TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00093)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board of directors (the "Board") of Termbray Industries International (Holdings) Limited (the "Company") presents to shareholders the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2020 and the Group's unaudited interim condensed consolidated statement of financial position at that date together with the comparative figures as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended	
		30.9.2020	30.9.2019
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*		
– Sales of properties		**2,422**	4,264
– Rental income		**1,804**	1,911
– Interest income from money lending		**4,469**	2,282
		8,695	8,457
Cost of sales		**(2,097)**	(2,297)
GROSS PROFIT		**6,598**	6,160
Other income	*4*	**1,040**	461
Other gains/(losses), net	*4*	**11,244**	(17,144)
Administrative expenses		**(7,352)**	(9,749)
Finance costs	*5*	**(8)**	–
Reversal of provision for impairment of loan and interest receivables	*6*	**21**	–
Acquisition-related costs	*7*	**(16,580)**	–
Loss before income tax		**(5,037)**	(20,272)
Income tax expense	*8*	**(984)**	(1,613)
LOSS FOR THE PERIOD	*9*	**(6,021)**	(21,885)

	Note	Six months ended 30.9.2020 HK$'000 (Unaudited)	30.9.2019 HK$'000 (Unaudited)
Other comprehensive income/(loss):			
Item that may not be reclassified to profit or loss:			
Gain/(loss) on revaluation of leasehold land and buildings	*11*	**8,047**	(9,076)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,466)**	2,390
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 **(Unaudited)**	*HK cents* (Unaudited)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	*10*		
Basic		**(0.31)**	(1.12)
Diluted		**(0.31)**	(1.12)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2020

	Note	**30.9.2020**	31.3.2020
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**397,663**	392,820
Investment property	*11*	**183,300**	180,000
Deferred income tax assets		**2,840**	2,716
Loan receivables	*12*	**87,139**	91,957
Pledged bank deposit		**2,000**	2,000
		672,942	669,493
Current assets			
Completed properties for sale		**56,775**	55,100
Loan receivables	*12*	**18,891**	18,809
Interest receivables	*13*	**261**	313
Deposits, prepayments and other receivables		**1,859**	1,978
Financial assets at fair value through profit or loss		**161**	167
Cash and cash equivalents		**192,189**	187,827
		270,136	264,194
TOTAL ASSETS		**943,078**	933,687
EQUITY AND LIABILITIES			
Equity			
Share capital		**156,611**	156,611
Reserves		**752,309**	751,749
Total equity		**908,920**	908,360
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**238**	238
Lease liabilities		**–**	203
		238	441
Current liabilities			
Other payables and accruals		**8,353**	3,163
Contract liabilities		**19**	798
Amounts due to related companies		**5,693**	2,494
Lease liabilities		**440**	475
Income tax payable		**19,415**	17,956
		33,920	24,886
Total liabilities		**34,158**	25,327
TOTAL EQUITY AND LIABILITIES		**943,078**	933,687

Notes

1. BASIS OF PREPARATION

The interim condensed consolidated financial information of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred as the "Group") 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. 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").

The interim condensed financial information has not been audited and is presented in thousands of Hong Kong dollars (HK$' 000), unless otherwise stated.

2. 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.

(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.

3. 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.

The segment results and other segment items are as follows:

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

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

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.

The segment assets and liabilities are as follows:

	Property development and investment *HK$'000*	**Money lending** *HK$'000*	**Total** *HK$'000*
As at 30 September 2020 (Unaudited)			
Assets			
Segment assets	**363,333**	**129,540**	**492,873**
Unallocated assets			**450,205**
Consolidated total assets			**943,078**
Liabilities			
Segment liabilities	**20,078**	**1,637**	**21,715**
Unallocated liabilities			**12,443**
Consolidated total liabilities			**34,158**

	Property development and investment *HK$'000*	Money lending *HK$'000*	Total *HK$'000*
As at 31 March 2020 (Audited)			
Assets			
Segment assets	352,178	125,196	477,374
Unallocated assets			456,313
Consolidated total assets			933,687
Liabilities			
Segment liabilities	19,802	1,423	21,225
Unallocated liabilities			4,102
Consolidated total liabilities			25,327

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)

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		**As at 30 September**	As at 31 March
	2020	2019	**2020**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Hong Kong	**5,399**	3,260	**668,102**	664,777
The PRC	**3,296**	5,197	**–**	–
	8,695	8,457	**668,102**	664,777

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

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	**1,685**	2,306
Total assets per interim condensed consolidated statement of financial position	**943,078**	933,687
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	**166**	694
Total liabilities per interim condensed consolidated statement of financial position	**34,158**	25,327

4. 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	
	30.9.2020	30.9.2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of properties in the PRC *(Note)*	**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
	8,695	8,457

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	
	30.9.2020	30.9.2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income on bank deposits	**833**	418
Sundry income	**207**	43
	1,040	461
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)
	11,244	(17,144)

5. FINANCE COSTS

	Six months ended	
	30.9.2020	30.9.2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**8**	–

6. REVERSAL OF PROVISION FOR IMPAIRMENT OF LOAN AND INTEREST RECEIVABLES

	Six months ended 30.9.2020 12 months expected credit loss (Stage 1) *HK$'000* **(Unaudited)**
Net reversal of provision for impairment of loan and interest receivables	**21**

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

7. ACQUISITION-RELATED COSTS

Acquisition-related costs in relation to the acquisition mentioned in Note 15(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.

8. 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	
	30.9.2020	30.9.2019
	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)
	984	1,613

9. LOSS FOR THE PERIOD

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

	Six months ended	
	30.9.2020	30.9.2019
	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

10. 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	
	30.9.2020	30.9.2019
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK$'000)	**(6,021)**	(21,885)
Weighted average number of ordinary shares in issue ('000)	**1,957,643**	1,957,643
Basic loss per share (HK cents)	**(0.31)**	(1.12)

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.

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

	Property, plant and equipment HK$'000 (Unaudited)	Investment property HK$'000 (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**
At 30 September 2020	**414,249**	**183,300**
Accumulated depreciation and impairment:		
At 1 April 2020	**(16,348)**	**–**
Provided during the period	**(3,185)**	**–**
Gain on revaluation	**2,947**	**–**
At 30 September 2020	**(16,586)**	**–**
Net book value		
At 30 September 2020	**397,663**	**183,300**
An analysis of cost or valuation:		
At cost model	**563**	**–**
At revalued amount	**397,100**	**–**
At fair value	**–**	**183,300**
	397,663	**183,300**

	Property, plant and equipment *HK$'000* (Unaudited)	Investment property *HK$'000* (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)
At 30 September 2019	412,613	182,000
Accumulated depreciation and impairment:		
At 1 April 2019	(15,860)	–
Provided during the period	(3,201)	–
Disposals	1,593	–
Gain on revaluation	2,924	–
At 30 September 2019	(14,544)	–
Net book value		
At 30 September 2019	398,069	182,000
An analysis of cost or valuation:		
At cost model	1,069	–
At revalued amount	397,000	–
At fair value	–	182,000
	398,069	182,000

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.

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.

(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.

12. LOAN RECEIVABLES

	As at 30.9.2020 HK$'000 (Unaudited)	As at 31.3.2020 HK$'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

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 30.9.2020 HK$'000 (Unaudited)	As at 31.3.2020 HK$'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
	106,030	110,766

13. INTEREST RECEIVABLES

	As at 30.9.2020 HK$'000 (Unaudited)	As at 31.3.2020 HK$'000 (Audited)
Gross interest receivables – property mortgage loans	**261**	313

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.

14. DIVIDEND

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

15. 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 announcement, the Group continues to assess the impact of the acquisition and is currently unable to estimate the quantitative impacts to the Group.

(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 announcement, 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.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2020.

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. The rental income earned by the Group from Ever Success Plaza during the period 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 levering 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.

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 changes 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 properties 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. Management has assessed, and up to the date of this announcement, 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.

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 hereof.

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 its 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.

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 currently 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.

OTHER INFORMATION

The interim results of the Group for the six months ended 30 September 2020 have been reviewed by PricewaterhouseCoopers, Certified Public Accountants.

The Directors of the Company as at the date of this announcement are as follows:

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

By Order of the Board
Termbray Industries International (Holdings) Limited
Lee Lap
Chairman

Hong Kong, 20 November, 2020