



Termbray Industries International (Holdings) Limited

Stock Code: 0093



INTERIM REPORT 2020/2021

Contents

2	Corporate Information
3	Review of Operations
5	Liquidity and Financial Resources
6	Order Book
6	Staff and Emolument Policy
6	Outlook
12	Directors' Interests in Shares and Options
14	Substantial Shareholders
15	Purchase, Sale or Redemption of the Company's Listed Securities
15	Corporate Governance
16	Directors' Securities Transactions
16	Audit Committee
17	Report on Review of Interim Financial Information
19	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
20	Interim Condensed Consolidated Statement of Financial Position
21	Interim Condensed Consolidated Statement of Changes in Equity
22	Interim Condensed Consolidated Statement of Cash Flows
23	Notes to the Interim Condensed Consolidated Financial Information

Corporate Information

Executive Directors

Mr. Lee Lap, Chairman
Mr. Tommy Lee,
Vice Chairman & Chief Executive Officer
Mr. Wong Shiu Kee

Independent Non-Executive Directors

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

Company Secretary

Mr. Lo Tai On

Audit Committee

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
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

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Bermuda

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Hong Kong Registrar and Transfer Office

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Hong Kong
Telephone: (852) 2980 1768
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Listing Information

The Listing Code of the Company's share
on The Stock Exchange of Hong Kong
Limited
00093

Principal Banker

The Hongkong & Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

Legal Advisors in Hong Kong

Woo Kwan Lee & Lo

Auditor

PriceWaterhouseCoopers

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) presents to shareholders the interim report together with the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2020.

The unaudited consolidated loss attributable to owners of the Company for the six months ended 30 September 2020 amounted to approximately HK\$6,021,000 (six months ended 30/9/2019: loss of HK\$21,885,000). An analysis of the Group’s segment results for the period is set out on pages 27 to 32 of this report.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30/9/2019: Nil).

Review of Operations

During the current six months period under review, the Group achieved a turnover of HK\$8,695,000 (six months ended 30/9/2019: HK\$8,457,000) and recorded a loss for the period of HK\$6,021,000 (six months ended 30/9/2019: loss of HK\$21,885,000).

The loss for the current period under review is primarily due to the recognition of

- (i) foreign exchange gain arising from the revaluation of the Renminbi currency by approximately 5% during the six months ended 30 September 2020;
- (ii) fair value gain of HK\$3.3 million on an investment property; and
- (iii) professional fees and expenses incurred on acquisition of aEasy Credit Investment Limited, together with its subsidiaries (“Zero Finance Group”).

Property Investment and Development

The operating environment for the Group's property investment and development business remains fair 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 construction of Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of residential properties in Zhongshan market was stimulated in past years. There is not much improvement in the operating environment over the past months in 2020. The sale activities of the Group's property project in Zhongshan for the remaining residential units is not satisfactory during the current period under review. 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 property sales system. During the period under review, 3 sale transactions are approved and registered in the government's property sale system. The Group has recognised the sale of 3 residential units during the period under review (six months ended 30/9/2019: 5 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 under review. The rental income earned by the Group from Ever Success Plaza during the period under review decreased by approximately 39% from that of last corresponding period. As at 30 September 2020, 58 residential units remained to be sold, out of which 11 residential units were let out.

Money Lending

X8 Finance Limited (“X8 Finance”) has commenced the property mortgage money lending business in Hong Kong since its acquisition on August 2018. It holds a money lending license in Hong Kong. The money lending business has achieved satisfactory and healthy growth over the years. The Coronavirus Disease 2019 (“COVID-19”) pandemic has spread across Hong Kong and Mainland China in early 2020. It has an unpredictable impact on the economy and property market of Hong Kong, and the business of X8 Finance is stable during the current period under review.

The management will cautiously carry out the money lending business in Hong Kong. At this moment, X8 Finance will only consider first mortgage loans for residential properties in Hong Kong. The management will carefully assessed the credit worthiness of the borrowers, the quality and leveraging of the mortgaged properties.

We are looking forward to earning stable interest income to the Group.

Others

There were no acquisitions of major subsidiaries or associates during the period under review, other than the Proposed Acquisition.

Liquidity and Financial Resources

The Group remains cash sufficient and has no material capital expenditure commitments other than the acquisition of Zero Finance Group in October 2020. The Group's operations are financed by capital and reserves and cash generated from operations.

The Group mainly operates in the PRC and Hong Kong, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. No financial instrument is arranged 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 2020. The Group has no new product and service to be introduced to the market, except for the money lending business carried out by Zero Finance Group upon completion of its acquisition in October 2020.

Staff and Emolument Policy

As at 30 September 2020, the Group employed 37 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, the progress of change in US interest rate, the trade conflicts between China and US, and the COVID-19 outbreak in early 2020 have an unpredictable impact on the 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 global economic recovery. The Group is confident in capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in China.

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

The recent political issues in Hong Kong and the trade conflicts between China and US will have an unpredictable impact on the economy and property market in Hong Kong. The Group will cautiously explore the money lending business in Hong Kong. The Group will reinforce our risk management policy and will proactive in adopting timely measures to balance its risk and return in the long run.

COVID-19 pandemic has spread across Hong Kong and Mainland China in early 2020. Since then, the economic and financial markets have been significantly impacted. A series of precautionary and control measures have been and continued to be implemented in Hong Kong and Mainland China. The Group applies the fair value model and revaluation model to measure its investment property and leasehold land and buildings respectively. Also, the Group assesses the provision for impairment of loan and interest receivables under the expected credit loss model, which is negatively correlated with the value of collaterals provided by customers to the mortgage loans granted. Due to uncertainties of new developments regarding the COVID-19 pandemic, management expects that the fair value may be subject to fluctuation subsequent to the current period end. The Group will continue to pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the Group's financial position and operation results.

Acquisition of Zero Finance Group

The Board has announced on 23 September 2020 to acquire aEasy Credit Investment Limited (the "Target Company"), together with its subsidiaries, Zero Finance Hong Kong Limited ("Zero Finance") and Zero Credit Limited ("Zero Credit") (collectively the "Zero Finance Group") from Earth Axis Investment Limited (the "Vendor"), which is ultimately held as to 99.99% by Mr. Tommy Lee and 0.01% held by Mr. Lee Lap, both being the executive directors of the Company (the "Proposed Acquisition"). Termbray Wealth Investment Limited (the "Purchaser") (an indirect wholly-owned subsidiary of the Company), the Vendor and Mr. Tommy Lee entered into a sale and purchase agreement (the "Agreement"), pursuant to which, subject to the terms and conditions of the Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell 100% of the issued ordinary shares of the Target Company at a consideration of HK\$404,109,000 (subject to adjustment) (the "Consideration"). Out of the Consideration, HK\$205,229,444 will be settled by the allotment and issue of 710,000,000 shares of HK\$0.08 each in the share capital of the Company at the issue price of approximately HK\$0.289 to the Vendor and the remaining balance will be settled in cash as follows:

- HK\$20 million will be settled by the Purchaser in cash to the Vendor on or before 31 December 2021;

- HK\$20 million will be settled by the Purchaser in cash to the Vendor on or before 31 December 2022; and
- The balance of the Consideration (subject to the post-completion adjustment) will be settled by the Purchaser in cash to the Vendor on or before 31 December 2023.

The Purchaser shall have the discretion to make early payment of the cash portion of the Consideration prior to the aforesaid payment dates, if it considers that the Group has sufficient cash available for such purpose after setting aside the cash required for the Group's working capital.

The highest applicable percentage ratio under the Listing Rules in respect of the Proposed Acquisition exceeds 100%. The Listing Committee of The Stock Exchange of Hong Kong Limited has resolved that the Proposed Acquisition is an extreme transaction and the reverse takeover rules do not apply. Further, the Vendor is a majority-controlled company of Mr. Tommy Lee and hence is a connected person of the Company. Therefore, the Proposed Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As such, the Proposed Acquisition is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. The Company is required to prepare a transaction circular under an enhanced disclosure comparable to prospectus standard (the "Circular") and China Tonghai Capital Limited has been appointed as the financial adviser of the Company to conduct due diligence on the Proposed Acquisition.

Since (i) Mr. Tommy Lee, an executive director, is the indirect controlling shareholder and a director of the Vendor and (ii) Mr. Lee Lap, an executive director, is the father of Mr. Tommy Lee, they are deemed to have material interests in the Proposed Acquisition. As such, both of them have abstained from voting on the board resolutions approving the Proposed Acquisition and the transactions contemplated thereunder.

The independent board committee (comprising all the independent non-executive directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the independent shareholders on the Proposed Acquisition. China Galaxy International Securities (Hong Kong) Co., Limited, the independent financial adviser, has been appointed by the Company to advise the independent board committee and the independent shareholders on the Proposed Acquisition.

The Circular was despatched to all shareholders on 25 September 2020. On the special general meeting held on 15 October 2020, a resolution was passed to approve the Proposed Acquisition. The Proposed Acquisition was completed on 30 October 2020 (the "Completion").

Upon Completion, the Target Company will become the Company's wholly-owned subsidiary. Accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group for the year ending 31 March 2021.

Reasons for and Benefits of the Proposed Acquisition

The Group has a long history of over 20 years of engaging in property investment and development as its principal business. In August 2018, the Group acquired 100% shareholding interest in X8 Finance, which holds a money lender's licence for money lending business in Hong Kong. After the acquisition, X8 Finance has commenced property mortgage money lending business in Hong Kong, which has then become a principal business of the Group. The Group has been exploring investment opportunities which will result in a steady growth in its performance in the long run.

The Target Company is incorporated in Hong Kong and is an investment holding company with no business operation other than its investment in Zero Finance.

Zero Finance, the only operating company within the Target Group, is a direct wholly-owned subsidiary of the Target Company which possesses a money lender's licence and is principally engaged in the money lending business of providing secured loans and unsecured loans in Hong Kong.

Zero Credit, a wholly-owned subsidiary acquired by Zero Finance in June 2018, also possesses a money lender's licence but has been inactive since its acquisition by Zero Finance up to the date of this report.

The Company expects that the merger of the Group's existing property mortgage loan business with the secured and unsecured loan business of the Target Group will bring about synergy effect to the money lending business of the enlarged Group immediately after Completion (the "Enlarged Group") as a whole after the Proposed Acquisition. The current traditional mortgage loan model of X8 Finance can be improved and optimized with inspirations from the business model and technological characteristics of "X Wallet", a mobile software application developed and used by Zero Finance.

- (i) In terms of business model:
 - (a) The Company believes that after the Proposed Acquisition, the network of “X Wallet” and the experience in attracting customers on the online platform could provide potential mortgage loan customers to the Enlarged Group and facilitate the Enlarged Group to expand its customers base directly through the online channel, thereby reducing its reliance on customer referral by agencies and lowering the costs of its loan business.
 - (b) Zero Finance has allocated a significant amount of resources to the brand building of Zero Finance, and particularly “X Wallet”, since the launch of “X Wallet” in 2018. The Company is of the view that after the Proposed Acquisition, its loan business could greatly benefit from the brand names of Zero Finance and “X Wallet”.
 - (c) Furthermore, the Company could maintain better and more efficient customer relations with its mortgage loan clients by exploring the introduction of online customer services and communication via “X Wallet” or other online platform to be set up with the use of the technologies developed for “X Wallet”.
- (ii) In terms of technology:
 - (a) In respect of “X Wallet”, various technologies have been developed and introduced in its online loan business, including the live face detection and recognition system for identifying identity fraud, the credit scoring model, the fully-automated procedures from loan application to transmission of funds, as well as the data security measure. The Company expects that after the Proposed Acquisition, the Enlarged Group could utilize the technologies developed for “X Wallet” to streamline and modernize its mortgage loan business model and procedures, as well as to improve the risk control for such business.
 - (b) Those technologies could assist the Enlarged Group to screen out fraudulent cases and facilitate the Enlarged Group to design a data-based credit rating system specifically for its mortgage loan business by building up, learning and/or modifying from the model and experience in respect of the automated credit rating system developed for and deployed by “X Wallet”. In this way, the decision-making of the money lending business of the Enlarged Group will be more than driven by data and involve fewer human factors, and the risk control will be enhanced as a whole.

With the benefit of expected synergy after merging the Group's existing property mortgage loan business with that of the Target Group as described above, the Group expects that the property mortgage loan business of the Enlarged Group will further expand. Nonetheless, the Enlarged Group will at the same time adopt a prudent policy in approving mortgage loan applications in light of the recent economic downturn and possible declining trend of property prices in Hong Kong.

The Group sees a growing demand for convenient and efficient money lending services in Hong Kong, and is optimistic about the prospect of the "X Wallet" personal loan business of the Target Group despite challenges due to intense competition from other market players, as "X Wallet" provides around-the-clock, full-automated and fast and convenient money lending services, which fits in well with the trend of increased usage of mobile software applications. After Completion, the Enlarged Group will continue to develop and expand the unsecured loan business via "X Wallet" to generate revenue for the Enlarged Group.

The Group will cautiously operate its property investment and development business and money lending business. The Group will continue to 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 after the various events 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 2020, the interests of the Company's directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as 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 1)</i>	1,252,752,780	63.99%
Mr. Tommy Lee	-	-	710,000,000 <i>(note 2)</i>	1,252,752,780 <i>(note 1)</i>	1,962,752,780	100.26%

Notes:

- The 1,252,752,780 shares included under the other interest of Mr. Lee Lap 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 the Lee & Leung Family Trust. The discretionary beneficiaries of Lee & Leung Family Trust are the spouse and certain children of Mr. Lee Lap (including Mr. Tommy Lee) and the offspring of such children.
- The 710,000,000 new shares would be issued to Earth Axis Investment Limited which is indirectly controlled by Mr. Tommy Lee as partial settlement of the consideration upon completion of the sale and purchase under an agreement dated 23 September 2020.

(B) Long Positions in Shares of Other Associated Corporations

Name of director	Name of subsidiary	Number of non-voting deferred shares held <i>(Note)</i>		Total	% of total issued non-voting deferred shares
		Personal Interest	Spouse interest		
Mr. Lee Lap	Applied Industrial Company Limited	1,000	1,500	2,500	100%
	Lee Plastics Manufacturing Company Limited	250,000	250,000	500,000	100%
	Magnetic Electronics Limited	5,000	–	5,000	100%
	Termbray Electronics Company Limited	7,000	3,000	10,000	100%

Note: All the above non-voting deferred shares are held by the director or his spouse personally as beneficial owner.

Saved as disclosed above, as at 30 September 2020, none of the directors or chief executives 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.

Other than the Proposed Acquisition, 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 30 September 2020, the person (other than the directors as disclosed in the "Directors' interests in Shares and Options") interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK\$0.08 each held	Percentage of the issued share capital of the Company
Lee & Leung (B.V.I.) Limited <i>(note 1)</i>	Beneficial owner	1,252,752,780	63.99%
Lee & Leung Family Investment Limited <i>(note 1)</i>	Held by controlled corporation	1,252,752,780	63.99%
HSBC International Trustee Limited <i>(note 1)</i>	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	63.99%
Cosmo Telecommunication Inc. <i>(Note 2)</i>	Beneficial owner	151,202,960	7.72%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	7.72%
East Glory Trading Limited <i>(note 3)</i>	Beneficial owner	103,397,540	5.28%
Master Winner Limited <i>(note 3)</i>	Held by controlled corporation	103,397,540	5.28%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	5.28%
aEasy Finance Holdings Limited <i>(note 4)</i>	Held by controlled corporation	710,000,000	36.27%

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 the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are the spouse and certain children of Mr. Lee Lap (including Mr. Tommy Lee) and the offspring of such children.
- (2) Cosmo Telecommunication Inc. is 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.
- (4) The 710,000,000 new shares would be issued to Earth Axis Investment Limited which is indirectly controlled by aEasy Finance Holdings Limited as partial settlement of the consideration upon completion of the sale and purchase under an agreement dated 23 September 2020.

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 2020.

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 2020.

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 2020 save as disclosed below.

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

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 2020.

Audit Committee

The Company has established an audit committee comprising three independent non-executive directors 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 2020.

By order of the Board

Lee Lap

Chairman

Hong Kong, 20 November 2020

Report on Review of Interim Financial Information



普华永道

**TO THE BOARD OF DIRECTORS OF
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED**
(incorporated in the Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 19 to 48, which comprises the interim condensed consolidated statement of financial position of Termbray Industries International (Holdings) Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 September 2020 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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 interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants
Hong Kong, 20 November 2020

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

For the six months ended 30 September 2020

	Note	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue			
–Sales of properties	7	2,422	4,264
–Rental income	7	1,804	1,911
–Interest income from money lending	7	4,469	2,282
		<u>8,695</u>	<u>8,457</u>
Cost of sales		<u>(2,097)</u>	<u>(2,297)</u>
Gross profit		6,598	6,160
Other income	7	1,040	461
Other gains/(losses), net	7	11,244	(17,144)
Administrative expenses		(7,352)	(9,749)
Finance costs	11	(8)	–
Reversal of provision for impairment of loan and interest receivables	9	21	–
Acquisition-related costs	10	(16,580)	–
		<u>(5,037)</u>	<u>(20,272)</u>
Loss before income tax		(5,037)	(20,272)
Income tax expense	12	(984)	(1,613)
		<u>(6,021)</u>	<u>(21,885)</u>
Loss for the period	8	(6,021)	(21,885)
Other comprehensive income/(loss): <i>Item that may not be reclassified to profit or loss:</i>			
Gain/(loss) on revaluation of leasehold land and buildings	14	8,047	(9,076)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,466)	2,390
		<u>6,581</u>	<u>(6,686)</u>
Other comprehensive income/(loss) for the period, net of tax		6,581	(6,686)
Total comprehensive income/(loss) for the period		560	(28,571)
		HK cents	HK cents
		(Unaudited)	(Unaudited)
Loss per share attributable to owners of the Company:	13		
Basic		<u>(0.31)</u>	<u>(1.12)</u>
Diluted		<u>(0.31)</u>	<u>(1.12)</u>

The above interim condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Financial Position

As At 30 September 2020

	<i>Note</i>	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	397,663	392,820
Investment property	14	183,300	180,000
Deferred income tax assets		2,840	2,716
Loan receivables	15	87,139	91,957
Pledged bank deposit	18	2,000	2,000
		<u>672,942</u>	<u>669,493</u>
Current assets			
Completed properties for sale		56,775	55,100
Loan receivables	15	18,891	18,809
Interest receivables	16	261	313
Deposits, prepayments and other receivables		1,859	1,978
Financial assets at fair value through profit or loss	19	161	167
Cash and cash equivalents		192,189	187,827
		<u>270,136</u>	<u>264,194</u>
TOTAL ASSETS		<u>943,078</u>	<u>933,687</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	156,611	156,611
Reserves		752,309	751,749
Total equity		<u>908,920</u>	<u>908,360</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		238	238
Lease liabilities		–	203
		<u>238</u>	<u>441</u>
Current liabilities			
Other payables and accruals		8,353	3,163
Contract liabilities		19	798
Amounts due to related companies	20	5,693	2,494
Lease liabilities		440	475
Income tax payable		19,415	17,956
		<u>33,920</u>	<u>24,886</u>
Total liabilities		<u>34,158</u>	<u>25,327</u>
TOTAL EQUITY AND LIABILITIES		<u>943,078</u>	<u>933,687</u>

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Unaudited								
	Attributable to the owners of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000			
Balance at 1 April 2019	156,611	404,370	12,280	380,783	(10,135)	943,909	417		
Loss for the period	-	-	-	-	(21,885)	(21,885)	-	(21,885)	
Exchange differences arising on translation of foreign operations	-	-	2,390	-	-	2,390	-	2,390	
Loss on revaluation of leasehold land and buildings (Note 14)	-	-	-	(9,076)	-	(9,076)	-	(9,076)	
Total comprehensive income/(loss) for the period	-	-	2,390	(9,076)	(21,885)	(28,571)	-	(28,571)	
Balance at 30 September 2019	156,611	404,370	14,670	371,707	(32,020)	915,338	417	915,755	
Balance at 1 April 2020	156,611	404,370	14,878	369,619	(37,118)	908,360	-	908,360	
Loss for the period	-	-	-	-	(6,021)	(6,021)	-	(6,021)	
Exchange differences arising on translation of foreign operations	-	-	(1,466)	-	-	(1,466)	-	(1,466)	
Gain on revaluation of leasehold land and buildings (Note 14)	-	-	-	8,047	-	8,047	-	8,047	
Total comprehensive (loss)/income for the period	-	-	(1,466)	8,047	(6,021)	560	-	560	
Balance at 30 September 2020	156,611	404,370	13,412	377,666	(43,139)	908,920	-	908,920	

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended	
	30 September	2019
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	(706)	(34,660)
Income tax paid	(273)	(1,842)
Interest paid on lease liabilities	(8)	–
	<hr/>	<hr/>
Net cash used in operating activities	(987)	(36,502)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from investing activities		
Interest received	833	418
Proceeds from disposal of a financial asset at fair value through profit or loss	6	–
	<hr/>	<hr/>
Net cash generated from investing activities	839	418
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from financing activities		
Principal elements of lease payments	(219)	(227)
Interest paid	–	(19)
	<hr/>	<hr/>
Net cash used in financing activities	(219)	(246)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net decrease in cash and cash equivalents	(367)	(36,330)
Cash and cash equivalents at the beginning of the period	187,827	262,015
Effect of exchange rate changes on cash and cash equivalents	4,729	(6,553)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	192,189	219,132
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

1 GENERAL INFORMATION

Termbray Industries International (Holdings) Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda. The Company has its listing on the Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together, the “Group”) are principally engaged in property investment and development and money lending business of providing mortgage loans in Hong Kong.

The parent of the Company is Lee & Leung (B.V.I.) Limited which is incorporated in the British Virgin Islands and the directors of the Company consider that its ultimate parent to be Lee & Leung Family Investment Limited, a company incorporated in the British Virgin Islands which is held by HSBC International Trustee Limited for the Lee & Leung Family Trust, the settlor of which is Mr. Lee Lap.

The interim condensed consolidated financial information has not been audited and is presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated. The interim condensed consolidated financial information was approved by the Board of Directors for issue on 20 November 2020.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, it should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2020, as described in the annual financial statements, except that income tax is using the tax rate that would be applicable to expected total amount earnings and the adoption of amendments to HKFRS effective for the financial year ending 31 March 2021, which are described below.

- (a) Relevant amendments to existing standards and conceptual framework effective for the financial year beginning on 1 April 2020:

Amendments to HKFRS 3 (Revised)	Definition of a business
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of material
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest rate benchmark reform

The adoption of these amended standards and conceptual framework did not result in any substantial change to the Group's accounting policies. The amended standards and conceptual framework listed above had no material impact on the interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

3 ACCOUNTING POLICIES (Continued)

- (b) The following new standards and amendments to existing standards have been issued, but are not effective for the financial year beginning on 1 April 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19-related rent concessions	1 June 2020
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual improvements	Annual improvements to HKFRSs 2018 – 2020	1 January 2022
Amendments to HKAS 1	Presentation of financial statements, classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

There are no standards and amendments that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 ESTIMATES

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2020.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2020.

There have been no changes in the risk management policies since 31 March 2020.

(b) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash flows for financial liabilities.

(c) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 September 2020 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values. The financial assets at fair value through profit or loss are recorded at quoted bid prices in an active market and are classified as level 1 fair value measurement. The fair value estimation of investment property and leasehold land and buildings that are measured at fair value are set out in Note 14.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

6 SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision maker ("CODM") in making strategic decisions. The CODM is identified as the Executive Directors of the Company.

During the six months ended 30 September 2020, the CODM assessed the performance of the Group by reviewing the results of two reportable segments:

- | | | |
|-------------------------------------|---|---|
| Property development and investment | – | Property development for sale of properties in the People's Republic of China ("PRC") and property investment for letting of properties in Hong Kong and the PRC. |
| Money lending | – | Provide mortgage loan financing to customers. |

The CODM reviews the performance of the Group on a regular basis and reviews the Group's internal reporting in order to assess performance and allocate resources.

Information provided to the CODM is measured in a manner consistent with that in the interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

6 SEGMENT INFORMATION (Continued)

The segment results and other segment items are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 September 2020 (Unaudited)			
Revenue	<u>4,226</u>	<u>4,469</u>	<u>8,695</u>
Segment results	<u>12,055</u>	<u>3,891</u>	<u>15,946</u>
Unallocated other income			161
Unallocated other gains, net			1,929
Unallocated expenses			<u>(23,073)</u>
Loss before income tax			<u>(5,037)</u>

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 September 2019 (Unaudited)			
Revenue	<u>6,175</u>	<u>2,282</u>	<u>8,457</u>
Segment results	<u>(10,405)</u>	<u>1,232</u>	<u>(9,173)</u>
Unallocated other income			124
Unallocated other losses, net			(3,011)
Unallocated expenses			<u>(8,212)</u>
Loss before income tax			<u>(20,272)</u>

For the six months ended 30 September 2020 and 2019, unallocated expenses and unallocated other gains/(losses), net represent corporate expenses and unrealised net exchange gains/(losses), respectively. Segment results represent the gains/(losses) before income tax earned by each segment without allocation of certain other income, other gains and losses and expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

6 SEGMENT INFORMATION (Continued)

The segment assets and liabilities are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 September 2020 (Unaudited)			
Assets			
Segment assets	<u>363,333</u>	<u>129,540</u>	492,873
Unallocated assets			<u>450,205</u>
Consolidated total assets			<u>943,078</u>
Liabilities			
Segment liabilities	<u>20,078</u>	<u>1,637</u>	21,715
Unallocated liabilities			<u>12,443</u>
Consolidated total liabilities			<u>34,158</u>
	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2020 (Audited)			
Assets			
Segment assets	<u>352,178</u>	<u>125,196</u>	477,374
Unallocated assets			<u>456,313</u>
Consolidated total assets			<u>933,687</u>
Liabilities			
Segment liabilities	<u>19,802</u>	<u>1,423</u>	21,225
Unallocated liabilities			<u>4,102</u>
Consolidated total liabilities			<u>25,327</u>

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

6 SEGMENT INFORMATION (Continued)

All assets are allocated to operating and reportable segments other than property, plant and equipment, financial assets at fair value through profit or loss, certain cash and cash equivalents and certain deposits, prepayments and other receivables.

All liabilities are allocated to operating and reportable segments other than amounts due to related companies, deferred income tax liabilities, certain other payables and accruals and certain income tax payable.

Amounts included in the measure of segment results are as follows:

	Property development and investment HK\$' 000	Money lending HK\$' 000	Unallocated HK\$' 000	Total HK\$' 000
For the six months ended				
30 September 2020				
(Unaudited)				
Depreciation	–	(229)	(2,956)	(3,185)
Interest income	786	–	47	833
Interest expense	–	(8)	–	(8)
Income tax expense	(506)	(478)	–	(984)

For the six months ended
30 September 2019
(Unaudited)

Depreciation	(30)	(247)	(2,924)	(3,201)
Interest income	167	133	118	418
Interest expense	–	(19)	–	(19)
Income tax expense	(1,514)	(99)	–	(1,613)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

6 SEGMENT INFORMATION (Continued)

Revenue from external customers, based on the location where the goods are delivered and services are rendered, and non-current assets, other than the pledged bank deposit and deferred income tax assets, by geographical location are as follows:

	Revenue from external customers		Non-current assets	
	Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Hong Kong	5,399	3,260	668,102	664,777
The PRC	3,296	5,197	–	–
	<u>8,695</u>	<u>8,457</u>	<u>668,102</u>	<u>664,777</u>

For the six months ended 30 September 2020 and 2019, no single customer contributed to 10% or more of the Group's total revenue.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

6 SEGMENT INFORMATION (Continued)

A reconciliation of reportable segment assets to total assets and reportable segment liabilities to total liabilities is provided as follows:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Reportable segment assets	492,873	477,374
Financial assets at fair value through profit or loss	161	167
Cash and cash equivalents	51,259	61,686
Property, plant and equipment	397,100	392,154
Deposits, prepayments and other receivables	<u>1,685</u>	<u>2,306</u>
Total assets per interim condensed consolidated statement of financial position	<u>943,078</u>	<u>933,687</u>
Reportable segment liabilities	21,715	21,225
Amounts due to related companies	5,693	2,494
Deferred income tax liabilities	238	238
Other payables and accruals	6,346	676
Income tax payable	<u>166</u>	<u>694</u>
Total liabilities per interim condensed consolidated statement of financial position	<u>34,158</u>	<u>25,327</u>

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

7 REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

Revenue, other income and other gains/(losses), net recognised during the period are as follows:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue		
Sales of properties in the PRC (<i>Note</i>)	2,422	4,264
Rental income (under HKFRS 16)	1,804	1,911
Interest income from money lending business (under HKFRS 9)	4,469	2,282
	<u>8,695</u>	<u>8,457</u>

Note: Revenue from sales of properties is recognised at a point in time. All sales of properties are entered in a contract that has an original expected completion of one year or less.

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Other income		
Interest income on bank deposits	833	418
Sundry income	207	43
	<u>1,040</u>	<u>461</u>

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

7 REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET (Continued)

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other gains/(losses), net		
Unrealised net exchange gains/(losses)	7,944	(11,988)
Fair value losses on financial assets at fair value through profit or loss	–	(156)
Fair value gain/(loss) on the investment property	3,300	(5,000)
	<u>11,244</u>	<u>(17,144)</u>

8 LOSS FOR THE PERIOD

The following expenses have been included in “cost of sales” and “administrative expenses” during the interim period:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Employee benefit expenses	2,431	4,127
Depreciation expenses	3,185	3,201
Cost of properties sold	698	1,182
Expenses relating to short-term leases	385	460
Loss on disposal of property, plant and equipment	–	68
	<u> </u>	<u> </u>

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

9 REVERSAL OF PROVISION FOR IMPAIRMENT OF LOAN AND INTEREST RECEIVABLES

Six months ended
30 September 2020
12 months expected
credit loss (Stage 1)
HK\$'000
(Unaudited)

Net reversal of provision for impairment of loan and interest receivables	21
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No provision for impairment on loan and interest receivables was made for the six months ended 30 September 2019.

10 ACQUISITION-RELATED COSTS

Acquisition-related costs in relation to the acquisition mentioned in Note 23(a) of HK\$16,580,000 that were not directly attributable to the issue of shares are expensed in the interim condensed consolidated statement of profit or loss and in operating cash flows in the interim condensed consolidated statement of cash flows.

11 FINANCE COSTS

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	8	–

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

12 INCOME TAX EXPENSE

Taxation has been calculated on the estimated assessable profits for the six months ended 30 September 2020 and 2019 at the rates of taxation prevailing in the countries/places in which the Group operates. Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

The amount of income tax charged to the interim condensed consolidated statement of profit or loss represents:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– PRC enterprise income tax	318	482
– PRC land appreciation tax	48	1,204
– Hong Kong profits tax	618	227
	984	1,913
Deferred income tax	–	(300)
Income tax expense	984	1,613

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

13 LOSS PER SHARE

Basic loss per share are calculated by dividing the loss of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(6,021)	(21,885)
Weighted average number of ordinary shares in issue ('000)	<u>1,957,643</u>	<u>1,957,643</u>
Basic loss per share (HK cents)	<u>(0.31)</u>	<u>(1.12)</u>

There were no potential dilutive ordinary shares outstanding during the six months ended 30 September 2020 and 2019 and hence the diluted loss per share is the same as the basic loss per share.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

14 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Investment property <i>HK\$'000</i> (Unaudited)
30 September 2020		
Cost or valuation:		
At 1 April 2020	409,168	180,000
Lease modification	(19)	–
Gain on revaluation	5,100	–
Fair value gain	–	3,300
	<u>414,249</u>	<u>183,300</u>
At 30 September 2020	<u>414,249</u>	<u>183,300</u>
Accumulated depreciation and impairment:		
At 1 April 2020	(16,348)	–
Provided during the period	(3,185)	–
Gain on revaluation	2,947	–
	<u>(16,586)</u>	<u>–</u>
At 30 September 2020	<u>(16,586)</u>	<u>–</u>
Net book value		
At 30 September 2020	<u>397,663</u>	<u>183,300</u>
An analysis of cost or valuation:		
At cost model	563	–
At revalued amount	397,100	–
At fair value	–	183,300
	<u>397,663</u>	<u>183,300</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

14 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (Continued)

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Investment property <i>HK\$'000</i> (Unaudited)
30 September 2019		
Cost or valuation:		
At 1 April 2019	426,274	187,000
Disposals	(1,661)	–
Loss on revaluation	(12,000)	–
Fair value loss	–	(5,000)
	<u>412,613</u>	<u>182,000</u>
At 30 September 2019		
Accumulated depreciation and impairment:		
At 1 April 2019	(15,860)	–
Provided during the period	(3,201)	–
Disposals	1,593	–
Gain on revaluation	2,924	–
	<u>(14,544)</u>	<u>–</u>
At 30 September 2019		
Net book value		
At 30 September 2019	<u>398,069</u>	<u>182,000</u>
An analysis of cost or valuation:		
At cost model	1,069	–
At revalued amount	397,000	–
At fair value	–	182,000
	<u>398,069</u>	<u>182,000</u>

The Group has accounted for leasehold land and buildings within property, plant and equipment using the revaluation model, and the investment property using the fair value model. As at 30 September 2020, leases recognised as right-of-use assets amounted to HK\$418,000 (31 March 2020: HK\$666,000) and are included in property, plant and equipment presented in the interim condensed consolidated statement of financial position.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

14 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (Continued)

Rental income from the investment property for the six months ended 30 September 2020 amounted to HK\$930,000 (six months ended 30 September 2019: HK\$978,000). Direct operating expense incurred for the investment property that generated rental income during the six months ended 30 September 2020 amounted to HK\$38,000 (six months ended 30 September 2019: HK\$69,000).

(a) Valuation process of the Group

The Group's leasehold land and buildings, and the investment property were valued at 30 September 2020 and 31 March 2020 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Ltd ("Vigers"), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the leasehold land and buildings, and investment property valued.

For all leasehold land and buildings, their current use equates to the highest and best use. During the six months ended 30 September 2020, the resulting gain arising on revaluation of HK\$8,047,000 (six months ended 30 September 2019: loss of HK\$9,076,000) has been credited (six months ended 30 September 2019: debited) to the property revaluation reserve. There is no restriction on the distribution of the property revaluation reserve to the shareholders. If the leasehold land and buildings had not been revalued, they would have been included in the interim condensed consolidated statement of financial position at historical cost less accumulated depreciation of approximately HK\$37,233,000 (31 March 2020: HK\$37,490,000).

For the investment property, its current use equates to the highest and best use. The fair value gain/(loss) is included in "Other gains/(losses), net" in the interim condensed consolidated statement of profit or loss.

The recurring fair value measurement for leasehold land and buildings, and the investment property are included in level 3 of the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer between 1, 2 and 3 during the period.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

14 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (Continued)

(b) Valuation techniques

The valuation of leasehold land and buildings, and the investment property were determined using the direct comparison method (Level 3 approach) by making reference to comparable market transactions for similar properties. The most significant input into this valuation approach is unit sale price, taking into account the differences in transaction time, location, frontage and size, etc. between the comparables and the properties.

For the leasehold land and buildings, the unit sale price as at 30 September 2020 amounts to HK\$27,000 and HK\$110,600 (31 March 2020: HK\$26,700 and HK\$109,000) respectively, per square foot on saleable area basis.

For the investment property, the unit sale price as at 30 September 2020 amounts to HK\$57,300 (31 March 2020: HK\$56,250) per square foot on saleable area basis.

An increase in the unit sale price adopted would result in an increase in the fair value measurement of leasehold land and buildings, and the investment property by the same magnitude, and vice versa.

15 LOAN RECEIVABLES

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Gross loan receivables – property mortgage loans	106,091	110,848
Less: Provision for impairment – Stage 1	(61)	(82)
Loan receivables, net of provision	106,030	110,766
Less: Non-current portion	(87,139)	(91,957)
Current portion	18,891	18,809

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

15 LOAN RECEIVABLES (Continued)

The Group's loan receivables, which arise from the money lending business of providing property mortgage loans in Hong Kong, are denominated in HK\$ and the carrying amounts approximate their fair values.

Loan receivables are secured by collaterals provided by customers, interest-bearing and repayable with fixed terms agreed with the customers.

A maturity profile of the loan receivables as at the end of the reporting period, based on the maturity date, net of provision, is as follows:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Within one year	18,891	18,809
One to two years	6,124	6,052
Two to five years	16,776	19,214
Over five years	64,239	66,691
	<u>106,030</u>	<u>110,766</u>

16 INTEREST RECEIVABLES

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Gross interest receivables – property mortgage loans	<u>261</u>	<u>313</u>

The Group's interest receivables, which arise from the money lending business of providing property mortgage loans in Hong Kong, are denominated in HK\$ and the carrying amounts approximate their fair values.

Interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

Interest receivables as at the end of the reporting period, net of provision, have maturities within one year.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

17 SHARE CAPITAL

	Number of ordinary Shares '000	Nominal value of ordinary shares HK\$'000
Authorised:		
Ordinary share of HK\$0.08 each at 1 April 2019, 30 September 2019, 31 March 2020 and 30 September 2020	<u>2,800,000</u>	<u>224,000</u>
Issued and fully paid:		
At 1 April 2019, 30 September 2019, 31 March 2020 and 30 September 2020	<u>1,957,643</u>	<u>156,611</u>

18 PLEDGED BANK DEPOSIT

As at 30 September 2020, a pledged bank deposit of HK\$2,000,000 (31 March 2020: HK\$2,000,000) was pledged to a bank as security in respect of mortgage loans granted to property purchasers by banks. The pledge would be released upon delivering the building ownership certificate of the respective property by the customers to the banks as a pledge for security to the mortgage loan granted.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Equity securities held for trading	<u>161</u>	<u>167</u>

The financial assets are listed instruments denominated in HK\$ and are classified as current assets.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

20 RELATED PARTY DISCLOSURES

- (a) The amounts due to related companies are unsecured, interest-free and repayable on demand. The carrying amounts of the balances approximate their fair values and are denominated in HK\$.
- (b) Other than the amounts due to related companies, the Company's related party transactions are as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Transactions with related parties:		
Administrative expense (<i>Note i</i>)	243	243
Rental income (<i>Note ii</i>)	930	978
Acquisition-related costs (<i>Note iii</i>)	2,956	–

Note:

- (i) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and the Group, the Group leased certain office premises of Panda Investment during the six months ended 30 September 2020 at the agreed rental of HK\$243,000 (six months ended 30 September 2019: HK\$243,000). Panda Investment is a wholly owned subsidiary of Lee & Leung Family Investment Limited, the ultimate parent of the Company.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

20 RELATED PARTY DISCLOSURES (Continued)

- (b) Other than the amounts due to related companies, the Company's related party transactions are as follows: (Continued)

Note: (Continued)

- (ii) Pursuant to tenancy agreements 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 term of three years from 16 March 2017 to 15 March 2020 at monthly rental of HK\$163,000 (exclusive of rates, management fee and utility charges) ("2017 Tenancy Agreement").

On 4 March 2020, the Group renewed the 2017 Tenancy Agreement with Mr. Lee Wing Keung for a term of three years from 16 March 2020 to 15 March 2023 at a monthly rent of HK\$155,000 (exclusive of rates, management fee and utility charges) ("2020 Tenancy Agreement").

The rental income recognised by the Group during the six months ended 30 September 2020 from the 2020 Tenancy Agreement is HK\$930,000 (six months ended 30 September 2019: HK\$978,000 from the 2017 Tenancy Agreement).

- (iii) The amount represents the accrual for reimbursement of acquisition-related costs paid by a related company during the six months ended 30 September 2020 on behalf of the Group in relation to the acquisition mentioned in Note 23(a).
- (c) In the opinion of the directors, the directors of the Company represented the key management personnel of the Company. During the six months ended 30 September 2020, HK\$2,713,500 (six months ended 30 September 2019: HK\$4,317,665) was paid to the key management personnel.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

21 OPERATING LEASE COMMITMENTS – GROUP AS LESSOR

The Group's investment property of HK\$183,300,000 (31 March 2020: HK\$180,000,000) was let out under operating leases.

As at 30 September 2020, certain properties held for sale with carrying amounts of HK\$4,691,000 (31 March 2020: HK\$4,802,000) were also let out under operating leases. The directors of the Company considered that the properties held for sale are remained as properties held for sale by taking into accounts of the fact the Group has put selling effort to sell the said properties and actual sales were incurred during the year. The Group has engaged certain property agents to search potential buyers, set up a sales office to support the sales activities and there are advertisements to boost the sales. Moreover, the properties held for sale let out are under short-term leases in order to allow the flexibility to control the number of residential units available for sale. The management has been actively marketing these properties held for sale at a price that is reasonable to its current fair value.

As at 30 September 2020, all of the properties leased out have committed tenants ranging from nine months to three years (31 March 2020: one month to three years).

The future aggregate minimum lease payments receivables under non-cancellable operating leases are as follows:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Less than one year	1,958	1,899
One to two years	1,860	1,860
Two to three years	930	1,780
	<u>4,748</u>	<u>5,539</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

22 DIVIDEND

No dividend was paid in respect of the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

23 EVENTS AFTER REPORTING PERIOD

(a) Acquisition of aEasy Credit Investment Limited

On 23 September 2020, Termbray Wealth Investment Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Earth Axis Investment Limited, a company controlled by certain directors of the Group, to acquire the entire issued share capital of aEasy Credit Investment Limited. The initial amount of the consideration is HK\$404,109,000, which is subject to post-completion dollar-for-dollar adjustments based on the net asset value of the Target Group as at completion unless the difference is less than HK\$1,000,000. The consideration shall be settled by the Company's issue of 710,000,000 new shares at the issue price of HK\$0.289 which approximates HK\$205,229,000; and cash consideration to be settled by the Purchaser, in stages – (a) HK\$20,000,000 on or before 31 December 2021; (b) HK\$20,000,000 on or before 31 December 2022; and (c) the balance of the consideration on or before 31 December 2023.

Upon completion, aEasy Credit Investment Limited and its subsidiaries (together, the "Target Group") will become the Company's wholly-owned subsidiaries. The financial effects of the above transaction have not been brought to account at 30 September 2020. The operating results and assets and liabilities of the Target Group will be consolidated by the Company from the date of completion, i.e. 30 October 2020. Allocation of fair value to the identifiable assets and liabilities of the acquisition is still in progress.

Up to the date of this report, the Group continues to assess the impact of the acquisition and is currently unable to estimate the quantitative impacts to the Group.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 September 2020

23 EVENTS AFTER REPORTING PERIOD (Continued)

(b) The Coronavirus Disease 2019 (“COVID-19”) epidemic

COVID-19 pandemic has spread across Hong Kong and Mainland China in early 2020. Since then, the economic and financial markets have been significantly impacted. A series of precautionary and control measures have been and continued to be implemented in Hong Kong and Mainland China. The Group applies the fair value model and revaluation model to measure its investment property and leasehold land and buildings respectively. Also, the Group assesses the provision for impairment of loan and interest receivables under the expected credit loss model, which is negatively correlated with the value of collaterals provided by customers to the mortgage loans granted. Due to uncertainties of new developments regarding the COVID-19 pandemic, management expects that the fair value may be subject to fluctuation subsequent to period end. Management has assessed, and up to the date of this report, concluded that there is no significant impact on the financial performance in terms of its profitability and liquidity position of the Group as at 30 September 2020. The Group will continue to pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the Group's financial position and operation results.