



**Termbray Industries  
International (Holdings) Limited**

Stock Code: 0093

**2013/2014**  
INTERIM REPORT

# Contents

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

## Corporate Information

### Executive Directors

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

### Independent Non-Executive Directors

Mr. Lo Yiu Hee  
Mr. Tong Hin Wor  
Mr. Siu Lok Chow, Gabriel

### Non-Executive Director

Mr. Lee Ka Sze, Carmelo

### Company Secretary

Mr. Lo Tai On

### Audit Committee

Mr. Lo Yiu Hee  
Mr. Tong Hin Wor  
Mr. Siu Lok Chow, Gabriel  
Mr. Lee Ka Sze, Carmelo

### Remuneration Committee

Mr. Lo Yiu Hee  
Mr. Lee Lap  
Mr. Siu Lok Chow, Gabriel

### Nomination Committee

Mr. Lee Lap  
Mr. Lo Yiu Hee  
Mr. Siu Lok Chow, Gabriel

### 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 share on  
The Stock Exchange of Hong Kong Limited  
0093

### Principal Banker

The Hongkong & Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited

### Legal Advisors In Hong Kong

Woo, Kwan, Lee & Lo

### Auditor

Deloitte Touche Tohmatsu

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) presents to shareholders the interim report together with the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September, 2013.

The unaudited consolidated profit attributable to owners of the Company for the six months ended 30th September, 2013 amounted to approximately HK\$19,911,000 (six months ended 30/9/2012: HK\$38,670,000). An analysis of the Group’s segment results for the period is set out on page 25 of this report.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2013 (six months ended 30/9/2012: Nil).

## Review of Operations

During the current six months period under review, the Group achieved a turnover of HK\$2,714,000 (six months ended 30/9/2012: HK\$5,143,000) and made a profit for the period of HK\$19,911,000 (six months ended 30/9/2012: HK\$38,670,000).

The decrease in profit for the period was primarily due to (i) the Group’s shareholding in its associated company, Termbray Petro-king Oilfield Services Limited (“Termbray Petro-king”), has decreased from approximately 45.9% as at 31st March, 2012 to approximately 32.9% as at 31st March, 2013 upon the successful listing of the shares of Termbray Petro-king on the main board of The Stock Exchange of Hong Kong Limited in March 2013 and (ii) Termbray Petro-king’s decrease in profit attributable to owners of Termbray Petro-king for the six months ended 30th June, 2013 as compared to that of the corresponding period ended 30th June, 2012, thereby reducing the Group’s share of operation results of Termbray Petro-king Group for the current six months period under review.

## Property Investment and Development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The commercial arcades is still vacant and the occupancy rate of the residential units is kept at almost the same level as last period. The management has put a lot of effort in marketing the properties and is endeavouring improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the period is slightly increased by 11.8% comparing with the last corresponding period. The Group has not sold any residential unit during the period under review. As at 30th September, 2013, 217 residential units remained to be sold, out of which 138 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 Group has made full provision for impairment loss against the property held by Cong Hua Bow Yuen in the financial statements of the Group in the prior years. In last financial year, Cong Hua Bow Yuen has entered into a settlement agreement with the local PRC authorities for compensation on land expropriation. Pursuant to the settlement agreement, the Group has received 90% of the compensation of approximately HK\$3,702,000 in the current period.

## Oilfield Engineering and Consultancy Services

Upon successful listing of Termbray Petro-king (Stock code: 2178) on The Stock Exchange of Hong Kong Limited on 6th March, 2013, the Group held 32.85% (30/9/2012: 45.4%) interest in Termbray Petro-king as an associate through Termbray Natural Resources Limited, a wholly owned subsidiary of the Group.

During the period under review, the Group has applied the equity method of accounting for the results of Termbray Petro-king Group as an associate for the six months period from 1st January, 2013 to 30th June, 2013 ("1H2013").

In 1H2013, Termbray Petro-king Group achieved a revenue of HK\$496 million and profit for the period of HK\$77 million. The improvement in operating profit margin in current period has partly offset the effect of the one off gain on disposal of jointly controlled entity recorded in the last period under review.

In 1H2013, Termbray Petro-king Group achieved a balanced development in both China and overseas markets. Termbray Petro-king Group experienced a slowdown in revenue from the China market. In China, while maintaining a good relationship with existing customers, Termbray Petro-king Group won bids and gained belated contracts from certain new customers. Unconventional oil and gas (including tight gas, tight oil and shale gas) sector continues to be the Group's focus in China. However, most of the new projects in China were still in the preparation stage. As such, massive work and revenue have yet to be incurred in coming periods.

For overseas markets, South America and the Middle East were the major focus of Termbray Petro-king Group. While continuing its well completion services, Termbray Petro-king Group has also started its production enhancement services in Venezuela. In consideration of the risks associated with sanction issues, Termbray Petro-king Group has terminated its business in Iran and Syria in 2012. However, by leveraging its excellent track record and experienced engineering team, Termbray Petro-king Group has successfully gained new customers and new projects in the Middle East, such as United Arab Emirates and Iraq. Furthermore, Termbray Petro-king Group has been actively promoting its oilfield project services in Central Asia, Australia and Canada.

As a high-end integrated oilfield services provider, Termbray Petro-king Group strives to enhance and to expand its in-house capabilities of developing and manufacturing certain key oilfield service tools and equipments. Termbray Petro-king Group has successfully developed its own turbine drilling tool and put into commercialized operation of its self-developed directional turbine drilling technology. In addition, Termbray Petro-king Group debuted a new fracturing technology for production enhancement of tight gas/oil in 2013.

Construction work of the research and development and production base in Huizhou, Guangdong, PRC ("Huizhou Base") has commenced in 1H2013 and its trial run is targeted to begin in the first half of 2014. Termbray Petro-king Group believes the new production facilities of Huizhou Base significantly enhance the production capacity of its manufacturing segment of key tools and equipment for oilfield services while lowering its reliance on major suppliers, optimising the cost structure of principal operations and enhancing its product and service qualities.

The directors considered that the overall performance of Termbray Petro-king Group for the period under review is satisfactory.

### **Treasury Investment Activity**

The Group still holds a substantial amount of funds of approximately HK\$362 million which have been mainly placed as short term bank deposits with large financial institutions in Hong Kong.

### **Others**

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

### **Liquidity and Financial Resources**

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

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

### **Order Book**

Due to its business nature, the Group has no order book at 30th September, 2013. The Group has no new product and service to be introduced to the market.

## Staff and Emolument Policy

As at 30th September, 2013, the Group employed 41 staff at market remunerations with staff benefits such as insurance, provident fund scheme, 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 pages 12 to 13 of this report.

## 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. Both of the debt crisis in Europe and the progress of stop buying of national debts by the US Government have an unpredictable impact on the recovery of global economy. 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 is confidence in capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in China.

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

It is Termbray Petro-king Group's strategy to maintain a well balanced business development in both China market and overseas markets in a medium to long term.



For the domestic China market, natural gas development in China will be the major focus of Chinese oilfield service providers with high-end competence and experience. The recent favorable government policy on natural gas development is likely to speed up the pace of both Chinese national oil companies (“NOC”) and other investors to invest in non-conventional gas such as tight gas and shale gas, which in turn will create more business opportunities for high-end oilfield service providers with reputable technical capability. In the second half of 2013, Termbray Petro-king Group believes that tight gas will continue to be the major contributor for its revenue from domestic market in China.

For the overseas markets, NOC’s overseas investments were still keen in 1H2013. Termbray Petro-king Group have participated in biddings in various projects in the Middle East and Central Asia, and are actively following up with its customers’ business development on their new projects in Australia and Canada. The management expects the business development in Venezuela will gain further success in coming years.

The second half of a year is usually the more active season in a typical year. In anticipating the picking up in project progress in the second half of 2013 together with the planned execution of tight gas project, Termbray Petro-king Group believes revenue from production enhancement of horizontal wells will continue to be the major revenue contribution in the second half of 2013. The management of Termbray Petro-king Group are confident that it will achieve a stable development in business in the second half of 2013.

Termbray Petro-king Group will continue to leverage its technologically leading position in the market, its recognised high-end oilfield service capabilities, proven experience in domestic and overseas operations, professional engineers with international project management exposure, strong in-house research and development and tools manufacturing capabilities, plus strong financial positions to put Termbray Petro-king Group in a significantly better position to capture new business opportunities in China and overseas and benefit from this growth.

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 opportunities which will result in a steady growth in the Group’s long term performance. On the other hand, there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements, the recovery progress of the global economy and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of its business and has the confidence to strengthen its competitiveness and to build value for our shareholders.

## Directors' Interests in Shares

As at 30th September, 2013, the interests of the Company's directors, chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or otherwise notified pursuant to Divisions 7 to 9 of Part XV of the SFO, were as follows:

### (A) Long Positions in Shares of the Company

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

*Note:*

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

**(B) Long Positions in Shares of Associated Corporations**

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

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

Saved as disclosed above, as at 30th September, 2013, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

Apart from the share option scheme of the Company, at no time during the period was the Company or any of its subsidiaries a party to any arrangements 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.

## Substantial Shareholders

As at 30th September, 2013, the person (other than the directors as disclosed in the “Directors’ interests in Shares”) interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

### Ordinary Shares of the Company

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

*Notes:*

- (1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited which 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 Lee & Leung Family Trust. The discretionary beneficiaries of 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 the offspring of such children.
- (2) Cosmo Telecommunication Inc. is a wholly owned by Ms. Jing Xiao Ju.
- (3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30th September, 2013.

## 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 options 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.

No option was granted, exercised, lapsed or cancelled during the six months ended 30th September, 2013. There was no outstanding options as at 30th September, 2013.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2013.

## **Corporate Governance**

The Company has met the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30th September, 2013 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 private act called "The Termbray Industries International (Holdings) Limited Act 1991". Section 4(g) of the said Act provides that: "Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation". The Company had amended its existing bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director, shall be subject to retirement by rotation at least once every three years, while directors holding the office of chairman or managing director shall be subject to re-election every 3 years.

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions. The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the six months ended 30th September, 2013.

## Audit Committee

The Company has established an audit committee comprising three independent non-executive directors and one non-executive director of the Company. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30th September, 2013.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of director's information of the Company since the date of the 2013 annual report of the Company is as follows:

Mr. LEE Ka Sze, Carmelo was appointed as an independent non-executive director of Esprit Holdings Limited (listed on The Stock Exchange of Hong Kong Limited with listing code 330) with effect from 25th July, 2013.

By order of the Board

**Lee Lap**

*Chairman*

Hong Kong, 22nd November, 2013

## Report on Review of Condensed Consolidated Financial Statements

# Deloitte.

# 德勤

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

(incorporated in Bermuda with limited liability)

### Introduction

We have reviewed the condensed consolidated financial statements of Termbray Industries International (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 17 to 30, which comprises the condensed consolidated statement of financial position as of 30th September, 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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



## Conclusion

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

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong, 22nd November, 2013

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th September, 2013

	Notes	Six months ended	
		30/9/2013 HK\$'000 (unaudited)	30/9/2012 HK\$'000 (unaudited)
Revenue	3	2,714	5,143
Cost of goods sold and services rendered		<u>(1,191)</u>	<u>(2,451)</u>
		1,523	2,692
Other income	4	419	664
Other gains and losses	5	2,787	(247)
Administrative expenses		(7,442)	(7,064)
Share of result of an associate		<u>22,790</u>	<u>42,806</u>
Profit before taxation		20,077	38,851
Taxation	6	<u>(166)</u>	<u>(181)</u>
<b>Profit for the period attributable to owners of the Company</b>	7	<b>19,911</b>	<b>38,670</b>
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		(610)	102
Share of other comprehensive income (expense) of an associate		3,475	(510)
Reclassification adjustment for exchange reserve transferred to profit or loss upon deemed disposal of interest in an associate		—	(36)
<b>Other comprehensive income (expense) for the period</b>		<b>2,865</b>	<b>(444)</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b><u>22,776</u></b>	<b><u>38,226</u></b>
		<b>HK cents</b> <b>(unaudited)</b>	<b>HK cents</b> <b>(unaudited)</b>
<b>BASIC EARNINGS PER SHARE</b>	9	<b><u>1.02</u></b>	<b><u>1.98</u></b>

## Condensed Consolidated Statement of Financial Position

At 30th September, 2013

	<i>Notes</i>	<b>30/9/2013</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/3/2013 <i>HK\$'000</i> (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>43,710</b>	44,435
Investment property		<b>29,673</b>	29,839
Interest in an associate	<i>10</i>	<b>685,527</b>	659,262
Pledged bank deposits	<i>12(a)</i>	<b>2,000</b>	2,000
		<b><u>760,910</u></b>	<u>735,536</u>
<b>CURRENT ASSETS</b>			
Completed properties for sale		<b>124,517</b>	122,634
Other receivables		<b>479</b>	4,148
Deposits and prepayments		<b>1,982</b>	2,065
Taxation recoverable		<b>464</b>	429
Bank balances and cash		<b>361,737</b>	361,259
		<b><u>489,179</u></b>	<u>490,535</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accrued charges		<b>3,029</b>	3,030
Dividend payable		<b>12,505</b>	12,505
Deposits received		<b>752</b>	710
Amount due to a related company	<i>13(b)</i>	<b>3,640</b>	2,589
Taxation payable		<b>3,889</b>	3,767
		<b><u>23,815</u></b>	<u>22,601</u>
<b>NET CURRENT ASSETS</b>		<b><u>465,364</u></b>	<u>467,934</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>1,226,274</u></b>	<u>1,203,470</u>

	<i>Notes</i>	<b>30/9/2013</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/3/2013 HK\$'000 (audited)
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities		<u>1,091</u>	<u>1,063</u>
<b>NET ASSETS</b>			
		<u><b>1,225,183</b></u>	<u>1,202,407</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	<b>156,611</b>	156,611
Reserves		<u><b>1,068,155</b></u>	<u>1,045,379</u>
Equity attributable to owners of the Company		<b>1,224,766</b>	1,201,990
Non-controlling interests		<u>417</u>	<u>417</u>
<b>TOTAL EQUITY</b>			
		<u><b>1,225,183</b></u>	<u>1,202,407</u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2013

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Retained profits HK\$'000			
At 1st April, 2012 (audited)	156,611	404,370	14,625	558,896	1,134,502	417	1,134,919
Profit for the period	-	-	-	38,670	38,670	-	38,670
Exchange differences arising from translation of foreign operations	-	-	102	-	102	-	102
Share of other comprehensive expense of an associate	-	-	(510)	-	(510)	-	(510)
Deemed disposal of interest in an associate	-	-	(36)	-	(36)	-	(36)
Total comprehensive (expense) income for the period	-	-	(444)	38,670	38,226	-	38,226
Dividend recognised as distribution (note 8)	-	-	-	(176,188)	(176,188)	-	(176,188)
At 30th September, 2012 (unaudited)	<u>156,611</u>	<u>404,370</u>	<u>14,181</u>	<u>421,378</u>	<u>996,540</u>	<u>417</u>	<u>996,957</u>
<b>At 1st April, 2013 (audited)</b>	<b>156,611</b>	<b>404,370</b>	<b>13,307</b>	<b>627,702</b>	<b>1,201,990</b>	<b>417</b>	<b>1,202,407</b>
<b>Profit for the period</b>	-	-	-	<b>19,911</b>	<b>19,911</b>	-	<b>19,911</b>
<b>Exchange differences arising from translation of foreign operations</b>	-	-	(610)	-	(610)	-	(610)
<b>Share of other comprehensive income of an associate</b>	-	-	<b>3,475</b>	-	<b>3,475</b>	-	<b>3,475</b>
<b>Total comprehensive income for the period</b>	-	-	<b>2,865</b>	<b>19,911</b>	<b>22,776</b>	-	<b>22,776</b>
<b>At 30th September, 2013 (unaudited)</b>	<b><u>156,611</u></b>	<b><u>404,370</u></b>	<b><u>16,172</u></b>	<b><u>647,613</u></b>	<b><u>1,224,766</u></b>	<b><u>417</u></b>	<b><u>1,225,183</u></b>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2013

	<b>Six months ended</b>	
	<b>30/9/2013</b>	30/9/2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(147)</u>	<u>(2,991)</u>
<b>CASH FROM INVESTING ACTIVITY</b>		
Interest received	<u>366</u>	<u>628</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>219</b>	<b>(2,363)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>361,259</b>	473,155
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<u>259</u>	<u>56</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,</b> represented by bank balances and cash	<u><b>361,737</b></u>	<u>470,848</u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2013

### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA for the preparation of the Group's condensed consolidated financial statements.

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendment to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2013

### ***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be subsequently reclassified to profit or loss; and (b) items that may be subsequently reclassified to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

### **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2013

### Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors consider that the application of HKFRS 10, HKFRS 11 and HKAS 28 (as revised in 2011), together with amendments relating to the transitional guidance on the application of these HKFRSs has no impact on the amounts reported in the consolidated financial statements.

The directors expect that the application of HKFRS 12, a disclosure standard applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities, will result in more extensive disclosure in the consolidated financial statements for the year ending 31st March, 2014.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2013

### 3. REVENUE AND SEGMENT INFORMATION

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

	<b>Six months ended</b>	
	<b>30/9/2013</b>	30/9/2012
	<b>HK\$'000</b>	HK\$'000
Sales of properties	–	2,546
Rental income	<b>2,714</b>	2,597
	<b><u>2,714</u></b>	<u>5,143</u>

Segment information reported to the chief operating decision maker ("CODM"), the executive directors of the Company, for the purposes of resource allocation and performance assessment focuses on one principal operating segment of the Group, namely property investment and development which involved property leasing and sales of properties.

Information regarding the property investment and development segment is reported below.

	<b>Six months ended</b>	
	<b>30/9/2013</b>	30/9/2012
	<b>HK\$'000</b>	HK\$'000
Segment revenue	<b><u>2,714</u></b>	<u>5,143</u>
Segment profit	<b>3,580</b>	1,894
Unallocated other income	<b>338</b>	607
Unallocated other gains and losses	<b>4</b>	(296)
Unallocated expenses	<b>(6,801)</b>	(6,341)
Share of result of an associate	<b><u>22,790</u></b>	<u>42,806</u>
Profit for the period	<b><u>19,911</u></b>	<u>38,670</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by property investment and development segment without allocation of unallocated other income, unallocated other gains and losses, unallocated expenses and share of result of an associate. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2013

### 4. OTHER INCOME

	<b>Six months ended</b>	
	<b>30/9/2013</b>	30/9/2012
	<b>HK\$'000</b>	HK\$'000
Interest income from bank balances	<b>366</b>	628
Sundry income	<b>53</b>	36
	<b><u>419</u></b>	<u>664</u>

### 5. OTHER GAINS AND LOSSES

	<b>Six months ended</b>	
	<b>30/9/2013</b>	30/9/2012
	<b>HK\$'000</b>	HK\$'000
Net exchange gain (loss)	<b>2,787</b>	(69)
Loss on deemed disposal of interest in an associate	<b>-</b>	(178)
	<b><u>2,787</u></b>	<u>(247)</u>

### 6. TAXATION

	<b>Six months ended</b>	
	<b>30/9/2013</b>	30/9/2012
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong Profits Tax	<b>122</b>	123
People's Republic of China ("PRC") Enterprise Income Tax	<b>16</b>	15
	<b>138</b>	138
Deferred tax	<b>28</b>	43
	<b><u>166</u></b>	<u>181</u>

Hong Kong Profits Tax and PRC Enterprise Income Tax are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for Hong Kong Profits Tax and PRC Enterprise Income Tax for the six months ended 30th September, 2013 are 16.5% (2012: 16.5%) and 25% (2012: 25%) respectively.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2013

### 7. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30/9/2013</b>	<b>30/9/2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period has been arrived at after charging the following items:		
Cost of inventories recognised as expense	–	1,195
Depreciation of		
– property, plant and equipment	<b>725</b>	755
– investment property	<b>166</b>	167
	<u><b>166</b></u>	<u>167</u>

### 8. DIVIDEND

No dividend was paid, declared or proposed during the current interim period. The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2013 (six months ended 30th September, 2012: Nil).

During the six months ended 30th September, 2012, a final dividend of HK9 cents per share in respect of the year ended 31st March, 2012 was declared to the shareholders of the Company. The aggregate amount of the final dividend declared in the last interim period and paid subsequent to the end of the last interim period amounted to HK\$176,188,000.

### 9. BASIC EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30/9/2013</b>	<b>30/9/2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the period attributable to owners of the Company for the purposes of basic earnings per share	<u><b>19,911</b></u>	<u>38,670</u>
	<b>Number of shares</b>	
	<b>'000</b>	<b>'000</b>
Number of ordinary shares for the purpose of basic earnings per share	<u><b>1,957,643</b></u>	<u>1,957,643</u>

Diluted earnings per share is not presented as there were no potential ordinary shares in issue for both periods.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2013

### 10. INTEREST IN AN ASSOCIATE

	<b>30/9/2013</b> <b>HK\$'000</b>	31/3/2013 HK\$'000
Cost of investment in an associate listed in Hong Kong	<b>295,311</b>	295,311
Share of post-acquisition profit and other comprehensive income	<u><b>390,216</b></u>	<u>363,951</u>
	<u><b>685,527</b></u>	<u>659,262</u>
Market value of interest in an associate	<u><b>1,267,680</b></u>	<u>1,516,445</u>

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the management accounts of the associate for the six months period ended 30th June, 2013 have been used.

During the year ended 31st March, 2013, the Group's shareholding in the associate was diluted from 45.90% to 32.85% as the associate issued 102 shares for acquisition of a subsidiary and 287,500,000 shares for global offering in June 2012 and March 2013, respectively.

### 11. SHARE CAPITAL

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

	<b>Number of share '000</b>	<b>Share capital HK\$'000</b>
At 1st April, 2012, 31st March, 2013 and 30th September, 2013	<u><b>1,957,643</b></u>	<u><b>156,611</b></u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2013

### 12. 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) Bank deposits of HK\$2,000,000 (31/3/2013: HK\$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchaser by banks.
- (b) As at 31st March, 2013, 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\$37,038,000, of which HK\$32,705,000 had been utilised by the associate. The loans were cancelled during the period and the guarantees were released subsequently.

### 13. RELATED PARTY TRANSACTIONS

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

- (a) Pursuant to the tenancy agreement entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises and warehouses from Panda Investment and paid rental of HK\$156,000 (six months ended 30/9/2012: HK\$132,000) during the current period. Panda Investment is a wholly owned subsidiary of First Trend Management (PTC) Limited, the ultimate parent of the Company.
- (b) At 30th September, 2013, the Group had an amount of approximately HK\$3,640,000 (31/3/2013: HK\$2,589,000) due to Panda Investment, which is unsecured, interest-free and repayable on demand.
- (c) Pursuant to the tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap and Mdm. Leung Lai Ping, directors of the Company, and the Group, the Group leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16th March, 2011 at the monthly rental of HK\$200,000. The rental income recognized during the current period is HK\$1,200,000. (six months ended 30/9/2012: HK\$1,200,000).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2013

- (d) As at 31st March, 2013, 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\$37,038,000, of which HK\$32,705,000 had been utilised by the associate. The loans were cancelled during the period and the guarantees were released subsequently.
- (e) The compensation of the directors of the Company paid or payable by the Group in respect of the current period, substantially all of which comprised of short term benefits attributable to the directors of the Company, amounted to HK\$4,671,000 (six months ended 30/9/2012: HK\$4,670,500).

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