Positions in Shares of Associated Corporations

Name of directors	Name of subsidiary	Number of non-voting deferred shares held (note)	% 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.

(C) Long Positions in Underlying Shares in respect of Shares Options Granted by the Company

Name of director		Number of underlying shares in respect of share option outstanding as at 1st April, 2010	Lapsed during the year	Number of underlying shares in respect of share option outstanding as at 31st March, 2011
Mr. Wang Jinlong	(Note 1)	20,000,000	(20,000,000)	–
	(Note 2)	17,000,000	(17,000,000)	–

Directors' Report

Notes:

(1) These share options were granted at an aggregate consideration of HK$1 on 25th February 2008 as approved by the shareholders of the Company on 22nd February, 2008 and are exercisable at HK$1.20 per share at any time between 25th February, 2008 and 24th February, 2011. Mr. Wang Jinlong is entitled to (a) exercise the option to subscribe for one-half of the option shares at any time during the period commencing on 25th February, 2008 until 24th February, 2011 (both dates inclusive); and (b) exercise the option to subscribe for the remaining one-half of the option shares at any time during the period commencing on 25th February, 2009 until 24th February, 2011 (both dates inclusive).

(2) These share options were granted at an aggregate consideration of HK$1 on 28th March, 2008 under the share option scheme of the Company. The exercise price is HK$1.25 per share.

(3) The above share options was lapsed upon the resignation of Mr. Wang Jinlong as a director and the chief executive officer of the Company on 1st November, 2010.

Saved as disclosed above and apart from the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to 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.

Saved as disclosed herein, as at 31st March, 2011, 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.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had entered into transactions with the following companies, of which the directors have controlling interests:

Panda Investment Company Limited ("Panda Investment")

The transactions with Panda Investment are described in note 36 to the consolidated financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have beneficial interests in Panda Investment.

During the year, the Group's property has been leased to Mr. Lee Wing Keung, the son of Mr. Lee Lap, details of which are disclosed in the section headed "Connected Transaction".

Save as aforementioned, no other contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Listing Rules, the Company discloses that Mr. Lee Lap and Mdm. Leung Lai Ping are interested in companies engaged in property investment and development in Mainland China and Hong Kong ("Competing Business.)

The board of directors of the Company has established procedures to identify any conflict of interest due to the interests of Mr. Lee Lap and Mdm. Leung Lai Ping. If conflict of interest arises, Mr. Lee Lap and Mdm. Leung Lai Ping will abstain from participating in making any decision. The Company is therefore capable of carrying on its business independently of, and at arm's length from the Competing Business.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

The person (other than the directors as disclosed in the "Directors' interest in Shares and Options") interested in 5% or more of the issued share capital of the Company as at 31st March, 2011 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 (note 1)	Beneficial owner	1,252,752,780	63.99%
First Trend Management (PTC) Limited (note 1)	Held by controlled corporation as trustee for Lee & Leung Family Unit Trust	1,252,752,780	63.99%
HSBC International Trustee Limited (note 1)	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	63.99%
Cosmo Telecommunication Inc. (note 2)	Beneficial owner	151,202,960	7.72%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	7.72%
East Glory Trading Limited (note 3)	Beneficial owner	103,397,540	5.28%
Master Winner Limited (note 3)	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 which is a wholly-owned by First Trend Management (PTC) Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee and Mr. Lee Wing Sing, Vincent) 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 31st March, 2011.

CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the Company discloses the following continuing connected transaction entered into during the year:

On 16th March 2008, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), a wholly owned subsidiary of the Company, as lessor and Mr. Lee Wing Keung as lessee entered into a lease agreement, pursuant to which the lessee will lease a residential property in the Hong Kong Island with a saleable area of approximately 306 square metres from the lessor for a term of three years commencing on 16th March, 2008 at a monthly rent of HK$190,000 (inclusive of rates, management fees, utility charges.

On 14th March, 2011, Termbray Fujian renewed the lease agreement with Mr. Lee Wing Keung at a monthly rent of HK$200,000 (inclusive of rates, management fees, utility charges) for a term of 3 years from 16th March, 2011 to 15th March, 2014. The monthly rent is based on a valuation report as at 31st January, 2011 issued by Vigers Appraisal & Consulting Limited.

The rental income earned by the Group during the current year is HK$2,289,000. (2010: HK$2,280,000). Mr. Lee Wing Keung is the son of Mr. Lee Lap, Chairman of the Company, and, as such, is treated as an associate of Mr. Lee Lap under Rule 14A.11(4)(b) of the Listing Rules and thereby is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the signing of the lease agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

The independent non-executive directors of the Company have reviewed the above transaction and opined that the connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Company, and

(ii) on normal commercial terms, and

Directors' Report

(iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter continuing its findings and conclusions in respect of the Group's continuing connected transaction as disclosed above in accordance with Rule 14A.38 of the Listing Rules and confirmed that the above continuing connected transaction:

(a) has received the approval of the board of the directors;

(b) has been entered into in accordance with the terms of the relevant agreement governing such transaction; and

(c) has not exceeded the relevant cap amount of HK$2,384,000 for the financial year ended 31st March, 2011.

PETRO-KING GROUP CONTINUING CONNECTED TRANSACTIONS

On 6th May 2008, the Company entered into a Framework Agreement with Petro-king Holding Limited ("Petro-king"), a non wholly-owned subsidiary of the Company for a term of three years commencing from 1st June 2008 to 31st May 2011. Pursuant to which, Petro-king and its wholly-owned subsidiaries will provide the Group with services in relation to (a) evaluation of potential oil assets identified for acquisition; and (b) oilfield operation and management services for the acquired oilfields.

Pursuant to the Framework Agreement, the Group undertakes that aggregate amount of the Petro-king Group continuing connected transaction for each of the years ending 31 March 2010 and 2011 will not exceed relevant cap amounts set out below:

		For the year ending 31 March	
Category of services		**2010**	**2011**
		US$'000	US$'000
(a)	Evaluation of potential oil assets identified for acquisition	1,500	1,500
(b)	Oilfield operation and management services for the acquired oilfields	20,560	43,520

There is no Petro-king Group continuing connected transactions for the financial year ended 31st March, 2011 (2010: Nil).

SHARE OPTION SCHEME

The existing 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 is for a period of 10 years from the date of adoption on 18th August, 2006. The directors may, at their discretion, make an offer to any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon his or her signing the duplicate letter comprising acceptance of the option and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares of the Company under the Scheme will be highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day); (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date, and (iii) the nominal value of a share of the Company.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be determined by the directors in its absolute discretion and in any event such period shall not be longer than 10 years from the date upon which the option is granted.

The total number of shares issued and to be issued upon exercise of the option granted to each participant under the Scheme in any 12-month period shall not exceed 1 per cent of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 per cent limit shall be subject to shareholders' approval in a general meeting with such participant and his or her associates abstaining from voting.

Directors' Report

Movement of the share options during the year ended 31st March, 2011 are as follows:

Name of director	Number of share options outstanding at 1st April, 2010	Granted during the year	Exercised during the period	Lapsed during the year	Number of share options outstanding at 31st March, 2011
Mr. Wang Jinlong	20,000,000 (note 1)	–	–	(20,000,000)	–
	17,000,000 (note 2)	–	–	(17,000,000)	–

Notes:

(1) These share options were granted at an aggregate consideration of HK$1 on 25th February, 2008 as approved by the shareholders of the Company on 22nd February, 2008 and are exercisable at HK$1.20 per share at any time between 25th February, 2008 and 24th February, 2011. Mr. Wang Jinlong is entitled to (a) exercise the option to subscribe for one-half of the option shares at any time during the period commencing on 25th February, 2008 until 24th February, 2011 (both dates inclusive); and (b) exercise the option to subscribe for the remaining one-half of the option shares at any time during the period commencing on 25th February, 2009 until 24th February, 2011 (both dates inclusive).

(2) On 28th March, 2008, 17,000,000 share options were granted at an aggregate consideration of HK$1 to Mr. Wang Jinglong at an exercise price of HK$1.25 under the Share Option Scheme and are exercisable during the periods from 28th March, 2009 for 5,666,666 share options, from 28th March, 2010 for 5,666,667 share options and from 28th March, 2011 for 5,666,667 share options, until 27th March, 2018.

(3) The above share options were lapsed upon the resignation of Mr. Wang Jinlong as a director and the chief executive officer of the Company on 1st November, 2010.

(4) No option was granted, exercised or cancelled during the year. Saved as disclosed above, no other option was lapsed during the year.

PROVIDENT FUND SCHEME

The Group has a mandatory provident fund scheme ("MPF Scheme") managed by a banking group. All staff employed in Hong Kong joined the MPF Scheme. The MPF Scheme is a defined contribution scheme and the assets of which are held separately from those of the Group in independently administered funds. Both of the employer and the employee are required to make mandatory contributions to the MPF Scheme calculated at 5% of the employee's monthly relevant income, subject to the rules and regulations of the Mandatory Provident Fund Schemes Ordinance. As at 31st March, 2011, the Group had no forfeited contributions (2010: Nil) available to offset future employers' contributions to the MPF Scheme.

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

The contribution made by the Group charged to the income statement in respect of continuing operations of the year are as follows:

	2011 **HK$'000**	2010 HK$'000
Gross employers' contributions	**223**	217
Less: Forfeited contributions	**–**	–
Net contributions	**223**	217

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, as of the date of this report, there is sufficient public float of the shares of the Company with not less than 25% of the total issued shares of the Company as required under the Listing Rules.

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 year.

Directors' Report

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no statutory restrictions against such rights under the laws in Bermuda.

AUDITORS

The financial statements for the three years ended 31st March, 2011 were audited by Messrs. Deloitte Touche Tohmatsu.

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Lee Lap
Chairman

Hong Kong, 17th June, 2011

Corporate Governance Report

The Company are committed to maintaining a high standard of corporate governance. We firmly believe that to maintain a good, solid and sensible framework of corporate governance will ensure the Company to run its business in the best interests of its shareholders as a whole.

The Company adopted all the code provisions in the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied during the year ended 31st March, 2011 with the Code save as disclosed below.

Pursuant to code provision A.4.2., 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 in such manner and at such frequency as the bye-laws may provide." Accordingly, the chairman and managing director of the Company may not be made subject to retirement by rotation. The Company has amended its 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 3 years, while directors holding the office of chairman or managing director shall be subject to re-election once every 3 years.

BOARD OF DIRECTORS

The Board is charged with leading the Group in a responsible and effective manner. Each director has to carry out his/her duties in utmost good faith above and beyond any prevailing applicable laws and regulations and act in the best interests of the shareholders. The duties of the Board include establishing the strategic direction of the Group, setting objectives and monitoring the performance of the Group.

The Board has established schedule of matters specifically reserved to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

Corporate Governance Report

The Board of the Company currently consists of 4 executive directors, 3 independent non-executive directors and 2 non-executive directors. Their brief biographical details are described on pages 17 and 18 of the Annual Report. Saved as disclosed therein, there are no other business, financial, family and other relevant interests among directors.

The chairman and the chief executive officer have different roles. The chairman is responsible for the operation of the Board and the chief executive officer is responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority not concentrating on a single individual.

Mr. Wang Jinlong resigned as executive director and chief executive officer of the Company on 1st November, 2010 so as to concentrate on the business of Termbray Petro-king Group. Mr. Wang Jinlong confirmed that he had no disagreement with the Board and there were no other matters relating to his resignation that need to be brought to the attention of the shareholders of the Company. Mr. Tommy Lee, an executive director and the vice chairman of the Company, was appointed as the chief executive officer of the Company on 1st November, 2010.

The independent non-executive directors, all of whom are independent of the management of the Company, are highly experienced professionals coming from a diversified industrial background. They ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate check and balance to safeguard the interest of shareholders and the Company as a whole.

Mr. Chan Siu Kang, Mr. Lo Yiu Hee and Mr. Tong Hin Wor, the independent non-executive directors, and Mr. Lee Ka Sze, Carmelo, the non-executive director, have respectively entered into an appointment letter with the Company for service as an independent non-executive director or non-executive director for a term of 2 years from 1st January, 2010 to 31st December, 2012, which appointment shall terminate on the earlier of (i) 31st December, 2012; or (ii) the date on which the director concerned ceases to be an independent non-executive director pursuant to the bye-law of the Company or any other applicable laws.

Mr. Lee Wing Sing, Vincent has on 11th December, 2009 entered into an appointment letter with the Company for service as a non-executive director for a term of 2 years from 11th December, 2009 to 10th December, 2011, which appointment shall terminate on the earlier of (i) 10th December, 2011; or (ii) the date on which the director concerned ceases to be a director pursuant to the Bye-laws or any other applicable laws.

The Board has set up an independent professional consulting procedures and upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses,

The full Board meets regularly to review the financial and operating performance of the Group. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code.

There were 9 board meetings held in the financial year ended 31st March, 2011. The attendance record of each director is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Name of director	No. of board meeting attended
Mr. Lee Lap (Chairman)	8
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	7
Mr. Wang Jinlong (resigned on 1 st November, 2010)	0
Mdm. Leung Lai Ping	8
Mr. Wong Shiu Kee	9
Mr. Chan Siu Kang	5
Mr. Lo Yiu Hee	5
Mr. Tong Hin Wor	5
Mr. Lee Ka Sze, Carmelo	5
Mr. Lee Wing Sing, Vincent	7

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 year ended 31st March, 2011.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for senior management of the Company in respect of their dealings in the securities of the Company.

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are two Board committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

Corporate Governance Report

AUDIT COMMITTEE

The audit Committee, which is chaired by Mr. Lo Yiu Hee has been established with defined terms of reference in alignment with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code of the Listing Rules. Other members are Mr. Chan Siu Kang, Mr. Tong Hin Wor and Mr. Lee Ka Sze Carmelo.

The Audit Committee meets no less than twice a year with the senior management and the external auditors to review the accounting principles and practices adopted by the Group and other financial reporting matters, assures the completeness, accuracy and fairness of the financial statements of the Group, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, reviews all significant business affairs managed by the executive directors in particular on connected transactions. The Committee also provides advice and recommendations to the Board and oversees all matters relating to the external auditors, and it plays an important role in monitoring and safeguarding the independence of external auditors.

The Audit Committee met 2 times during the financial year ended 31st March, 2011. Set out below is the summary of work done during the year under review:

– to review the financial statements of the Group for the year ended 31st March, 2010 and for the six months ended 30th September, 2010;

– to discuss on the effectiveness of the internal control system;

– to review the auditors' statutory audit plan and the letters of representation; and

– to consider and approve the 2010 audit fees.

The attendance record of each member is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Name of audit committee member	No. of meeting attended
Mr. Lo Yiu Hee (Chairman)	2
Mr. Chan Siu Kang	2
Mr. Tong Hin Wor	2
Mr. Lee Ka Sze, Carmelo	2

REMUNERATION COMMITTEE

The Remuneration Committee, chaired by Mr. Lee Lap with defined terms of reference. Other members are Mr. Chan Siu Kang and Mr. Lo Yiu Hee.

The Company aims to design remuneration policies that attract and retain executives needed to run the Group successfully and to motivate executives to pursue appropriate growth strategies whilst taking into account performance of the individual. The remuneration should reflect performance, complexity and responsibility of the individual; and the remuneration package will be structured to include salary, bonus and share options scheme to provide incentives to directors and senior management to improve their individual performances.

The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive directors.

Set out below is the summary of work of the Remuneration Committee done during the year under review:

– to review the remuneration policy of the year ended 31st March, 2011;

– to review the appointment letter of independent non-executive directors and non-executive directors;

– to review the remuneration of the executive directors and the independent non-executive directors and non-executive directors; and

– to review the annual share option policy.

The Remuneration Committee meets once during the financial year ended 31st March, 2011 with the presence of all members of the Remuneration Committee.

OTHER INFORMATION

The Board has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. On 1st November, 2010, Mr. Wang Jinlong resigned as executive director and chief executive officer and Mr. Tommy Lee was appointed as chief executive officer of the Company. Such resignation and appointment were considered and approved at a duly convened board meeting. There was no other change in directorship during the year.

The Company had established its own website to communicate with shareholders and investors.

Corporate Governance Report

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by Deloitte Touche Tohmatsu for the Group for the year ended 31st March, 2011 are analysed as follows:

	31st March, 2011 HK$	31st March, 2010 HK$
Audit service	**1,440,000**	2,507,706
Non audit service	**1,195,160**	520,370
	2,635,160	3,028,076

Note: The remuneration for non audit services mainly includes fee regarding the review of the interim financial report of the Group for the six months ended 30th September, 2010 amounted to HK$235,160 (2010: HK$215,870).

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. During the year, the Board had conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions and also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget. Based on the results of the review, the Group will continue to take steps to further enhance the effectiveness of the internal control system.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll had been read out by the Chairman at the general meeting.

At the 2010 annual general meeting, a separate resolution was proposed by the Chairman is respect of each separate issue, including re-election of directors. The Chairman of the Board of Directors and a member of Audit Committee and Remuneration Committee attended the 2010 Annual General Meeting to answer questions of shareholders.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibility in preparing the financial statements. The statement of the auditors about their reporting responsibilities on the financial statements is set out in the Auditors' Report on pages 37 and 38.

CONCLUSION

The Company strongly believes that the quality and standard of corporate governance reflects the quality of the management and the operations of the Group's business. Good corporate governance can safeguard the proper use of funds and effective allocation of resources and to protect shareholders' interests. The management wholeheartedly advocates of the good practice in corporate governance and will try our best to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF

TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 109, which comprise the consolidated statement of financial position as at 31st March, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17th June, 2011

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations			
Revenue	6	**9,160**	5,700
Cost of goods sold and services rendered		**(4,201)**	(2,435)
Gross profit		**4,959**	3,265
Other income	7	**2,638**	2,264
Other gains and losses		**7,756**	(68)
Administrative expenses		**(19,268)**	(24,105)
Finance costs	8	**(4,996)**	(6,372)
Share of result of an associate		**2,195**	–
Loss before taxation		**(6,716)**	(25,016)
Taxation	9	**(342)**	(322)
Loss for the year from continuing operations		**(7,058)**	(25,338)
Discontinued operations			
Profit for the year from discontinued operations	10	**123,003**	94,264
Profit for the year	11	**115,945**	68,926
Other comprehensive income			
Exchange differences arising from translation of financial statements of foreign operations		**483**	377
Release of exchange translation reserve upon deregistration of a subsidiary		**(57)**	–
Release of exchange translation reserve upon losing control of subsidiaries		**(2,842)**	–
Share of other comprehensive income of an associate		**459**	–
Other comprehensive (expense) income for the year		**(1,957)**	377
Total comprehensive income for the year		**113,988**	69,303

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(7,058)**	(25,338)
Profit for the year from discontinued operations	10	**116,574**	48,315
Profit for the year attributable to owners of the Company		**109,516**	22,977
Profit for the year from discontinued operations attributable to non-controlling interests	10	**6,429**	45,949
		115,945	68,926
Total comprehensive income attributable to:			
Owners of the Company		**105,980**	23,154
Non-controlling interests		**8,008**	46,149
		113,988	69,303
		HK cents	HK cents
Basic and diluted earnings (loss) per share			
From continuing and discontinued operations	13	**5.59**	1.17
From continuing operations	13	**(0.36)**	(1.29)

Consolidated Statement of Financial Position

At 31st March, 2011

	Notes	**31.3.2011 HK$'000**	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	14	**45,674**	57,378	56,010
Investment property	15	**30,505**	30,839	31,173
Interest in an associate	18	**476,480**	–	–
Pledged bank deposits	21 & 34(c)	**2,000**	2,034	2,034
Goodwill	16	**–**	247,121	243,318
Intangible assets	16	**–**	5,226	8,213
		554,659	342,598	340,748
Current assets				
Completed properties for sale		**118,870**	116,105	114,812
Inventories	19	**–**	44,743	38,419
Trade and other receivables	20	**42**	125,620	149,524
Deposits and prepayments		**2,022**	18,518	3,345
Available-for-sale investments		**–**	–	6,886
Taxation recoverable		**250**	598	2,871
Pledged bank deposits	21 & 34(a & b)	**–**	12,811	3,121
Deposits with a financial institution		**–**	–	126
Bank balances and cash	21	**597,413**	825,367	744,961
		718,597	1,143,762	1,064,065
Current liabilities				
Trade and other payables and accrued charges	22	**4,028**	26,418	28,812
Deposits received		**803**	9,516	1,487
Provisions	23 & 34(d)	**3,173**	3,173	3,173
Amount due to a related company	24 & 36(b)	**2,953**	1,992	2,092
Amount due to a director		**–**	–	23,967
Convertible note	25	**–**	128,696	–
Taxation payable		**3,580**	15,368	7,691
Bank borrowings	26	**–**	33,748	21,705
		14,537	218,911	88,927
Net current assets		**704,060**	924,851	975,138
Total assets less current liabilities		**1,258,719**	1,267,449	1,315,886

Consolidated Statement of Financial Position

At 31st March, 2011

	Notes	**31.3.2011** **HK$'000**	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Non-current liabilities				
Convertible note	25	**–**	–	122,324
Deferred tax liabilities	27	**844**	5,797	4,766
		844	5,797	127,090
Net assets		**1,257,875**	1,261,652	1,188,796
Capital and reserves				
Share capital	28	**156,611**	156,611	156,611
Reserves	30	**1,100,847**	994,192	967,485
Equity attributable to owners of the Company		**1,257,458**	1,150,803	1,124,096
Non-controlling interests		**417**	110,849	64,700
Total equity		**1,257,875**	1,261,652	1,188,796

The consolidated financial statements on pages 39 to 109 were approved and authorised for issue by the board of directors on 17th June, 2011 and are signed on its behalf by:

Lee Lap
Director

Wong Shiu Kee
Director

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2011

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Exchange translation reserve HK$'000	Convertible note equity reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st April, 2009	156,611	404,370	16,405	18,892	22,671	505,147	1,124,096	64,700	1,188,796
Profit for the year	–	–	–	–	–	22,977	22,977	45,949	68,926
Exchange differences arising from translation of financial statements of foreign operations	–	–	177	–	–	–	177	200	377
Total comprehensive income for the year	–	–	177	–	–	22,977	23,154	46,149	69,303
Recognition of share-based payments	–	–	–	–	3,553	–	3,553	–	3,553
Effects of vested share options forfeited under share options scheme	–	–	–	–	(3,991)	3,991	–	–	–
At 31st March, 2010	156,611	404,370	16,582	18,892	22,233	532,115	1,150,803	110,849	1,261,652
Profit for the year	**–**	**–**	**–**	**–**	**–**	**109,516**	**109,516**	**6,429**	**115,945**
Exchange differences arising from translation of financial statements of foreign operations	**–**	**–**	**(1,096)**	**–**	**–**	**–**	**(1,096)**	**1,579**	**483**
Release upon deregistration of a subsidiary	**–**	**–**	**(57)**	**–**	**–**	**–**	**(57)**	**–**	**(57)**
Release upon losing control of subsidiaries	**–**	**–**	**(2,842)**	**–**	**–**	**–**	**(2,842)**	**–**	**(2,842)**
Share of other comprehensive income of an associate	**–**	**–**	**459**	**–**	**–**	**–**	**459**	**–**	**459**
Total comprehensive income for the year	**–**	**–**	**(3,536)**	**–**	**–**	**109,516**	**105,980**	**8,008**	**113,988**
Transfer upon losing control of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(118,440)**	**(118,440)**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**675**	**–**	**675**	**–**	**675**
Redemption of convertible note	**–**	**–**	**–**	**(18,892)**	**–**	**18,892**	**–**	**–**	**–**
Effects of vested share options forfeited under share options scheme	**–**	**–**	**–**	**–**	**(22,908)**	**22,908**	**–**	**–**	**–**
At 31st March, 2011	**156,611**	**404,370**	**13,046**	**–**	**–**	**683,431**	**1,257,458**	**417**	**1,257,875**

Consolidated Statement of Cash Flows

For the year ended 31st March, 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Operating activities			
(Loss) profit before tax			
– continuing operations		**(6,716)**	(25,016)
– discontinuing operations		**126,876**	123,381
Adjustments for:			
Depreciation of property, plant and equipment		**3,368**	4,260
Depreciation of investment property		**334**	334
Amortisation of intangible assets		**1,742**	2,987
Finance costs		**6,228**	7,745
Share-based payment expenses		**675**	3,553
Impairment losses recognised on trade and other receivables		**–**	342
Reversal of impairment loss recognised on trade and other receivables		**(251)**	–
Loss on disposal of property, plant and equipment		**15**	1,101
Gain on losing control of subsidiaries	32	**(109,883)**	–
Share of result of an associate		**(2,195)**	–
Interest income		**(1,886)**	(2,173)
Net exchange gain		**(7,836)**	(1,936)
Operating cash flows before movements in working capital		**10,471**	114,578
Decrease in completed properties for sale		**1,950**	329
Increase in inventories		**(99,288)**	(4,524)
(Increase) decrease in trade and other receivables		**(38,966)**	23,620
Decrease (increase) in deposits and prepayments		**5,831**	(15,038)
Increase (decrease) in trade and other payables and accrued charges		**15,707**	(4,200)
(Decrease) increase in deposits received		**(8,713)**	8,029
Increase (decrease) in amount due to a related company		**961**	(100)
Cash (used in) generated from operations		**(112,047)**	122,694
Income taxes paid		**(2,368)**	(18,229)
Interest paid		**(1,232)**	(1,373)
Net cash (used in) from operating activities		**(115,647)**	103,092

Consolidated Statement of Cash Flows

For the year ended 31st March, 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Investing activities			
Net cash outflow from acquisition of subsidiaries	31	–	(6,165)
Net cash outflow from losing control of subsidiaries	32	**(18,527)**	–
Interest received		**1,886**	2,173
Placement of pledged bank deposits		**(31,533)**	(9,690)
Purchase of property, plant and equipment		**(2,166)**	(4,655)
Proceeds on disposal of property, plant and equipment		**14**	250
Proceeds on disposal of available-for-sale investments		–	6,886
Net cash used in investing activities		**(50,326)**	(11,201)
Financing activities			
New bank borrowings raised		**158,559**	80,978
Repayments of bank borrowings		**(89,449)**	(72,272)
Redemption of convertible note		**(133,692)**	–
Bank overdrafts raised		–	3,318
Repayments to a director		–	(23,967)
Net cash used in financing activities		**(64,582)**	(11,943)
Net (decrease) increase in cash and cash equivalents		**(230,555)**	79,948
Cash and cash equivalents at beginning of the year		**825,367**	745,087
Effect of foreign exchange rate changes		**2,601**	332
Cash and cash equivalents at end of the year		**597,413**	825,367
Analysis of cash and cash equivalents			
Bank balances and cash		**597,413**	825,367

1. GENERAL

The Company is a public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Lee & Leung (B.V.I.) Limited incorporated in the British Virgin Islands and the directors of the Company consider that its ultimate parent to be First Trend Management (PTC) Limited, a company incorporated in the British Virgin Islands which is held by HSBC International Trustee Limited for Lee & Leung Family Trust, the settlor of which is Mr. Lee Lap.

The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" of the Company's Annual Report.

The Group is principally engaged in property investment and development. The Group was also engaged in the oilfield engineering and provision of consultancy services which were discontinued in the current year (see note 10).

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of these new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

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

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27(as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. The definition of non-controlling interest has also been changed.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27(as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1st April, 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's retained interest upon losing control of Termbray Petro-king Oilfield Services (BVI) Limited ("Termbray Petro-king") in the current year. The change in policy has resulted in the difference of HK$97,222,000 between the fair value of the retained interest of Termbray Petro-king at the date control is lost of HK$473,826,000 and the interest retained in Termbray Petro-king with carrying amounts of HK$376,604,000, being recognised directly in profit or loss. Therefore, the change in accounting policy has resulted in an increase in the profit for the year and carrying amount of interest in an associate of HK$97,222,000 and an increase in the Group's basic and diluted earnings per share of HK4.97 cents.

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

Amendment to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st April, 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment and investment properties retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$38,872,000 and HK$38,499,000 as at 1st April, 2009 and 31st March, 2010 respectively being reclassified to property, plant and equipment; and prepaid lease payments with the carrying amounts of HK$27,803,000 and HK$27,578,000 as at 1st April, 2009 and 31st March, 2010 respectively being reclassified to investment property.

As at 31st March, 2011, leasehold land that qualifies for finance lease classification with the carrying amount of HK$38,127,000 and HK$27,353,000 have been included in property, plant and equipment and investment property respectively. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (‘HK Int 5’) clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (‘repayment on demand clause’) should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

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

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$4,300,000 has been reclassified from non-current liabilities to current liabilities as at 31st March, 2010. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior year.

Such bank loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 5 for details).

The Group has not early applied the following new or revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised 2009)	Related Party Disclosures[6]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July, 2010.
3 Effective for annual periods beginning on or after 1st July, 2011.
4 Effective for annual periods beginning on or after 1st January, 2013.
5 Effective for annual periods beginning on or after 1st January, 2012.
6 Effective for annual periods beginning on or after 1st January, 2011.

The directors of the Company anticipate that the application of the new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st April, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1st April, 2010

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1st April, 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the net assets of the subsidiaries attributable to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place prior to 1st April, 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place prior to 1st April, 2010 (continued)

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate is incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost or fair value of the investment retained in the former subsidiary at the date when control is lost, and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When the end of the reporting period of the Group is different from that of the associate, the associate prepares, for the use of the Group, financial statements as of the same date as the financial statements of the Group unless it is impracticable to do so. At that case, if the financial statements of an associate used in applying the equity method are prepared as of a different date from that of the Group, adjustments will be made for the effects of significant transactions or events that occur between that date and the date of the Group's financial statements. In any case, the difference between the end of the reporting period of the associate and that of the Group shall be no more than three months. The length of the reporting periods and any difference between the ends of the reporting periods shall be the same from period to period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers.

Revenue from sale of equipment is recognised when significant risks and rewards of ownership of the goods are transferred to buyers (generally on delivery, satisfactory installation and acceptance) and the amount of revenue and the costs incurred for the transaction can be measured reliably.

Revenue from provision of consultancy services on well drilling and commission income is recognised when services are provided.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over its estimated useful life and after taking into account of its estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised in accordance with the Group's accounting policies.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a related company and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible note equity reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Convertible notes (continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible note equity reserve until the embedded option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

From 1st April, 2010 onwards, on the disposal of a foreign operation, (i.e. a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Leasehold land in which substantially all the risks and rewards incidental to the ownership have been transferred to the Group is classified as finance lease.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including the Mandatory Provident Fund Scheme and state-managed retirement pension schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**599,455**	965,832
Financial liabilities		
Liabilities at amortised cost	**3,437**	187,500

The management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Financial risk management objectives and policies

(i) Market risk

The Group's activities expose it primarily to the foreign currency risk and the interest rate risk.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures risks.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(i) Market risk (continued)

Foreign currency risk management

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the relevant group entity and therefore the Group is exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises. The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**10,598**	11,143	**–**	–
United States dollar (“USD”)	**453**	141,903	**–**	35,786
Renminbi (“RMB”)	**–**	685	**–**	321

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

In the opinion of the directors of the Company, the foreign currency exposure in relation to the HK$ and USD exchange rate fluctuation is not significant as HK$ is pegged to USD. For this reason, the sensitivity analysis below does not reflect this.

The sensitivity analysis below shows the impact relates to monetary assets or liabilities that are denominated in HK$ or USD against the functional currency of relevant group entities, RMB, and monetary assets or liabilities that are denominated in RMB against the functional currencies of relevant group entities, USD or HK$.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(i) Market risk (continued)

Foreign currency risk management (continued)

Sensitivity analysis (continued)

In relation to monetary assets, where the functional currency of the relevant group entity strengthens 5% against the currency in which the assets are denominated, there would be a decrease in the post-tax profit for the year. However, in relation to monetary liabilities, where the functional currency of the relevant group entity strengthens 5% against the currency in which the liabilities are denominated, there would be an increase in post-tax profit for the year.

	Increase (decrease) in the post-tax profit for the year	
	2011	2010
	HK$'000	HK$'000
HK$ Impact	**9,054**	9,420
USD Impact	**–**	(605)
RMB Impact	**–**	(15)

A 5% weakening of the functional currency would have an equal but opposite impact on the post-tax profit for the year.

Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to its interest bearing financial instruments which are mainly pledged bank deposits and bank balances. The Group currently does not have an interest rate hedging policy. The management of the Group monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(i) Market risk (continued)

Interest rate risk management (continued)

Sensitivity analysis

Since the interest income derived from pledged bank deposits and bank balances is minimal, no sensitivity analysis in relation to the interest rates for pledged bank deposits and bank balances is presented. The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year arranged at variable rate at the end of the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st March, 2010 would decrease/increase by approximately HK$282,000.

(ii) Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in notes 34(c) and (e).

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Credit risk management (continued)

In order to minimise the credit risk, the management performs individual credit evaluations on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In addition, follow-up action is taken up to recover overdue debts and ongoing credit evaluation is performed on the financial condition of trade receivables. The management reviews the recoverable amount of each receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

At 31st March, 2010, the Group has concentration of credit risk as 45% of total trade receivables represented an amount due from the Group's largest customer within the oilfield engineering and consultancy services business segment, which was disposed of during the year. The management was of the view that this major customer of the Group has good trade record without default history and consider that the trade receivable from this customer is recoverable.

The Group has concentration of credit risk as 95% (2010: 85%) of aggregated amounts of pledged bank deposits and bank balance represented deposits placed in a bank. However, the directors of the Company consider that the credit risk of pledged bank deposits and bank balance is limited because the counterparty is a bank with good reputation and high creditworthiness.

The Group has provided guarantees to banks in respect of mortgage loans granted to property purchasers. The guarantees would be released upon delivering the building ownership certificate of the respective property by the customers to the banks as a pledge for security to the mortgage loan granted. The directors considered that the credit risk involved was not significant.

The Group has provided guarantees to banks in respect of facilities granted to an associate. The guarantee would be released upon the facilities are fully settled by the associate. The directors considered that the credit risk involved was not significant.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk management

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

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment terms.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or less than 1 month HK$'000	1 – 2 months HK$'000	2 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2011						
Trade and other payables	153	–	331	–	484	484
Amount due to a related party	2,953	–	–	–	2,953	2,953
Rental deposits received	127	9	94	417	647	647
Financial guarantee contracts	37,108	–	–	–	37,108	–
	40,341	9	425	417	41,192	4,084

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk management (continued)

	On demand or less than 1 month HK$'000	1 – 2 months HK$'000	2 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2010						
Trade and other payables	10,168	3,809	9,087	–	23,064	23,064
Amount due to a related party	1,992	–	–	–	1,992	1,992
Rental deposits received	771	21	476	–	1,268	1,268
Bank borrowings	34,164	–	–	–	34,164	33,748
Convertible note	–	–	133,692	–	133,692	128,696
	47,095	3,830	143,255	–	194,180	188,768

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31st March, 2010 aggregate undiscounted principal amounts of these bank borrowings amounted to HK$30,676,000.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. REVENUE AND SEGMENT INFORMATION

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

	2011	2010
	HK$'000	HK$'000
		(restated)
Continuing operations		
Sales of properties	**4,111**	385
Rental income	**5,049**	5,315
	9,160	5,700

Segment information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the two principal operating segments of the Group, namely property investment and development which involved property leasing and sales of properties, and oilfield engineering and consultancy services which involved sale of equipment and provision of consultancy services on well drilling. The Group's operations in oilfield engineering and consultancy services were discontinued upon the Subscription (as defined in note 10). The segment information reported below does not include any amounts for this discontinued operations, which are described in more detail in note 10. Accordingly, the comparatives of segment information have been restated.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results

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

Continuing operations

	2011 HK$'000	2010 HK$'000 (restated)
Revenue from property investment and development segment	**9,160**	5,700
Segment profit from property investment and development segment	**10,047**	3,067
Unallocated other income	**1,843**	2,104
Unallocated other gain and expenses	**2,379**	(65)
Unallocated expenses	**(17,851)**	(20,549)
Share option expense	**(675)**	(3,553)
Effective interest expense on convertible note	**(4,996)**	(6,372)
Corporate income tax credit	**–**	30
Share of result of an associate	**2,195**	–
Loss for the year from continuing operations	**(7,058)**	(25,338)

All of the segment revenue reported above is from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by property investment and development segment without allocation of unallocated other income, unallocated other gain and expenses, unallocated expenses, share option expense, effective interest expense on convertible note, corporate income tax credit and share of result of an associate. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31st March, 2011

Continuing operations

	Property investment and development HK$'000	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit:			
Depreciation	**364**	**1,647**	**2,011**
Interest income	**43**	**1,843**	**1,886**
Taxation charge	**342**	**–**	**342**

For the year ended 31st March, 2010

Continuing operations (restated)

	Property investment and development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit:			
Depreciation	364	2,170	2,534
Interest income	28	2,105	2,133
Taxation charge (credit)	352	(30)	322

Pursuant to the adoption of HKAS 17, amortisation on prepaid lease payments of HK$598,000 for the period ended 31st March, 2010 has been reclassified as depreciation.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

6. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

The Group's revenue from continuing operations from external customers by location where the goods are delivered and services are rendered and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)
Hong Kong	**2,289**	2,280	**76,057**	77,922
The PRC	**6,871**	3,420	**122**	14,098
Unallocated[1]	**–**	–	**476,480**	248,544
	9,160	5,700	**552,659**	340,564

Note: Non-current assets excluded pledged bank deposits.

1 At 31st March, 2011, unallocated represent interest in an associate which is an investment holding company and its subsidiaries have operations in both Hong Kong and the PRC. Details are set out in note 18. At 31st March, 2010, unallocated represent goodwill and intangible assets allocated to a cash-generating unit of Unit A (defined in note 17) arose from acquisition of subsidiaries in a single transaction, which were incorporated or established in Hong Kong or the PRC. Details are set out in notes 16 and 17.

Information about major customers

Included in external revenue arising from continuing operations, revenue of HK$2,289,000 and HK$2,280,000 are arose from property leasing to the Group's largest customers for the year ended 31st March, 2011 and 31st March, 2010 respectively. No other customer contributed over 10% of revenue in both years.

Segment assets and liabilities

Information of the operating segments of the Group reported to the chief operating decision maker for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

7. OTHER INCOME

Continuing operations

	2011 HK$'000	2010 HK$'000 (restated)
Interest income from		
– available-for-sale investments	–	3
– bank balances and deposits with a financial institution	1,886	2,130
	1,886	2,133
Sundry income	752	131
	2,638	2,264

8. FINANCE COSTS

Continuing operations

The finance costs incurred for continuing operations represent effective interest expense on convertible note.

9. TAXATION

	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations		
Current tax:		
Hong Kong Profits Tax	229	228
PRC Enterprise Income Tax	28	38
	257	266
Overprovision in prior years:		
Hong Kong Profits Tax	–	(30)
Deferred tax (note 27):	85	86
	342	322

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

9. TAXATION (continued)

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year.

PRC Enterprise Income tax is calculated at 25% (2010: 25%) of the estimated assessable profits for the year.

The tax charge for the year can be reconciled to the loss before taxation from continuing operations per the consolidated statement of comprehensive income as follows:

	2011 **HK$'000**	2010 HK$'000
Loss before taxation	**(6,716)**	(25,016)
Tax at the applicable income tax rate of 25%	**(1,679)**	(6,252)
Tax effect of expenses not deductible for tax purpose	**5,931**	7,609
Tax effect of income not taxable for tax purpose	**(4,435)**	(1,033)
Tax effect of share of result of an associate	**(549)**	–
Tax effect of tax losses not recognised	**784**	695
Utilisation of tax losses previously not recognised	**–**	(168)
Overprovision in respect of prior years	**–**	(30)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(162)**	(162)
Others	**452**	(337)
Tax charge for the year (related to continuing operations)	**342**	322

Details of the deferred tax are set out in note 27.

10. DISCONTINUED OPERATIONS

On 3rd September, 2010, Termbray Petro-king Oilfield Services (BVI) Limited ("Termbray Petro-king") entered into a Subscription Agreement with Termbray Natural Resources Limited ("Termbray NRC"), a wholly owned subsidiary of the Company; King Shine Group Limited ("King Shine"), the non-controlling interest of the Group which held 49% equity interest in Termbray Petro-king and an investor ("Investor"), an independent third party to the Group, pursuant to which Termbray Petro-king shall allot and issue and Investor shall subscribe for new shares of Termbray Petro-king (the "Subscription Shares"), representing 10% of the issued share capital of Termbray Petro-king as enlarged by the subscription ("Subscription") for a consideration of RMB88.8 million payable in United Stated dollars. The Subscription was completed on 20th October, 2010.

Termbray Petro-king and its subsidiaries carried out all of the Group's oilfield engineering and consultancy services. Upon completion of the Subscription, Termbray Petro-king shall be owned as to 45.9%, 44.1% and 10% by Termbray NRC, King Shine and Investor, respectively. An analysis of the results and cash flows of the discontinued operations included in the consolidated statement of comprehensive income and the consolidated statement of cash flows are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

10. DISCONTINUED OPERATIONS (continued)

The profit for the period/year from discontinued operations

	1.4.2010 to 20.10.2010 HK$'000	1.4.2009 to 31.3.2010 HK$'000
Revenue	**106,127**	382,408
Cost of goods sold and services rendered	**(58,254)**	(197,308)
Gross profit	**47,873**	185,100
Other income and gains	**8,930**	5,332
Other gain and losses	**(691)**	561
Administrative expenses	**(16,622)**	(19,546)
Selling and distribution expenses	**(21,605)**	(46,693)
Share of result of an associate	**340**	–
Finance cost	**(1,232)**	(1,373)
Profit before taxation	**16,993**	123,381
Taxation	**(3,873)**	(29,117)
	13,120	94,264
Gain on losing control of subsidiaries	**109,883**	–
Profit for the period/year from discontinued operations	**123,003**	94,264
Profit for the period/year from discontinued operations attributable to:		
Owners of the Company	**116,574**	48,315
Non-controlling interests	**6,429**	45,949
	123,003	94,264
Cash flows from discontinued operations		
Net cash (used in) from operating activities	**(202,515)**	111,857
Net cash used in investing activities	**(33,601)**	(20,018)
Net cash from (used in) financing activities	**168,187**	(11,943)
Net (decrease) increase in cash flows	**(67,929)**	79,896

The carrying amounts of the assets and liabilities of Termbray Petro-king at the date of disposal are disclosed in note 32.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

11. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations	
	2011	2010	**2011**	2010
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Profit for the year has been arrived at after charging (crediting):				
Auditor's remuneration				
– current year	**1,440**	772	**–**	1,364
– underprovision in prior year	**57**	372	**285**	–
Amortisation of intangible assets, included in "administrative expenses"	**–**	–	**1,742**	2,987
Impairment losses recognised on trade and other receivables, included in "other gains and losses"	**–**	342	**428**	–
Cost of inventories sold	**1,950**	–	**58,254**	173,680
Depreciation of				
– property, plant and equipment	**1,677**	2,200	**1,691**	2,060
– investment property	**334**	334	**–**	–
Staff costs including directors' emoluments (note)	**11,143**	14,505	**37,085**	47,661
Operating lease rentals in respect of land and buildings	**296**	240	**1,414**	1,937
Loss on disposal of property, plant and equipment, included in "other gains and losses"	**–**	1,101	**15**	–
Net exchange gain, included in "other gains and losses"	**(7,756)**	(1,375)	**(80)**	(561)
Reversal of impairment loss recognised on trade and other receivables	**(251)**	–	**–**	–
Gross rental income from investment property	**(2,289)**	(2,280)	**–**	–
Less: direct operating expense from investment property that generated rental income during the year	**555**	551	**–**	–
	(1,734)	(1,729)	**–**	–

Note: The staff costs of continuing operations include share option expenses of HK$675,000 (2010: HK$3,553,000). The rental value of the Group's land and buildings provided as accommodation to certain directors of the Company as set out in note 12.

11. PROFIT FOR THE YEAR (continued)

Pursuant to the adoption of HKAS 17, amortisation on prepaid lease payments for leasehold land of HK$598,000 for the year ended 31st March, 2010 has been reclassified as depreciation of property, plant and equipment and investment property of HK$373,000 and HK$225,000 respectively.

12. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable for each of the directors are as follows:

	Year ended 31st March, 2011				
	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Contributions to retirement benefit schemes HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors					
Mr. Lee Lap	–	3,800	–	–	3,800
Mdm. Leung Lai Ping	–	3,300	12	–	3,312
Mr. Wong Shiu Kee	–	1,500	75	–	1,575
Mr. Tommy Lee	–	1,040	52	–	1,092
Mr. Wang Jinlong (resigned on 1st November, 2010)	–	700	–	675	1,375
Independent non-executive directors					
Mr. Chan Siu Kang	100	–	–	–	100
Mr. Lo Yiu Hee	100	–	–	–	100
Mr. Tong Hin Wor	100	–	–	–	100
Non-executive director					
Mr. Lee Ka Sze, Carmelo	100	–	–	–	100
Mr. Lee Wing Sing, Vincent	100	–	–	–	100
	500	10,340	139	675	11,654

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

12. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(a) Directors' emoluments (continued)

	Year ended 31st March, 2010				
	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Contributions to retirement benefit schemes HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors					
Mr. Lee Lap	–	3,320	–	–	3,320
Mdm. Leung Lai Ping	–	2,820	12	–	2,832
Mr. Wong Shiu Kee	–	1,500	75	–	1,575
Mr. Tommy Lee	–	1,040	52	–	1,092
Mr. Wang Jinlong	–	1,200	–	3,198	4,398
Independent non-executive directors					
Mr. Chan Siu Kang	100	–	–	–	100
Mr. Lo Yiu Hee	100	–	–	–	100
Mr. Tong Hin Wor	100	–	–	–	100
Non-executive director					
Mr. Lee Ka Sze, Carmelo	100	–	–	–	100
Mr. Lee Wing Sing, Vincent	50	–	–	–	50
	450	9,880	139	3,198	13,667

During the year, the land and buildings of the Group with a rental value of HK$3,600,000 (2010: HK$2,640,000) were provided as accommodation to certain directors of the Company which has been included in basic salaries, allowances and benefits-in-kind disclosed above.

In addition to the above, no non-contractual compensation for loss of office was paid. No directors waived any emoluments in both years.

12. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(b) Senior employees' emoluments

Of the five individuals with the highest emoluments in the Group, all (2010: four) are directors of the Company, whose emoluments have been included above. The emoluments of the remaining individual for the year ended 31st March, 2010 are as follows:

	HK$'000
Basic salaries, allowances and benefits-in-kind	1,793
Contributions to retirement benefit schemes	12
Share-based payment	355
	2,160

13. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2011	2010
	HK$'000	HK$'000
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**109,516**	22,977

	Number of shares	
	'000	'000
Number of ordinary shares for the purposes of basic and diluted earnings per share	**1,957,643**	1,957,643

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

13. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (continued)

From continuing operations

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

	2011 **HK$'000**	2010 HK$'000
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**109,516**	22,977
Less: Profit for the year from discontinued operations attributable to owners of the Company	**(116,574)**	(48,315)
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(7,058)**	(25,338)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

The computation of diluted loss per share from the continuing operations does not assume the conversion of the Company's outstanding convertible note and the exercise of the Company's outstanding share options since the assumed conversion of convertible note would result in a decrease in loss per share and the exercise prices of the Company's share options were higher than the average market price for shares.

From discontinued operations

Basic and diluted earnings per share for the discontinued operation is HK5.95 cents per share (2010: HK2.47 cents per share), based on the profit attributable to owners of the Company from the discontinued operations of HK$116,574,000 (2010: HK$48,315,000) and the denominators detailed above for both basic and diluted earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Machinery, moulds and equipment HK$'000	Furniture, fixtures, equipment and leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st April, 2009						
– As previously stated	–	6,250	4,198	14,154	9,103	33,705
– Effects of changes in accounting policies	45,149	–	–	–	–	45,149
– As restated	45,149	6,250	4,198	14,154	9,103	78,854
Additions	–	–	4,057	242	356	4,655
Acquired on acquisition of a subsidiary	–	–	1,404	94	764	2,262
Disposals	–	–	(335)	(1,345)	(82)	(1,762)
Exchange adjustment	–	–	49	12	22	83
At 31st March, 2010 (restated)	45,149	6,250	9,373	13,157	10,163	84,092
Additions	–	–	2,048	118	–	2,166
Disposals	–	–	(137)	–	(475)	(612)
Losing control of subsidiaries	–	–	(11,434)	(3,347)	(2,675)	(17,456)
Exchange adjustment	–	–	150	107	57	314
At 31st March, 2011	**45,149**	**6,250**	**–**	**10,035**	**7,070**	**68,504**
DEPRECIATION						
At 1st April, 2009						
– As previously stated	–	1,975	843	8,475	5,274	16,567
– Effects of changes in accounting policies	6,277	–	–	–	–	6,277
– As restated	6,277	1,975	843	8,475	5,274	22,844
Provided for the year	373	141	1,273	1,414	1,059	4,260
Eliminated on disposals	–	–	(173)	(237)	(1)	(411)
Exchange adjustment	–	–	12	3	6	21
At 31st March, 2010 (restated)	6,650	2,116	1,955	9,655	6,338	26,714
Provided for the year	372	141	1,206	872	777	3,368
Eliminated on disposals	–	–	(108)	–	(475)	(583)
Eliminated upon losing control of subsidiaries	–	–	(3,105)	(2,574)	(1,084)	(6,763)
Exchange adjustment	–	–	52	15	27	94
At 31st March, 2011	**7,022**	**2,257**	**–**	**7,968**	**5,583**	**22,830**
CARRYING VALUES						
At 31st March, 2011	**38,127**	**3,993**	**–**	**2,067**	**1,487**	**45,674**
At 31st March, 2010 (restated)	38,499	4,134	7,418	3,502	3,825	57,378
At 1st April, 2009 (restated)	38,872	4,275	3,355	5,679	3,829	56,010

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value, as follows:

Leasehold land	Over the term of the lease
Buildings	40 years or over the remaining lease term of the land on which the building is situated, if shorter
Machinery, moulds and equipment	18% to 30%
Furniture, fixtures and equipment and leasehold improvements	10% to 20%
Motor vehicles	15% to 18%

The carrying value of the Group's leasehold land and buildings is analysed as follows:

	2011	2010	2009
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
Leasehold land and buildings situated on leasehold interest in land in Hong Kong on:			
Long lease	**38,306**	38,703	39,101
Medium-term lease	**3,814**	3,930	4,046
	42,120	42,633	43,147

15. INVESTMENT PROPERTY

	HK$'000
COST	
At 1st April, 2009	
– As previously stated	4,480
– Effect of changes in accounting policies	30,806
As restated at 1st April, 2009, and 31st March, 2010 and 2011	**35,286**
DEPRECIATION	
At 1st April, 2009	
– As previously stated	1,110
– Effects of changes in accounting policies	3,003
– As restated	4,113
Provided for the year	334
At 31st March, 2010 (restated)	4,447
Provided for the year	334
At 31st March, 2011	**4,781**
CARRYING VALUES	
At 31st March, 2011	**30,505**
At 31st March, 2010 (restated)	30,839
At 31st March, 2009 (restated)	31,173

The investment property is situated in Hong Kong with long lease.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

15. INVESTMENT PROPERTY (continued)

The above investment property is depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	40 years or over the remaining lease term of the land on which the buildings is situated, if shorter

The fair value of the Group's investment property at 31st March, 2011 is HK$92,700,000 (2010: HK$84,000,000). The fair value has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited ("Vigers") (2010: Vigers), an independent qualified professional valuer not connected with the Group. Vigers is a member of the Institute of Valuers. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties in the same locations and conditions.

The Group's investment property is rented out under operating lease.

16. GOODWILL AND INTANGIBLE ASSETS

Goodwill

	HK$'000
At 1st April, 2009	243,318
Arising on acquisition of a subsidiary (note 31)	3,803
At 31st March, 2010	247,121
Derecognised upon losing control of subsidiaries	(247,121)
At 31st March, 2011	–

The prior year's goodwill arise from the acquisition of subsidiaries during the year ended 31st March, 2008 and during the year ended 31st March, 2010 amounting to HK$243,318,000 and 3,803,000 respectively. Details of the acquisition of a subsidiary during the year ended 31st March, 2010 are set out in note 31. In the opinion of the directors of the Company, the goodwill represents the future economic benefits arising from the potential growth in these businesses acquired.

The carrying amount of goodwill has been derecognised upon losing control of the subsidiaries.

16. GOODWILL AND INTANGIBLE ASSETS (continued)

Intangible assets

In relation to the acquisition of subsidiaries during the year ended 31st March, 2008, a valuation report prepared by an independent qualified professional valuer, Vigers, showed that the fair values of customer-related intangible assets and intangible assets in relation to non-competition agreements of the acquired subsidiaries at the date of acquisition, determined based on the income-based method, were approximately HK$24,867,000 and HK$11,947,000 respectively.

The intangible assets in relation to non-competition agreements represented contracts entered with the vendors of Petro-king International Co., Limited ("Petro-king HK") and Petro-king Oilfield Technology Limited ("Petro-king SZ"). Such intangible assets are amortised on a straight-line basis over their estimated useful lives of four years.

The carrying amount of intangible asses has been derecognised upon losing control of the subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

16. GOODWILL AND INTANGIBLE ASSETS (continued)

Intangible assets (continued)

The movements of these intangible assets are as follows:

	Customer-related intangible assets HK$'000	Intangible assets in relation to non-competition agreements HK$'000	Total HK$'000
COST			
At 1st April, 2009, 31st March, 2010	24,867	11,947	36,814
Derecognised upon losing control of subsidiaries	(24,867)	(11,947)	(36,814)
	–	–	–
AMORTISATION			
At 1st April, 2009	24,867	3,734	28,601
Provided for the year	–	2,987	2,987
At 31st March, 2010	24,867	6,721	31,588
Provided for the year	–	1,742	1,742
Eliminated upon losing control of subsidiaries	(24,867)	(8,463)	(33,330)
At 31st March, 2011	**–**	**–**	**–**
CARRYING VALUES			
At 31st March, 2011	**–**	**–**	**–**
At 31st March, 2010	–	5,226	5,226

17. IMPAIRMENT TEST ON GOODWILL

For the purposes of impairment testing, goodwill has been allocated to two individual cash generating units ("CGUs"), both are former subsidiaries in the oilfield engineering and consultancy services segment. The carrying amounts of goodwill as at 31st March, 2011 has been derecognised upon the losing control of the subsidiaries.

	2011	2010
	HK$'000	HK$'000
Petro-king HK and Petro-king SZ ("Unit A")	–	243,318
德州嘉誠石油裝備有限公司 ("德州嘉誠" or "Unit B")	–	3,803
	–	247,121

At 31st March, 2010, the recoverable amounts of both Unit A and Unit B have been determined based on value in use calculations. The calculations use cash flow projections based on financial budgets approved by management and the cash flows beyond 5-year period are extrapolated using a steady growth rate of 2% for both Unit A and Unit B. Discount rates of 14% and 12.2% are used for Unit A and Unit B, respectively. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGUs' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of the CGUs to exceed the aggregate recoverable amounts of the CGUs.

18. INTEREST IN AN ASSOCIATE

On 20th October, 2010, Termbray Petro-King ceased as a subsidiary and became an associate of the Company upon the completion of Subscription. Details are disclosed in note 10. On the same date, the fair value of the interests in Termbray Petro-King held by the Company is HK$473,826,000.

Details of the Group's interest in an associate at 31st March, 2011 are as follows:

	HK$'000
Cost of unlisted investment in an associate	**473,826**
Share of post-acquisition profit and other comprehensive income	**2,654**
	476,480

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

18. INTEREST IN AN ASSOCIATE (continued)

Included in the cost of investment in an associate is goodwill of HK$251,701,000 arising on the deemed disposal of a subsidiary as set out in note 10, being the difference between the cost of the investment of HK$473,826,000 and the Group's share of the net fair value of the associate's identifiable assets and liabilities of HK$222,125,000. Included in the net fair value of the associate's identifiable assets and liabilities is intangible assets in relation to incomplete contracts of HK$66,338,000, determined based on the income-based method, amortised according to the management expectation of realisation of profits of the incomplete contracts over their estimated useful lives of one to two years.

As at 31st March, 2011, the Group had interest in the following associate:

Name of entity	Form of equity	Place/ Country of incorporation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
Termbray Petro-king Oilfield Services (BVI) Limited	Incorporated	British Virgin Islands	Ordinary	45.9%	45.9%	Investment holding

The summarised financial information in respect of the Group's associate attributable to the Group's interest as at 31st December, 2010 is set out below:

	HK$'000
Total assets	846,021
Total liabilities	335,251
Net assets	510,770
Group's share of net assets of an associate (excluding goodwill)	234,443
Revenue	345,675*
Profit for the period	4,782*
Other comprehensive income	1,000*
Group's share of profit and other comprehensive income of an associate	2,654

* Included revenue, profit or other comprehensive income of Termbray Petro-King from the date it became an associate of the Group up to 31st December, 2010.

19. INVENTORIES

At 31st March, 2010, the balance represent merchandise for oilfield engineering held by the Group.

20. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	HK$'000
Trade receivables	–	117,775
Less: allowance for doubtful debts	–	(4,016)
	–	113,759
Other receivables	**42**	11,861
	42	125,620

The receivables from sales of properties and rental receivables are collected in accordance with the terms of the relevant agreements. For the year ended 31st March, 2010, the Group allows an average credit period of 90 days after invoice date to most of its customers in respect of the oilfield engineering and consultancy services.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the date of the transactions at the end of the reporting period.

	2011	2010
	HK$'000	HK$'000
1 – 90 days	–	9,591
91 – 180 days	–	35,439
181 – 365 days	–	13,096
More than 1 year, but not exceeding 2 years	–	52,525
More than 2 years, but not more than 3 years	–	3,108
	–	113,759

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

20. TRADE AND OTHER RECEIVABLES (continued)

Before accepting any new customers, the Group applies an internal credit assessment policy to assess the potential customer's credit quality and defines credit limits by customer. Management closely monitors the credit quality of trade receivables and considers that the trade receivables that are neither past due nor impaired to be of good credit quality since most counterparties are leaders in the oilfield industry with strong financial position and no history of defaults.

At 31st March, 2010, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$82,886,000 which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is past due by 253 days.

Ageing of trade receivables which are past due but not impaired

	2011 **HK$'000**	2010 HK$'000
1 – 90 days	–	18,312
91 – 180 days	–	8,182
181 – 365 days	–	46,342
More than 1 year, but not exceeding 2 years	–	6,942
More than 2 years, but not more than 3 years	–	3,108
	–	82,886

Receivables that were past due but not impaired relate to customers that have good trade record without default history. Based on past experience, management believes that no allowance 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.

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the management is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly. The movement in allowance for doubtful debts for specific components with uncertainty on the recoverability during the year is as follows:

	2011 **HK$'000**	2010 HK$'000
Balance at the beginning of the year	**4,016**	5,640
Impairment losses recognised	–	342
Amount written off as uncollectible	**(3,765)**	(1,966)
Reversal of impairment losses recognised	**(251)**	–
Balance at the end of the year	–	4,016

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits and bank balances and cash, which comprise short-term bank deposits, carry interest at effective interest rates ranging from 0.01% to 0.40% (2010: 0.01% to 0.36%) per annum.

Details of the pledged bank deposits are set out in note 34 (a to c).

22. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period.

	2011 **HK$'000**	2010 HK$'000
1-90 days	**153**	17,725
Over 90 days	**331**	5,339
Trade and other payables	**484**	23,064
Accrued charges	**3,544**	3,354
	4,028	26,418

The credit period on purchases of goods is ranged from 60 to 90 days (2010: 60 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

23. PROVISIONS

The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years as set out in note 34(d). The timing of payment of such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the local authorities of the PRC, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

24. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest-free and repayable on demand.

Certain directors of the Company have beneficial interests in the related company.

25. CONVERTIBLE NOTE

On 31st December, 2007, the date of completion of the acquisition of Petro-king HK and Petro-king SZ, the Company and King Shine Group Limited ("King Shine"), a company which was set up by the PRC vendors, entered into a convertible note subscription agreement, pursuant to which the Company agreed to issue and King Shine agreed to subscribe for the convertible note in the principal amount of HK$133,692,000 at conversion price of HK$1.20 per conversion share. The convertible note is interest-free and shall be redeemed on the date falling on the third anniversary of the date of issue of the convertible note, accordingly, the convertible note was redeemed at 31st December, 2010.

The convertible note, being a compound financial instrument (that contains both financial liability and equity components), was split between the equity component of HK$18,892,000 and the liability component of HK$114,800,000. The valuation was based on the valuation report issued by Vigers dated 18th April, 2009. The effective interest rate of the liability component is 5.21% per annum.

The movement of the liability component of the convertible note for the year is set out below:

	2011 **HK$'000**	2010 HK$'000
Carrying amount at the beginning of the year	**128,696**	122,324
Interest charge	**4,996**	6,372
Redemption during the year	**(133,692)**	–
Carrying amount at the end of the year	**–**	128,696

26. BANK BORROWINGS

	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000
Bank overdrafts	–	3,318	–
Bank loans	–	30,430	21,705
	–	33,748	21,705
Secured	–	28,248	21,705
Unsecured	–	5,500	–
	–	33,748	21,705
Carrying amount repayable within one year	–	3,318	–
Carrying amount contains a repayable on demand clause (shown under current liabilities) but are repayable:			
– Within one year	–	26,130	21,705
– More than one year, but not exceeding two years	–	1,200	–
– More than two years, but not exceeding five years	–	3,100	–
	–	33,748	21,705

The bank borrowings carried variable-rate interest ranging 2.28% to 5.34% (2010: 2.29% to 4.54%) per annum.

At 31st March, 2010, secured bank borrowings were secured by pledged deposit as set out in note 34(a) and guaranteed by a former director of the Company and a minority shareholder of a non-wholly owned subsidiary, which became an associate of the Group during the year, as set out in note 36(d). They were denominated in USD, the functional currency of the relevant group entity.

At 31st March, 2010, unsecured bank borrowing was granted under the Special Loan Guarantee Scheme of the Hong Kong Special Administrative Region Government ("HKSARG"). It is guaranteed by HKSARG, a former director of the Company and a minority shareholder of a non-wholly owned subsidiary, which became an associate of the Group during the year, as set out in note 36(d). It was denominated in HK$, a currency other than the functional currency of the relevant group entity.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

27. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011 **HK$'000**	2010 HK$'000
Deferred tax assets	**–**	(485)
Deferred tax liabilities	**844**	6,282
	844	5,797

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Impairment of assets **HK$'000**	**Accelerated tax depreciation** **HK$'000**	**Undistributed profits of a subsidiary established in the PRC** **HK$'000**	**Intangible assets** **HK$'000**	**Total** **HK$'000**
At 1st April, 2009	–	673	2,411	1,682	4,766
(Credit) charge to profit or loss	(485)	86	2,006	(576)	1,031
At 31st March, 2010	(485)	759	4,417	1,106	5,797
Charge (credit) to profit or loss	–	85	411	(370)	126
Derecognised upon losing control of subsidiaries	485	–	(4,828)	(736)	(5,079)
At 31st March, 2011	**–**	**844**	**–**	**–**	**844**

27. DEFERRED TAX LIABILITIES (continued)

At the end of the reporting period, the Group has unused tax losses of HK$93,005,000 (2010: HK$95,022,000) available for offset against future profit as analysed as follows:

	2011 **HK$'000**	2010 HK$'000
Carried forward to 31st		
December, 2010	**–**	2,573
December, 2011	**1,292**	1,680
December, 2012	**2,553**	2,985
December, 2013	**2,369**	3,286
December, 2014	**2,899**	3,742
December, 2015	**3,136**	–
Carried forward indefinitely	**80,756**	80,756
	93,005	95,022

No deferred tax asset had been recognised in respect of the unused tax losses as at 31st March, 2011 as it was uncertain whether sufficient taxable profits would be available to allow utilisation of the carrying forward tax losses.

At 31st March, 2010, deferred tax liabilities on temporary differences associated with undistributed profits of a subsidiary established in the PRC derived on or after 1st January, 2008 amounting to HK$4,417,000 has been recognised.

28. SHARE CAPITAL

	2011 & 2010	
	Number of shares '000	**Nominal value HK$'000**
Ordinary shares of HK$0.08 each		
Authorised	**2,800,000**	**224,000**
Issued and fully paid	**1,957,643**	**156,611**

There is no movement in share capital during the two years ended 31st March, 2011.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

29. SHARE OPTIONS

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 18th August, 2006, the Company adopted a new share option scheme ("2006 ESOP") to replace the scheme adopted in 2001 which was terminated on that date.

On 25th February, 2008, the Company granted 20,000,000 options to Mr. Wang Jinlong, a former director and the chief executive officer of the Company, at an exercise price of HK$1.20 per share and in which 10,000,000 share options are vested on 28th February, 2008 exercisable during the period from 25th February, 2008 to 24th February, 2011 and the remaining 10,000,000 share options are vested quarterly from 25th February, 2008 to 25th February, 2009 and exercisable during the period from 25th February, 2009 to 24th February, 2011, with estimated fair values per share amounting to HK$0.59 and HK$0.65 respectively. During the year, the director resigned and those vested share options were forfeited accordingly.

On 28th March, 2008, the Company granted 17,000,000 options under the 2006 ESOP to Mr. Wang Jinlong, at an exercise price of HK$1.25 per share and in which 5,666,666 share options are vested quarterly from 28th March, 2008 to 28th March, 2009 and exercisable during the period from 28th March, 2009 to 27th March, 2018, 5,666,667 share options are vested quarterly from 28th March, 2008 to 28th March, 2010 and exercisable during the period from 28th March, 2010 to 27th March, 2018, and 5,061,467 of share options were vested quarterly from 28th March, 2008 to 1st October, 2010 and are exercisable during the period from 28th March, 2011 to 27th March, 2018, with estimated fair values per share of HK$0.60, HK$0.66 and HK$0.71 respectively. During the year, 37,000,000 share options were forfeited due to resignation of a director, of which 605,200 share options were not vested.

On 29th May, 2008, the Company granted 16,500,000 options under the 2006 ESOP to an employee of the Group, at an exercise price of HK$1.14 per share and in which 6,666,666 share options are vested quarterly from 29th May, 2008 to 29th May, 2009 and exercisable during the period from 29th May, 2009 to 28th May, 2018, 6,666,667 share options are vested quarterly from 29th May, 2008 to 29th May, 2010 and exercisable during the period from 29th May, 2010 to 28th May, 2018 and the remaining 3,166,667 share options are vested quarterly from 28th March, 2008 to 29th May, 2011 and exercisable during the period from 29th May, 2011 to 28th May, 2018 with estimated fair values per share of HK$0.65, HK$0.71 and HK$0.75 respectively. In the year ended 31st March, 2010, the employee resigned and those vested and unvested share options were forfeited accordingly.

29. SHARE OPTIONS (continued)

The following table discloses movements of the Company's share options during the year and the preceding year:

Date granted	Outstanding at 1st April, 2009	Forfeited during the year	Outstanding at 31st March, 2010	**Forfeited during the year**	**Outstanding at 31st March, 2011**
Mr. Wang Jinlong					
25th February, 2008	20,000,000	–	20,000,000	**(20,000,000)**	**–**
28th March, 2008	17,000,000	–	17,000,000	**(17,000,000)**	**–**
	37,000,000	–	37,000,000	**(37,000,000)**	**–**
An employee					
29th May, 2008	16,500,000	(16,500,000)	–	**–**	**–**
	53,500,000	(16,500,000)	37,000,000	**(37,000,000)**	**–**
Exercisable at the end of the year			31,333,333		**–**
Weighted average exercise price	HK$1.20	HK$1.14	HK$1.22	**–**	**–**

30. RESERVES

Details of the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 43.

The directors do not recommend the payment of a dividend in respect of the year (2010: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

31. ACQUISITION OF A SUBSIDIARY

For the year ended 31st March, 2010, pursuant to an agreement entered into between Petro-king SZ, a former 51% indirect subsidiary of the Company, which became an associate of the Group during the year, and third parties on 2nd April, 2009, Petro-king SZ acquired 100% equity interest of 德州嘉誠, a company engaging in manufacture of oil drilling tools, at a total consideration of RMB6,150,000 (equivalent to approximately HK$6,952,000). The acquisition was completed on 1st May, 2009.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's company carrying amount and fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	2,262
Inventories	1,476
Trade and other receivables	58
Deposits and prepayments	135
Bank balances and cash	109
Trade and other payables and accrued charges	(891)
	3,149
Goodwill	3,803
Total consideration	6,952
Satisfied by:	
Cash	6,274
Consideration payable	678
	6,952
Net cash outflow arising on acquisition:	
Cash consideration paid	6,274
Bank balances and cash acquired	(109)
	6,165

31. ACQUISITION OF A SUBSIDIARY (continued)

The acquired subsidiary resulted approximately HK$957,000 net loss to the Group for the period between the date of acquisition and 31st March, 2010.

If the acquisition had been completed on 1st April, 2009, total revenue of the Group for the year would remain as approximately HK$388,108,000 (unaudited), and profit for the year would have been approximately HK$68,879,000 (unaudited). The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2010, nor is it intended to be a projection of future results.

32. LOSING CONTROL OF SUBSIDIARIES

As referred to in note 10, on 20th October, 2010, Termbray Petro-king ceased as a subsidiary of the Group upon the Subscription.

Immediately after the Subscription, the Group's remaining voting power on Termbray Petro-king is 45.9%. As a result, the Group is no longer in a position to exercise control but significant influence over Termbray Petro-king. The fair value of the Group's interest in Termbray Petro-king of approximately HK$473,826,000 as at 20th October, 2010 has been regarded as cost of interest in associate from the date on which the Group ceased to have control, and incorporated in the consolidated financial statements using the equity method of accounting. The fair value has been arrived at on the basis of a valuation carried out on that date by Vigers, an independent qualified professional valuer not connected with the Group. The valuation was arrived on the basis of capitalisation of net income.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

32. LOSING CONTROL OF SUBSIDIARIES (continued)

The net assets of Termbray Petro-king which control was lost at the date of losing control were as follows:

Analysis of assets and liabilities over which control was lost:

	20.10.2010 HK$'000
Property, plant and equipment	10,693
Goodwill	247,121
Intangible assets	3,484
Interest in an associate	351
Inventories	144,031
Trade and other receivables	165,227
Deposits and prepayments	10,665
Taxation recoverable	4
Pledged bank deposits	44,378
Bank balance and cash	18,527
Trade and other payables and accrued charges	(38,140)
Taxation payable	(13,179)
Bank borrowings	(102,858)
Deferred tax liabilities	(5,079)
Net assets before Subscription	485,225
Consideration receivable	101,302
Net assets after Subscription	586,527

32. LOSING CONTROL OF SUBSIDIARIES (continued)

Gain on losing control of subsidiaries

	20.10.2010 HK$'000
Net assets disposed of	(485,225)
Non-controlling interests	118,440
	(366,785)
Fair value of interest retained in Termbray Petro-king	473,826
Cumulative exchange differences in respect of the net assets of Termbray Petro-king reclassified from equity to profit or loss	2,842
Gain on losing control of a subsidiary	109,883
Net cash outflow arising on losing control:	
Bank balances and cash disposed of	18,527

Included in net assets disposed of HK$485,225,000 is goodwill of HK$243,511,000 which resulted from Group's acquisition of 51% interest in Petro-King Holding Limited, a wholly owned subsidiary of Termbray Petro-king and not attributable to the non-controlling interest.

Of the gain of HK$109,883,000, HK$97,222,000 is attributable to recognising the residual interest in Termbray Petro-king at fair value at the date control is lost, which is the difference between the fair value of residual interest in Termbray Petro-king of HK$473,826,000 and the carrying amount of interest retained in Termbray Petro-king of HK$376,604,000 including consideration shared by the Group of HK$46,498,000 resulting from the Subscription.

The impact of losing control of Termbray Petro-king on the Group's results and cash flows in the current and prior periods is disclosed in note 10.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

33. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group's investment property (comprising leasehold interest in land and building) and certain properties held for sale with carrying amounts of HK$30,505,000 (2010: HK$30,839,000) and HK$20,750,000 (2010: HK$29,850,000) respectively were let out under operating leases. All of the properties leased out have committed tenants for the next one to three years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011	2010
	HK$'000	HK$'000
Within one year	**2,808**	2,282
In the second to fifth years inclusive	**4,764**	–
	7,572	2,282

The Group as lessee

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

	2011	2010
	HK$'000	HK$'000
Within one year	**198**	2,606
In the second to fifth years inclusive	**–**	2,807
	198	5,413

Operating lease payments represent rentals payable by the Group for office premises and warehouses. These are negotiated and rentals are fixed for a period of 1 to 5 years (2010: 1 to 5 years).

34. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of assets pledged and contingent liabilities of the Group outstanding at the end of the reporting period are as follows:

(a) At 31st March, 2010, bank deposits of HK$3,106,000 were pledged and floating charge over trade receivables of certain customers of the Group not exceeding RMB37,500,000 (equivalent to approximately HK$42,731,000) were arranged to secure the credit facilities granted to the Group. Such bank deposits have been charged to secure short-term bank borrowings and are therefore classified as current assets.

(b) At 31st March, 2010, bank deposits of HK$9,705,000 were pledged to obtain irrecoverable letters of guarantee amounted to US$1,250,000 (equivalent to approximately HK$9,705,000) for tenders which are expected to be completed within one year from the end of the reporting period. Therefore, such bank deposits are classified as current assets.

(c) Guarantees were issued to banks by the Group in respect of mortgage loans granted to property purchasers by banks amounted to approximately HK$69,000 (2010: HK$95,000) and, in this connection, the Group's bank deposits of HK$2,000,000 (2010: HK$2,034,000) were pledged to the banks as security. The guarantees provided would be released upon delivering the building ownership certificate of the respective property by the customers to the banks as a pledge for security to the mortgage loan granted. The directors considered that the fair value of such guarantee on initial recognition was insignificant.

(d) In connection with the disposal of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards in 1999, the Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March, 2001, the Group received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Group in excess of the amounts already provided for in the consolidated financial statements.

(e) At 31st March, 2011, the Group issued financial guarantees to banks in respect of banking facilities granted to an associate. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK$37,108,000, of which HK$14,127,000 has been utilised by the associate. The directors considered that the fair value of such guarantee on initial recognition was insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

35. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

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

The total cost charged to profit or loss of HK$223,000 (2010: HK$217,000) represents contributions payable to these schemes by the Group in respect of the year for continuing operations.

36. RELATED PARTY TRANSACTIONS

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

(a) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises and warehouses from Panda Investment during the year at the agreed rental of HK$246,000 (2010: HK$240,000) per annum. Certain directors of the Company held beneficial interests in Panda Investment.

(b) At 31st March, 2011, the Group had an amount of approximately HK$2,953,000 (2010: HK$1,992,000) due to Panda Investment which is unsecured, interest-free and repayable on demand.

(c) Pursuant to a tenancy agreement entered into between Mr. Lee Wing Keung, a son of certain 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 commencing from 16th March, 2008, and further extended the lease for a period of 3 years commencing from 16th March, 2011, at the monthly rental of HK$190,000 and HK$200,000 respectively. The rental income recognised during the year is HK$2,289,000 (2010: HK$2,280,000).

(d) For the year ended 31st March, 2010, a former director of the Company and a minority shareholder of a non-wholly owned subsidiary, which became an associate during the year, acted as guarantors of the secured bank borrowings of the Group for US$1,617,000 (equivalent to approximately HK$12,554,000) each and unsecured bank borrowing of the Group for HK$5,880,000 each.

36. RELATED PARTY TRANSACTIONS (continued)

(e) For the year ended 31st March, 2011, the Group issued financial guarantees to banks in respect of banking facilities granted to an associate. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK$37,108,000, of which HK$14,127,000 has been utilised by the associate. The directors considered that the fair value of such guarantee on initial recognition was insignificant.

(f) The compensation of key management personnel paid or payable by the Group in respect of the year, substantially all of which comprised short term benefits and share-based payments attributable to the directors of the Company, amounted to HK$11,654,000 (2010: HK$13,667,000), details of which are set out in note 12(a).

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

37. PARTICULARS OF SUBSIDIARIES AND ASSOCIATES

The following list contains only the particulars of the subsidiaries and associates at 31st March, 2011 and 2010 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. All the principal subsidiaries are wholly owned subsidiaries and, unless otherwise specified, are operating in their place of incorporation/establishment. None of the subsidiaries had any loan capital outstanding at 31st March, 2011 and 2010 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company 2011	2010	Principal activities
Direct subsidiary:					
Termbray Electronics (B.V.I.) Limited (i)	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
Indirect subsidiaries:					
Ever Success Properties Limited (ii)	Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Termbray (China) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Termbray (Fujian) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Property investment

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2011

37. PARTICULARS OF SUBSIDIARIES AND ASSOCIATES (continued)

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company 2011	2010	Principal activities
Indirect subsidiaries: (continued)					
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Property holding
Termbray Electronics Company Limited	Hong Kong	2 ordinary shares of HK$100 each and 10,000 non-voting deferred shares of HK$100 each	**100%**	100%	Investment holding and treasury activities
# Termbray Petro-king Oilfield Services (BVI) Limited	British Virgin Islands	10,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding
## Petro-king Holding Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**45.9%**	51%	Investment holding
## Petro-king International Co., Limited	Hong Kong	5,000,000 (2010: 5,000,000) ordinary shares of HK$1 each	**45.9%**	51%	Trading of tools and equipment and provision for consultancy services on well drilling
## Petro-king Oilfield Technology Limited (iii)	PRC	Registered capital of RMB20,000,000 (2010: RMB20,000,000)	**45.9%**	51%	Trading of tools and equipment and provision for consultancy services on well drilling
## 德州嘉誠石油裝備有限公司(iii)	PRC	Registered capital of RMB10,000,000 (2010: RMB10,000,000)	**45.9%**	51%	Trading of tools and equipment and provision for consultancy services on well drilling
Zhongshan Ever Success Properties Limited (iii)	PRC	Registered capital of RMB1,500,000	**100%**	100%	Property development

(i) Operating in Hong Kong
(ii) Operating in the PRC
(iii) A limited liability company established in the PRC
A non-wholly owned subsidiary at 2010, became an associate of the Group during the year as set out in note 10.
A non-wholly owned subsidiary at 2010, became a subsidiary of an associate of the Group during the year as set out in note 10.

List of Major Properties

PROPERTIES FOR SALE

Property location	Use	Approximate gross floor area	Group's Attribution interest
		Sq.m.	%
90-124 An Lan Road, Zhongshan, Guangdong Province	Commercial and car park	15,152	100
	Residential	25,197	100

Five Year Financial Summary

The following tables summarize certain consolidated financial information in respect of the Group's results, assets and liabilities for the last five financial years, as extracted from the audited financial statements.

CONSOLIDATED RESULTS

	Year ended 31st March,				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(note)	(note)	
Revenue	**9,160**	5,700	218,809	43,290	6,576
Profit/(loss) before taxation					
– continuing operations	**(6,716)**	(25,016)	32,899	(30,376)	14,505
– discontinued operations	**126,876**	123,381	–	–	–
	120,160	98,365	32,899	(30,376)	14,505
Taxation					
– continuing operations	**(342)**	(322)	(11,041)	2,530	(130)
– discontinued operations	**(3,873)**	(29,117)	–	–	–
	(4,215)	(29,439)	(11,041)	2,530	(130)
Profit (loss) for the year	**115,945**	68,926	21,858	(27,846)	14,375
Attributable to owners of the Company	**109,516**	22,977	(6,629)	(20,848)	14,375
Attributable to non-controlling interests	**6,429**	45,949	28,487	(6,998)	–

Note:

Included result of Termbray Petro-king Group which operations was discontinued in current year as set out in note 10. The Directors considered that it is impractical for the Group to restate the result of Termbray Petro-king Group of 2009 and 2008 separately.

Five Year Financial Summary

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March,				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Non-current assets					
Property, plant and equipment	**45,674**	57,378	56,010	56,644	47,722
Investment property	**30,505**	30,839	31,173	31,507	31,841
Investment in an associate	**476,480**	–	–	–	–
Pledged bank deposits	**2,000**	2,034	2,034	2,034	2,024
Goodwill	**–**	247,121	243,318	243,318	–
Intangible assets	**–**	5,226	8,213	16,500	–
Current assets	**718,597**	1,143,762	1,064,065	1,001,656	751,900
TOTAL ASSETS	**1,273,256**	1,486,360	1,404,813	1,351,659	833,487
CURRENT LIABILITIES	**(14,537)**	(218,911)	(88,927)	(85,165)	(11,008)
NON-CURRENT LIABILITIES	**(844)**	(5,797)	(127,090)	(119,395)	–
NET ASSETS	**1,257,875**	1,261,652	1,188,796	1,147,099	822,479
Equity attributable to equity holders of the Company	**1,257,458**	1,150,803	1,124,096	1,112,250	822,063
Non-controlling interests	**417**	110,849	64,700	34,849	416
TOTAL EQUITY	**1,257,875**	1,261,652	1,188,796	1,147,099	822,479

PER SHARE DATA

	Year ended 31st March,				
	2011	2010	2009	2008	2007
	HK cents	HK cents	HK cents	HK cents	HK cents
Basic earnings (loss) per share	**5.59**	1.17	(0.34)	(1.17)	0.85
Dividends per share	**–**	–	–	–	–
Net asset value per share	**64.25**	64.45	60.73	58.60	47.69