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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Website: www.termbray.com.hk

(Stock Code: 0093)

ANNOUNCEMENT ON CHANGE IN ACCOUNTING POLICIES

This announcement is published by Termbray Industries International (Holdings) Limited (the “**Company**”, together with its subsidiaries from time to time, the “**Group**”).

I. OVERVIEW OF THE CHANGE IN ACCOUNTING POLICIES

In order to more accurately reflect the value of investment property and leasehold land and buildings held by the Group and provide more relevant information to the users of the financial statements of the Group, the board of directors of the Company has approved changes in the accounting policies of the Group with effect from 31 March 2017 (the “**Change in Accounting Policies**”), details of which are set out as follows:

Accounting policies adopted before the Change in Accounting Policies

Investment property

Prior to 31 March 2017, the Group’s accounting policy in relation to investment property was as follows:

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

Leasehold land and buildings

Prior to 31 March 2017, the Group's accounting policy in relation to leasehold land and buildings was as follows:

“Leasehold land and buildings including leasehold land (classified as finance lease) and buildings held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets less their residual values over their estimated useful lives, using the straight-line method.”

Accounting policies adopted upon the Change in Accounting Policies

Investment property

With effect from 31 March 2017, the Group's accounting policy in relation to investment property is as follows:

“Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment property and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.”

Such Change in Accounting Policies as described above is required to be retrospective and will result in restated figures in the consolidated financial statements of the Group for the year ended 31 March 2016.

Leasehold land and buildings

With effect from 31 March 2017, the Group's accounting policy in relation to leasehold land and buildings is as follows:

“Leasehold land and buildings including leasehold land (classified as finance leases) and buildings held for administrative purposes are stated in the consolidated statement of financial position at revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the valuation of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.”

Such Change in Accounting Policies as described above is required to be prospective.

II. MAJOR IMPACT OF THE CHANGE IN ACCOUNTING POLICIES ON THE GROUP FOR THE YEAR ENDED 31 MARCH 2017

As a result of the Change in Accounting Policies, it is expected that for the year ended 31 March 2017:

- (i) an amount of revaluation gain arising from the change in accounting policy in relation to the investment property held by the Group of not exceeding HK\$20,000,000 would be recorded in the Group's consolidated statement of profit or loss and other comprehensive income for the year; and
- (ii) the amount of equity attributable to owners of the Company arising from the change in accounting policies in relation to investment property and leasehold land and buildings held by the Group would increase by more than 50% compared with the originally stated equity attributable to owners of the Company for the year ended 31 March 2016.

The above Change in Accounting Policies are permitted under the Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

As the Company is still in the process of finalising its results for the year ended 31 March 2017, it should be noted that information contained in this announcement is only based on information currently available to the Company and such information has not been audited by the Company's auditors. Shareholders and potential investors of the Company are advised to refer to the Group's annual results announcement for the year ended 31 March 2017 for details, which is expected to be published before the end of June 2017.

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

Hong Kong, 9 May 2017

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*)
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-Executive Directors:

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

Non-Executive Director:

Mr. Lee Ka Sze, Carmelo