



**Termbay Industries  
International (Holdings) Limited**

Stock Code: 0093

**INTERIM REPORT**  
**2017 / 2018**

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## Corporate Information

### Executive Directors

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

### Independent Non-executive Directors

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

### Non-executive Director

Mr. Lee Ka Sze, Carmelo

### Company Secretary

Mr. Lo Tai On

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Registered Office

Clarendon House, Church Street  
Hamilton HM11  
Bermuda

### Head Office and Principal Place of Business

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

### Hong Kong Registrar And Transfer Office

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

### Listing Information

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

### Principal Banker

The Hongkong & Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited

### Legal Advisors in Hong Kong

Woo Kwan Lee & Lo

### Auditor

Deloitte Touche Tohmatsu

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) presents to shareholders the interim report together with the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2017.

The unaudited consolidated profit attributable to owners of the Company for the six months ended 30 September 2017 amounted to approximately HK\$66,740,000 (six months ended 30/9/2016 (restated): loss of HK\$13,253,000). An analysis of the Group’s segment results for the period is set out on page 23 of this report.

On 16 June 2017, the Board resolved to declare a special interim dividend for the year ending 31 March 2018 in the form of a distribution in specie of the 526,180,335 shares of Petro-king Oilfield Services Limited (“Petro-king”) held by the Group to the qualifying shareholders whose names appear on the register of members of the Company on the record date of 6 July 2017 in proportion to their then respective shareholdings in the Company on the basis of 268 Petro-king shares for every 1,000 shares of the Company held by the qualifying shareholders (“Distribution in Specie”). The share certificates for the Petro-king shares distributed under the Distribution in Specie were despatched on 14 July 2017 to the qualifying shareholders.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30/9/2016: Nil).

## Review of Operations

During the current six months period under review, the Group achieved a turnover of HK\$9,722,000 (six months ended 30/9/2016: HK\$14,837,000) and recorded a profit for the period of HK\$66,740,000 (six months ended 30/9/2016 (restated): loss of HK\$13,253,000).

The profit for the current period under review is mainly due to the gain on assets distributed to shareholders of the Company of approximately HK\$64 million upon completion of the Distribution in Specie of the Petro-king shares and the fair value gain on an investment property of approximately HK\$18 million.

## Property Investment and Development

The operating environment for the Group's property investment and development business improves during the period under review.

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. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades.

Due to the planned construction of Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of residential properties in Zhongshan market is bloomed. The sale activities of the Group's property project in Zhongshan is active during the period. Facing the overheated environment of the property market in the People's Republic of China ("PRC"), the Central government has laid down a series of regulations and rules to restrict the selling price of residential properties and the qualifications of buyers to purchase residential properties. In Zhongshan, all sale and purchase agreements entered into during the period under review have to be approved by the relevant government authorities before they can be registered in the government's sales system. During the period under review, the Group have entered into sale and purchase agreement with 41 buyers, and out of which, 13 sale transactions are approved and registered in the government's sale system. The Group has recognized the sale of 13 residential units during the period under review (six months ended 30/9/2016: 21 units). Following the increase in sales of residential units, the number of residential units which are available for earning rental income is decreased during the period. The rental income earned by the Group from Ever Success Plaza during the period decreased by 37.5% from that of last corresponding period. As at 30 September 2017, 125 residential units remained to be sold, out of which 85 residential units were let out.

### Oilfield Engineering and Consultancy Services

The Group held 30.47% interest as at 1 April 2017 and at the date of completion of Distribution in Specie in Petro-king (stock code 2178) listed on The Stock Exchange of Hong Kong Limited as an associate through Termbray Natural Resources Company Limited, a wholly owned subsidiary of the Group.

During the period under review, the Group's has applied equity method of accounting for the results of Petro-king Group as an associate for the six months ended 30 June 2017 ("1H2017").

According to the interim report issued by Petro-king in 1H2017, Petro-king Group recorded a revenue of HK\$132 million, representing a decrease of approximately 50% from that of HK\$266 million for the six months ended 30 June 2016 ("1H2016"). Petro-king Group recorded a loss attributable to owners in 1H2017 of approximately HK\$58 million, compared with a loss of approximately HK\$57 million in 1H2016. The persistently weak sentiment among most of Petro-king Group's customers about investment in exploration and production led to a low level of oilfield service activities in 1H2017 in mainland China and the overseas markets.

The first half of 2017 remained challenging for the oilfield service industry. Low profitability and uncertainty in project cash flow led to Petro-king Group's cautious approach in seeking and agreeing to undertake new projects. Petro-king Group had experienced another challenging half year marked by lower activity levels and continuing pressure on pricing in mainland China and the overseas markets. During the period, Petro-king Group focused on improving its management performance, organizational structure, operational performance and overall competitiveness for its long-term development.

The Board is of the view that the Distribution in Specie is in the interests of the Company and its shareholders as a whole after taking into consideration the followings:

- (1) As disclosed in the 2016 annual report of Petro-king, the increase in losses of Petro-king Group was mainly attributable to the lower oilfield services activity level and the continued downward pressure on pricing as a result of the downturn of both the China and the overseas oilfield service markets. As shown on the annual results of the Company for the year ended 31 March 2017, the Group recorded a loss for the year of approximately HK\$132 million, which was mainly attributable to the share of loss of Petro-king amounting to approximately HK\$136 million. The Distribution in Specie would relieve the Group from having to account for the operating loss of Petro-king in the consolidated financial statements of the Company as an associate and to unlock the value of the Petro-king shares in the Company's accounts and return the same to the shareholders of the Company.
- (2) The Distribution in Specie would allow the Group to streamline its business activities by focusing on its principal business of property investment and development. The Group's operations would not be affected by the Distribution in Specie. As shown in the annual results of the Company for the year ended 31 March 2017, the Group has consolidated total assets of approximately HK\$1,009 million, and the book carrying amount of the Petro-king shares held by the Group was approximately HK\$115 million.
- (3) Pursuant to the Distribution in Specie, the qualifying shareholders would be entitled to receive their proportionate interest in Petro-king shares, such that they might directly participate in the investment of the Petro-king shares by either holding such shares or realizing their value on market. The Distribution in Specie would provide the shareholders of the Company with the flexibility to determine the level of their participation in investing in Petro-king at their own discretion in comparison to a disposal of the Petro-king shares by the Company followed by a special cash dividend.

Upon completion of the Distribution in Specie on 14 July 2017, Petro-king was no longer be accounted for as an associate in the condensed consolidated financial statements of the Company. The Petro-king shares were distributed at its market value at the date of completion of the Distribution in Specie. Accordingly, there was a gain on assets distributed to shareholders of the Company of approximately HK\$64 million recorded in the condensed consolidated financial statements of the Company for the current period under review.

As no fraction of a Petro-king share had been distributed under the Distribution in Specie, fractional entitlements to the Petro-king shares of 1,532,015 shares was held by the Company as at 30 September 2017. It was classified as held for trading investments in the financial statements of the Company and any net proceed from its subsequent sale will be retained for the benefit of the Company.

## 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 30 September 2017. The Group has no new product and service to be introduced to the market.



## Staff and Emolument Policy

As at 30 September 2017, the Group employed 40 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

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

## Outlook

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

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

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

## Directors' Interests in Shares and Options

As at 30 September 2017, 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<br><i>(note)</i> | 1,252,752,780 | 63.99%                            |
| Mdm. Leung Lai Ping | -                 | -               | -                  | 1,252,752,780<br><i>(note)</i> | 1,252,752,780 | 63.99%                            |
| Mr. Tommy Lee       | -                 | -               | -                  | 1,252,752,780<br><i>(note)</i> | 1,252,752,780 | 63.99%                            |

*Note:*

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

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

| Name of directors   | Name of subsidiary                         | Number of non-voting deferred shares held<br>(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%   |
|                     | Termbay 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%  |
|                     | Termbay 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 30 September 2017, 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.

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

## Substantial Shareholders

As at 30 September 2017, the person (other than the directors as disclosed in the "Directors' interests in Shares and Options") interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

### Ordinary Share of the Company

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

### Notes:

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

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30 September 2017.

## 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 30 September 2017.

## Corporate Governance

The Company has met the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 September 2017 save as disclosed below.

Pursuant to code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to 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 period ended 30 September 2017.

## Audit Committee

The Company has established an audit committee currently comprising three independent non-executive directors and one non-executive director of the Company. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30 September 2017.

By order of the Board

**Lee Lap**

*Chairman*

Hong Kong, 17 November 2017

## 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 16 to 30, which comprises the condensed consolidated statement of financial position as of 30 September 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing 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, 17 November 2017



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

For the six months ended 30 September 2017

|  | Notes | Six months ended                     |  |
|--|-------|--------------------------------------|--|
|  |       | 30/9/2017<br>HK\$'000<br>(unaudited) | 30/9/2016<br>HK\$'000<br>(unaudited)<br>(restated) |
| Revenue  | 4     | 9,722                                | 14,837   |
| Cost of goods sold and services rendered   |       | (4,392)                              | (5,908)  |
| Gross profit   |       | 5,330                                | 8,929  |
| Other income   | 5     | 393                                  | 383  |
| Other gains and losses   | 6     | 24,393                               | 2,540  |
| Administrative expenses  |       | (9,243)                              | (6,454)  |
| Gain on assets distributed to shareholders   | 8     | 63,866                               | –  |
| Share of result of an associate  |       | (17,524)                             | (18,005)   |
| Profit (loss) before taxation  |       | 67,215                               | (12,607)   |
| Taxation   | 7     | (475)                                | (646)  |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>  | 9     | <b>66,740</b>                        | <b>(13,253)</b>                                    |
| Other comprehensive income (expense):<br><i>Items that may be subsequently reclassified to profit or loss:</i> |       |                                      |  |
| Exchange differences arising from translation of foreign operations  |       | (1,670)                              | 1,250  |
| Share of other comprehensive income (expense) of an associate  |       |                                      |  |
| – currency translation differences   |       | 5,798                                | (228)  |
| – revaluation gain on available-for-sale financial asset of an associate                                       |       | –                                    | 428  |
| Reserves released on assets distributed to shareholders  |       | 2,038                                | –  |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>   |       | <b>6,166</b>                         | <b>1,450</b>                                       |
| <b>TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>               |       | <b>72,906</b>                        | <b>(11,803)</b>                                    |
| <b>DIVIDEND</b>  | 10    | <b>170,511</b>                       | –  |
|  |       | <b>HK cents (unaudited)</b>          | <b>HK cents (unaudited) (restated)</b>             |
| <b>Earnings (loss) per share</b>   | 11    |                                      |  |
| Basic  |       | 3.41                                 | (0.68)   |
| Diluted  |       | 3.41                                 | (0.68)   |

**Condensed Consolidated Statement of Financial Position**

At 30 September 2017

|  | <i>Notes</i> | <b>30/9/2017</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 31/3/2017<br><i>HK\$'000</i><br>(audited) |
|--|--------------|---|---|
| <b>NON-CURRENT ASSETS</b>                    |              |   |   |
| Property, plant and equipment                |              | <b>363,784</b>  | 366,592                                   |
| Investment property                          | 12           | <b>180,000</b>  | 162,300                                   |
| Interest in an associate                     | 13           | –   | 115,047                                   |
| Pledged bank deposits                        | 15           | <b>2,000</b>  | 2,000                                     |
|  |              | <b>545,784</b>  | 645,939                                   |
| <b>CURRENT ASSETS</b>                        |              |   |   |
| Completed properties for sale                |              | <b>78,465</b>   | 79,215                                    |
| Deposits, prepayments and other receivables  |              | <b>1,735</b>  | 1,851                                     |
| Held-for-trading investments                 | 8            | <b>728</b>  | –   |
| Bank balances and cash                       |              | <b>284,728</b>  | 281,659                                   |
|  |              | <b>365,656</b>  | 362,725                                   |
| <b>CURRENT LIABILITIES</b>                   |              |   |   |
| Other payables and accrued charges           |              | <b>4,211</b>  | 5,138                                     |
| Deposit received                             |              | <b>8,605</b>  | 5,064                                     |
| Amount due to a related company              | 16(b)        | <b>1,514</b>  | 3,885                                     |
| Taxation payable                             |              | <b>2,875</b>  | 2,738                                     |
|  |              | <b>17,205</b>   | 16,825                                    |
| <b>NET CURRENT ASSETS</b>                    |              | <b>348,451</b>  | 345,900                                   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |              | <b>894,235</b>  | 991,839                                   |
| <b>NON-CURRENT LIABILITIES</b>               |              |   |   |
| Deferred tax liabilities                     |              | <b>238</b>  | 237                                       |
| <b>NET ASSETS</b>                            |              | <b>893,997</b>  | 991,602                                   |
| <b>CAPITAL AND RESERVES</b>                  |              |   |   |
| Share capital                                | 14           | <b>156,611</b>  | 156,611                                   |
| Reserves                                     |              | <b>736,969</b>  | 834,574                                   |
| Equity attributable to owners of the Company |              | <b>893,580</b>  | 991,185                                   |
| Non-controlling interests                    |              | <b>417</b>  | 417                                       |
| <b>TOTAL EQUITY</b>                          |              | <b>893,997</b>  | 991,602                                   |

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

|  | Attributable to owners of the Company |               |                     |               |                              |                  | Non-controlling |           |          |
|--|---------------------------------------|---------------|---------------------|---------------|------------------------------|------------------|-----------------|-----------|----------|
|  | Share capital                         | Share Premium | Translation reserve | Other Reserve | Property revaluation reserve | Retained Profits | Total           | interests | Total    |
|  | HK\$'000                              | HK\$'000      | HK\$'000            | HK\$'000      | HK\$'000                     | HK\$'000         | HK\$'000        | HK\$'000  | HK\$'000 |
| At 1 April 2016 (audited)  | 156,611                               | 404,370       | 14,572              | (1,159)       | -                            | 229,450          | 803,844         | 417       | 804,261  |
| Loss for the period (restated)   | -                                     | -             | -                   | -             | -                            | (13,253)         | (13,253)        | -         | (13,253) |
| Exchange differences arising from translation of foreign operations      | -                                     | -             | 1,250               | -             | -                            | -                | 1,250           | -         | 1,250    |
| Share of other comprehensive (expense) income of an associate            |                                       |               |                     |               |                              |                  |                 |           |          |
| - currency translation differences                                       | -                                     | -             | (228)               | -             | -                            | -                | (228)           | -         | (228)    |
| - revaluation gain on available-for-sale financial asset of an associate | -                                     | -             | -                   | 428           | -                            | -                | 428             | -         | 428      |
| Total comprehensive income (expense) for the period                      | -                                     | -             | 1,022               | 428           | -                            | (13,253)         | (11,803)        | -         | (11,803) |
| At 30 September 2016 (unaudited) (restated)                              | 156,611                               | 404,370       | 15,594              | (731)         | -                            | 216,197          | 792,041         | 417       | 792,458  |

|  | Attributable to owners of the Company |                 |                     |                 |                              |                  |                 | Non-                  |                 |
|--|---------------------------------------|-----------------|---------------------|-----------------|------------------------------|------------------|-----------------|-----------------------|-----------------|
|  | Share capital                         | Share Premium   | Translation reserve | Other Reserve   | Property revaluation reserve | Retained Profits | Total           | controlling interests | Total           |
|  | <i>HK\$'000</i>                       | <i>HK\$'000</i> | <i>HK\$'000</i>     | <i>HK\$'000</i> | <i>HK\$'000</i>              | <i>HK\$'000</i>  | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| At 1 April 2017 (audited)  | 156,611                               | 404,370         | 6,175               | -               | 326,966                      | 97,063           | 991,185         | 417                   | 991,602         |
| Profit for the period  | -                                     | -               | -                   | -               | -                            | 66,740           | 66,740          | -                     | 66,740          |
| Exchange differences arising from translation of foreign operations                    | -                                     | -               | (1,670)             | -               | -                            | -                | (1,670)         | -                     | (1,670)         |
| Share of other comprehensive income of an associate – currency translation differences | -                                     | -               | 5,798               | -               | -                            | -                | 5,798           | -                     | 5,798           |
| Reserves released on assets distributed to shareholders                                | -                                     | -               | 2,038               | -               | -                            | -                | 2,038           | -                     | 2,038           |
| Total comprehensive income for the period  | -                                     | -               | 6,166               | -               | -                            | 66,740           | 72,906          | -                     | 72,906          |
| Dividend paid (note 10)  | -                                     | -               | -                   | -               | -                            | (170,511)        | (170,511)       | -                     | (170,511)       |
| At 30 September 2017 (unaudited)   | <u>156,611</u>                        | <u>404,370</u>  | <u>12,341</u>       | <u>-</u>        | <u>326,966</u>               | <u>(6,708)</u>   | <u>893,580</u>  | <u>417</u>            | <u>893,997</u>  |

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

|   | <b>Six months ended</b> |             |
|---|-------------------------|-------------|
|   | <b>30/9/2017</b>        | 30/9/2016   |
|   | <b>HK\$'000</b>         | HK\$'000    |
|   | <b>(unaudited)</b>      | (unaudited) |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>   | <b>310</b>              | 8,522       |
| <b>INVESTING ACTIVITIES</b>   |                         |             |
| Interest received   | 358                     | 337         |
| Subscription of shares of an associate  | –                       | (37,642)    |
| <b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>   | <b>358</b>              | (37,305)    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                     | <b>668</b>              | (28,783)    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>                                     | <b>281,659</b>          | 302,771     |
| <b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>  | <b>2,401</b>            | (912)       |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,</b><br>represented by bank balances and cash | <b>284,728</b>          | 273,076     |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 1. BASIS OF PREPARATION

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

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

|                       |  |
|-----------------------|--|
| Amendment to HKFRS 12 | As part of the Annual Improvements to HKFRSs 2014-2016 Cycle |
| Amendment to HKAS 7   | Disclosure Initiative  |
| Amendment to HKAS 12  | Recognition of Deferred Tax Assets for Unrealised Losses     |

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

The Group has accounted for investment property using the cost model in previous years. In order to more accurately reflect the value of investment property held by the Group and provide more relevant information to the users of the financial statements of the Group, the directors of the Company have approved changes in the accounting policy of the Group for the investment property from cost model to fair value model, with effect from 31 March 2017. The Group has adopted the change in accounting policy of investment property accordingly.

The effects of the changes in the Group's accounting policy described above on the results for the current and preceding periods by line items presented in the condensed consolidated statement of profit or loss are as follows:

|  | <b>Six months ended</b> |                     |
|--|-------------------------|---------------------|
|  | <b>30/9/2017</b>        | <b>30/9/2016</b>    |
|  | <b>HK\$'000</b>         | <b>HK\$'000</b>     |
| <b>Impact on profit or loss for the period</b>   |                         |                     |
| Decrease in administrative expenses  | <b>166</b>              | 166                 |
| Increase in other gains and losses   | <b>17,700</b>           | 9,200               |
| Net increase in profit (six months ended 30/9/2016:<br>decrease in loss) for the period attributable to owners<br>of the Company | <b><u>17,866</u></b>    | <b><u>9,366</u></b> |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 4. REVENUE AND SEGMENT INFORMATION

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

|                     | <b>Six months ended</b> |           |
|---------------------|-------------------------|-----------|
|                     | <b>30/9/2017</b>        | 30/9/2016 |
|                     | <b>HK\$'000</b>         | HK\$'000  |
| Sales of properties | <b>7,364</b>            | 12,098    |
| Rental income       | <b>2,358</b>            | 2,739     |
|                     | <b>9,722</b>            | 14,837    |

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

|  | <b>Six months ended</b> |            |
|--|-------------------------|------------|
|  | <b>30/9/2017</b>        | 30/9/2016  |
|  | <b>HK\$'000</b>         | HK\$'000   |
|  |                         | (restated) |
| Segment revenue                            | <b>9,722</b>            | 14,837     |
| Segment profit                             | <b>27,158</b>           | 11,834     |
| Unallocated other income                   | <b>269</b>              | 330        |
| Unallocated other gains and losses         | <b>1,879</b>            | (1,372)    |
| Unallocated expenses                       | <b>(8,908)</b>          | (6,040)    |
| Share of result of an associate            | <b>(17,524)</b>         | (18,005)   |
| Gain on assets distributed to shareholders | <b>63,866</b>           | –          |
| Profit (loss) for the period               | <b>66,740</b>           | (13,253)   |



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 5. OTHER INCOME

|                                    | <b>Six months ended</b> |            |
|------------------------------------|-------------------------|------------|
|                                    | <b>30/9/2017</b>        | 30/9/2016  |
|                                    | <b>HK\$'000</b>         | HK\$'000   |
| Interest income from bank balances | <b>358</b>              | 337        |
| Sundry income                      | <b>35</b>               | 46         |
|                                    | <u><b>393</b></u>       | <u>383</u> |

### 6. OTHER GAINS AND LOSSES

|  | <b>Six months ended</b> |              |
|--|-------------------------|--------------|
|  | <b>30/9/2017</b>        | 30/9/2016    |
|  | <b>HK\$'000</b>         | HK\$'000     |
|  |                         | (restated)   |
| Net exchange gain (loss)                             | <b>6,463</b>            | (6,660)      |
| Change in fair value of held-for-trading investments | <b>230</b>              | –            |
| Fair value gain on investment property               | <b>17,700</b>           | 9,200        |
|  | <u><b>24,393</b></u>    | <u>2,540</u> |

### 7. TAXATION

|  | <b>Six months ended</b> |            |
|--|-------------------------|------------|
|  | <b>30/9/2017</b>        | 30/9/2016  |
|  | <b>HK\$'000</b>         | HK\$'000   |
| Current tax:   |                         |            |
| Hong Kong Profits Tax                                    | <b>138</b>              | 142        |
| People's Republic of China ("PRC") Enterprise Income Tax | <b>336</b>              | 475        |
|  | <u><b>474</b></u>       | 617        |
| Deferred tax   | <b>1</b>                | 29         |
|  | <u><b>475</b></u>       | <u>646</u> |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 8. GAIN ON ASSETS DISTRIBUTED TO SHAREHOLDERS

On 16 June 2017, the Board of Directors of the Company approved a special interim dividend by way of distribution in specie of all shares of the Company's associate, Petro-king Oilfield Services Limited ("Petro-king"), held by the Group on the basis of 268 shares of Petro-king for every 1,000 shares of the Company held (the "Distribution in Specie"). Out of the total of 526,180,335 shares of Petro-king held by the Group, a total of 524,648,320 shares of Petro-king had been distributed, and the remaining 1,532,015 undistributed shares of Petro-king had been recognised as investment held-for-trading in the condensed consolidated statement of financial position. The gain amounting to approximately HK\$63,866,000 was determined with reference, amongst others, to the market price per share of Petro-king on 14 July 2017, being the date of the distribution, and the carrying value of the Group's interest in Petro-king as an associate.

### 9. PROFIT (LOSS) FOR THE PERIOD

|  | <b>Six Months ended</b> |            |
|--|-------------------------|------------|
|  | <b>30/9/2017</b>        | 30/9/2016  |
|  | <b>HK\$'000</b>         | HK\$'000   |
|  |                         | (restated) |
| Profit (loss) for the period has been arrived at after charging (crediting) the following terms:               |                         |            |
| Cost of inventories recognized as expense  | <b>3,142</b>            | 4,584      |
| Depreciation of property, plant and equipment  | <b>2,808</b>            | 515        |
| Gross rental income from investing property  | <b>978</b>              | 942        |
| Less: direct operating expense incurred for investment property that generated rental income during the period | <b>(129)</b>            | (232)      |
|  | <b>849</b>              | 710        |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 10. DIVIDEND

As detailed in note 8, the Company distributed a special interim dividend of 524,648,320 shares of Petro-king with a carrying amount of HK\$170,511,000 to its shareholders on 14 July 2017.

No dividend was paid in respect of the six months ended 30 September 2016.

### 11. EARNINGS (LOSS) PER SHARE

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

|  | <b>Six months ended</b> |                  |
|--|-------------------------|------------------|
|  | <b>30/9/2017</b>        | <b>30/9/2016</b> |
|  | <b>HK\$'000</b>         | <b>HK\$'000</b>  |
|  |                         | (restated)       |
| Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share | <u><b>66,740</b></u>    | <u>(13,253)</u>  |
|  | <b>Number of shares</b> |                  |
|  | <b>'000</b>             | <b>'000</b>      |
| Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share   | <u><b>1,957,643</b></u> | <u>1,957,643</u> |

The computation of the diluted earnings (loss) per share for the current and prior interim periods does not assume the exercise of the associate's share options and convertible bonds, because both the conversion of potential ordinary shares in relation to the share options and the conversion of convertible bonds of the associate have an anti-dilutive effect to the basic earnings (six months ended 30.9.2016: basic loss) per share.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 12. INVESTMENT PROPERTY

The Group's property interest held under operating leases to earn rentals is measured using the fair value model and is classified and accounted for as investment property.

In estimating the fair value of investment property, it is the Group's policy to engage an independent qualified professional valuer to perform the valuations. The management work closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

On 30 September 2017, independent valuations were undertaken by Vigers Appraisal & Consulting Ltd. ("Vigers"), an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations.

The valuations have been arrived at using direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

In estimating the fair value of the property, the highest and best use of the property is its current use.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 12. INVESTMENT PROPERTY (continued)

The following table gives information about how the fair value of the investment property is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

| Investment property held by the Group in the condensed consolidated statement of financial position | Fair value hierarchy | Valuation technique(s) and key input(s)                                    | Significant unobservable input(s)   | Relationship of unobservable inputs to fair value  |
|---|----------------------|--|---|--|
| Investment property in Hong Kong  | Level 3              | Direct comparison method<br><br>The key input is<br><br>(1) Unit sale rate | Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of HK\$50,080 (31 March 2017: HK\$45,150) per square feet on gross floor area basis for the property. | An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa. |

The fair value of the investment property at 30 September 2017 was measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during the period.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 13. INTEREST IN AN ASSOCIATE

|   | <b>30/9/2017</b><br><b>HK\$'000</b> | 31/3/2017<br>HK\$'000 |
|---|-------------------------------------|-----------------------|
| Cost of investment in an associate listed in Hong Kong  | –                                   | 368,847               |
| Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate, net of dividend received | –                                   | 18,649                |
| Impairment loss recognized  | –                                   | (272,449)             |
|   | <u>–</u>                            | <u>115,047</u>        |
| Market value of interest in an associate  | <u>–</u>                            | <u>236,781</u>        |

The financial year end date for the associate was 31 December. For the purpose of applying the equity method of accounting, the unaudited condensed consolidated financial statements of the associate for the six months period ended 30 June 2017 had been used as the Group considers that it was impracticable for the associate to prepare a separate set of audited financial statements as of 30 September 2017.

Following the completion of the Distribution in Specie as set out in note 8, the remaining shares of Petro-king held by the Group had been recognised as held-for-trading investments and Petro-king ceased to be the Group's associate. Accordingly, the relevant interest in associate has been derecognized.

### 14. SHARE CAPITAL

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

|   | <b>Number<br/>of share<br/>'000</b> | <b>Share<br/>capital<br/>HK\$'000</b> |
|---|-------------------------------------|---------------------------------------|
| At 1 April 2016, 31 March 2017 and<br>30 September 2017 | <u>1,957,643</u>                    | <u>156,611</u>                        |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 15. PLEDGE OF ASSETS

At 30 September 2017, bank deposits of HK\$2,000,000 (31/3/2017: HK\$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by banks.

### 16. RELATED PARTY TRANSACTIONS

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

- (a) Pursuant to the tenancy agreement entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises and warehouses from Panda Investment and paid rental of HK\$243,000 (six months ended 30/9/2016: HK\$243,000) during the current interim period. Panda Investment is a wholly owned subsidiary of Lee & Leung Family Investment Limited, the ultimate parent of the Company.
- (b) At 30 September 2017, the Group had an amount of approximately HK\$1,514,000 (31/3/2017: HK\$3,885,000) 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 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 16 March 2017 to 15 March 2020 at monthly rental of HK\$163,000 (six months ended 30/09/2016: from 16 March 2014 to 15 March 2017 at monthly rental of HK\$157,000), (exclusive of rates, management fees and utility charges). The rental income recognized during the current period is HK\$978,000 (six months ended 30/9/2016: HK\$942,000).
- (d) The compensation of key management personnel paid or payable by the Group in respect of the current interim period, substantially all of which comprised short term benefits attributable to the directors of the Company, amounted to HK\$4,663,500 (six months ended 30/9/2016: HK\$4,613,500).

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