TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00093)

ANNUAL RESULTS FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2020

RESULTS

The board of directors (the "Board") of Termbray Industries International (Holdings) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the nine-month period ended 31 December 2020 together with the comparative figures for the last year ended 31 March 2020 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the nine-month period ended 31 December 2020

	Note	Nine-month period ended 31 December 2020 HK$'000	Year ended 31 March 2020 HK$'000
Revenue			
– Sales of properties	4	**2,422**	4,264
– Rental income	4	**2,688**	3,776
– Interest income from money lending	4	**19,853**	6,829
		24,963	14,869
Cost of sales		**(2,843)**	(3,206)
Gross profit		**22,120**	11,663
Other income	4	**1,691**	1,615
Other gains/(losses), net	4	**18,873**	(20,167)
Administrative expenses		**(18,958)**	(17,617)
Finance costs	6	**(1,382)**	(34)
Provision for impairment of loan and interest receivables		**(367)**	(82)
Bargain purchase from acquisition of subsidiaries	13	**41,300**	–
Acquisition-related costs	13	**(16,734)**	–
Profit/(loss) before income tax		**46,543**	(24,622)
Income tax expense	7	**(584)**	(2,361)
Profit/(loss) for the period/year	5	**45,959**	(26,983)
Other comprehensive income/(loss):			
Item that may not be reclassified to profit or loss			
Gain/(loss) on revaluation of leasehold land and buildings		**9,968**	(11,164)
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(2,262)**	2,598
Other comprehensive income/(loss) for the period/year, net of tax		**7,706**	(8,566)
Total comprehensive income/(loss) for the period/year		**53,665**	(35,549)
		HK cents	*HK cents*
Earnings/(loss) per share attributable to owners of the Company:			
Basic	9	**2.17**	(1.38)
Diluted	9	**2.17**	(1.38)

Consolidated Statement of Financial Position
As at 31 December 2020

	Note	As at 31 December 2020 HK$'000	As at 31 March 2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**399,241**	392,820
Investment property	*10*	**183,300**	180,000
Intangible assets		**14,208**	–
Deferred income tax assets		**1,446**	2,716
Loan receivables	*11*	**348,836**	91,957
Pledged bank deposit		**2,000**	2,000
		949,031	669,493
Current assets			
Completed properties for sale		**59,333**	55,100
Loan receivables	*11*	**96,921**	18,809
Interest receivables	*12*	**2,934**	313
Deposits, prepayments and other receivables		**4,089**	1,978
Financial assets at fair value through profit or loss		**147**	167
Cash and cash equivalents		**256,474**	187,827
		419,898	264,194
TOTAL ASSETS		**1,368,929**	933,687
EQUITY AND LIABILITIES			
Equity			
Share capital		**213,411**	156,611
Reserves		**947,010**	751,749
Total equity		**1,160,421**	908,360

	Note	As at 31 December 2020 HK$'000	As at 31 March 2020 HK$'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**238**	238
Lease liabilities		**148**	203
Other payables and accruals		**166,183**	–
		166,569	441
Current liabilities			
Other payables and accruals		**18,235**	3,163
Contract liabilities		**284**	798
Amount due to a related company		**2,851**	2,494
Lease liabilities		**700**	475
Income tax payable		**19,869**	17,956
		41,939	24,886
Total liabilities		**208,508**	25,327
TOTAL EQUITY AND LIABILITIES		**1,368,929**	933,687

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. They have been prepared under the historical cost convention, except for leasehold land and buildings, investment property and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Pursuant to a board resolution passed on 17 December 2020, the Company changed its financial year end date from 31 March to 31 December. As a result of the change, the current period consolidated financial statements were made up of a nine-month period from 1 April 2020 to 31 December 2020. Therefore, the comparative amounts for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, which covered the year from 1 April 2019 to 31 March 2020, are not directly comparable.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) Relevant amendments to existing standards and conceptual framework effective for the financial period 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 consolidated financial statements.

(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

The Group has not applied any new standards and amendments to existing standards that is not yet effective for the current accounting period. These new standards and amendments to existing standards are not 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") that are used to making strategic decisions. The CODM is identified as the Executive Directors of the Company.

During the nine-month period ended 31 December 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 and personal 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 consolidated financial statements.

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 nine-month period ended 31 December 2020			
Revenue	**5,110**	**19,853**	**24,963**
Segment results	**18,231**	**10,319**	**28,550**
Unallocated other income			**280**
Unallocated other gains, net			**45,097**
Unallocated expenses			**(27,384)**
Profit before income tax			**46,543**
For the year ended 31 March 2020			
Revenue	8,040	6,829	14,869
Segment results	(11,748)	4,661	(7,087)
Unallocated other income			620
Unallocated other losses, net			(3,227)
Unallocated expenses			(14,928)
Loss before income tax			(24,622)

For the nine-month period ended 31 December 2020 and year ended 31 March 2020, unallocated expenses and unallocated other gains and losses represent bargain purchase from acquisition of subsidiaries, acquisition-related costs, corporate expenses and unrealised net exchange gains/(losses), respectively. Segment results represent the profit/(loss) 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 31 December 2020			
Assets			
Segment assets	**369,006**	**559,733**	**928,739**
Unallocated assets			**440,190**
Consolidated total assets			**1,368,929**
Liabilities			
Segment liabilities	**16,968**	**186,777**	**203,745**
Unallocated liabilities			**4,763**
Consolidated total liabilities			**208,508**
As at 31 March 2020			
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 certain property, plant and equipment, financial assets at fair value through profit or loss ("FVPL"), certain cash and cash equivalents and certain deposits, prepayments and other receivables.

All liabilities are allocated to operating and reportable segments other than amount due to a related company, 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 nine-month period ended 31 December 2020				
Depreciation	**–**	**(514)**	**(4,468)**	**(4,982)**
Amortisation	**–**	**(514)**	**–**	**(514)**
Interest income	**1,190**	**–**	**53**	**1,243**
Interest expense	**–**	**(1,382)**	**–**	**(1,382)**
Income tax expense	**1,369**	**(1,953)**	**–**	**(584)**
For the year ended 31 March 2020				
Depreciation	(35)	(490)	(5,836)	(6,361)
Interest income	778	146	192	1,116
Interest expense	–	(34)	–	(34)
Income tax expense	(1,743)	(618)	–	(2,361)

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

	Revenue from external customers		**Non-current assets**	
	Nine-month period ended 31 December 2020 *HK$'000*	Year ended 31 March 2020 *HK$'000*	**As at 31 December 2020** *HK$'000*	As at 31 March 2020 *HK$'000*
Hong Kong	**21,248**	8,781	**945,585**	664,777
The PRC	**3,715**	6,088	**–**	–
	24,963	14,869	**945,585**	664,777

For the nine-month period ended 31 December 2020 and year ended 31 March 2020, 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 31 December 2020 ***HK$000***	As at 31 March 2020 *HK$000*
Reportable segment assets	**928,739**	477,374
Financial assets at fair value through profit or loss	**147**	167
Cash and cash equivalents	**40,917**	61,686
Property, plant and equipment	**397,500**	392,154
Deposits, prepayments and other receivables	**1,626**	2,306
Total assets per consolidated statement of financial position	**1,368,929**	933,687
Reportable segment liabilities	**203,745**	21,225
Amount due to a related company	**2,851**	2,494
Deferred income tax liabilities	**238**	238
Other payables and accruals	**1,674**	676
Income tax payable	**–**	694
Total liabilities per consolidated statement of financial position	**208,508**	25,327

4. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

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

	Nine-month period ended 31 December 2020	Year ended 31 March 2020
	HK$000	*HK$000*
Revenue		
Sales of properties in the PRC *(Note)*	**2,422**	4,264
Rental income (under HKFRS 16)	**2,688**	3,776
Interest income from money lending business (under HKFRS 9)	**19,853**	6,829
	24,963	14,869

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.

	Nine-month period ended 31 December 2020	Year ended 31 March 2020
	HK$000	*HK$000*
Other income		
Interest income on bank deposits	**1,250**	1,116
Sundry income	**117**	499
Wage subsidies under the Employment Support Scheme	**324**	–
	1,691	1,615
Other gains/(losses), net		
Losses on disposal of property, plant and equipment	**–**	(69)
Exchange gains/(losses), net	**15,587**	(12,891)
Fair value losses on financial assets at fair value through profit or loss	**(14)**	(207)
Fair value gain/(loss) on investment property *(Note 10)*	**3,300**	(7,000)
	18,873	(20,167)

5. PROFIT/(LOSS) FOR THE PERIOD/YEAR

	Nine-month period ended 31 December 2020	Year ended 31 March 2020
	HK$000	*HK$000*
Profit/(loss) for the period/year has been arrived at after charging:		
Depreciation of property, plant and equipment	**4,982**	6,361
Amortisation of intangible assets	**514**	–
Cost of properties sold	**1,794**	1,684

6. FINANCE COSTS

	Nine-month period ended 31 December 2020 *HK$'000*	Year ended 31 March 2020 *HK$'000*
Interest expense on lease liabilities	**13**	34
Unwinding of interests on deferred consideration payable	**1,369**	–
	1,382	34

7. INCOME TAX EXPENSE

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. The Group has estimated the tax provision for PRC land appreciation tax according to the requirements set forth in the relevant PRC tax laws and regulations.

For the nine-month period ended 31 December 2020, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. For the year ended 31 March 2020, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong, except for the first HK$2,000,000 of assessable profit which is calculated at 8.25% in accordance with the two-tiered tax rate regime.

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

	Nine-month period ended 31 December 2020 *HK$000*	Year ended 31 March 2020 *HK$000*
Current income tax		
– PRC enterprise income tax	**1,284**	656
– PRC land appreciation tax	**(4,310)**	1,119
– Hong Kong profits tax	**2,081**	911
– Over-provision in prior years	**(117)**	(24)
	(1,062)	2,662
Deferred income tax	**1,646**	(301)
Income tax expense	**584**	2,361

8. DIVIDEND

The Board does not recommend the payment of a final dividend for the nine-month period ended 31 December 2020 (year ended 31 March 2020: Nil).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	Nine-month period ended 31 December 2020	Year ended 31 March 2020
Profit/(loss) attributable to owners of the Company (HK$'000)	**45,959**	(26,983)
Weighted average number of ordinary shares in issue ('000)	**2,120,298**	1,957,643
Basic earnings/(loss) per share (HK cents)	**2.17**	(1.38)

(b) Diluted earnings/(loss) per share

There were no potential dilutive ordinary shares outstanding during the nine-month period ended 31 December 2020 and the year ended 31 March 2020 and hence the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

10. INVESTMENT PROPERTY

	As at 31 December 2020 ***HK$'000***	As at 31 March 2020 *HK$'000*
At beginning of the period/year	**180,000**	187,000
Fair value gain/(loss) on revaluation *(Note 4)*	**3,300**	(7,000)
At end of the period/year	**183,300**	180,000

At 31 December 2020 and 31 March 2020, the investment property of the Group was let out to Mr. Lee Wing Keung, a son of Mr. Lee Lap and brother of Mr. Tommy Lee, directors of the Company.

(a) Valuation process of the Group

The Group's investment property was valued at 31 December 2020 and 31 March 2020 by independent professionally qualified valuer, Vigers Appraisal & Consulting Ltd, who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment property valued. For the investment property, its current use equates to the highest and best use. The fair value gain/(loss) are included in "Other gains/(losses), net" in the consolidated statement of profit or loss.

The recurring fair value measurement for investment property is 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 (year ended 31 March 2020: Nil).

(b) Valuation techniques

The valuation of investment property was 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 property, of 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 the investment property by the same magnitude, and vice versa.

11. LOAN RECEIVABLES

	As at 31 December 2020 *HK$'000*	As at 31 March 2020 *HK$'000*
Gross loan receivables – property mortgage loans	**359,985**	110,848
Gross loan receivables – personal loans	**75,901**	–
Gross loan receivables – corporate loans	**29,000**	–
Total gross loan receivables	**464,886**	110,848
Less: Provision for impairment – Stage 1	**(13,193)**	(82)
Provision for impairment – Stage 2	**(815)**	–
Provision for impairment – Stage 3	**(5,121)**	–
Total provision for impairment	**(19,129)**	(82)
Loan receivables, net of provision	**445,757**	110,766
Less: Non-current portion	**(348,836)**	(91,957)
Current portion	**96,921**	18,809

The Group's loan receivables, which arise from the money lending business of providing property mortgage loans and personal loans (year ended 31 March 2020: property mortgage loans only) in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for personal loan receivables of HK$75,901,000 as at 31 December 2020 (31 March 2020: Nil) which are unsecured, 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 31 December 2020	As at 31 March 2020
	HK$'000	*HK$'000*
Within one year	**96,921**	18,809
One to two years	**59,175**	6,052
Two to five years	**56,548**	19,214
Over five years	**233,113**	66,691
	445,757	110,766

12 INTEREST RECEIVABLES

	As at 31 December 2020	As at 31 March 2020
	HK$'000	*HK$'000*
Gross interest receivables – property mortgage loans	**1,496**	313
Gross interest receivables – personal loans	**1,438**	–
	2,934	313

The Group's interest receivables, which arise from the money lending business of providing property mortgage loans and personal loans (year ended 31 March 2020: property mortgage loans only) in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for interest receivables of HK$1,438,000 as at 31 December 2020 (31 March 2020: Nil) which are unsecured, interest receivables are secured by collaterals provided by customers and repayable with fixed terms agreed with the customers.

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

13. BUSINESS COMBINATION

On 23 September 2020, Termbray Wealth Investment Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("SPA") with Earth Axis Investment Limited, a company controlled by Mr. Tommy Lee, a director of the Group, to acquire the entire issued share capital of aEasy Credit Investment Limited.

The initial amount of the consideration stated on the SPA is HK$404,109,000, which is subject to post-completion dollar-for-dollar adjustments based on the net asset value of the aEasy Credit Investment Limited and its subsidiaries (together, the "Acquired Subsidiaries") 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.

The acquisition was completed on 30 October 2020. Upon completion, the Group exercises control over the Acquired Subsidiaries and have rights to return of the Acquired Subsidiaries. The Acquired Subsidiaries became the Company's wholly owned subsidiaries. The Company expects that the merger of the Group's existing property mortgage loan business with the secured and unsecured loan businesses of the Acquired Subsidiaries will bring synergy effect to the money lending business of the Group as a whole after the acquisition.

(a) Details of the purchase consideration for the acquisition

	Fair value
	HK$'000
Ordinary shares issued	198,800
Deferred consideration payable	176,887
Total purchase consideration	375,687

The fair value of the 710,000,000 shares issued as part of the consideration paid for the acquisition was based on the published share price on 30 October 2020 of HK$0.28 per share. Issue costs of HK$404,000 which were directly attributable to the issue of the shares have been netted against the deemed proceeds.

The gross amount of the deferred consideration payable amounts to HK$200,502,000. It is discounted at an interest rate of 4.4817% based on valuation report from AVISTA Valuation Advisory Limited with HK$176,887,000 recognized within non-current liabilities on completion date.

(b) Details of the net assets acquired and bargain purchase recognized as a result of the acquisition

	Fair value
	HK$'000
Property, plant and equipment	1,546
Intangible assets	14,722
Deferred income tax assets	242
Loan receivables	353,012
Interest receivables	2,966
Deposits, prepayments and other receivables	2,556
Cash and cash equivalents	43,091
Amounts due from related companies	3,264
Amounts due to related companies	(1,007)
Lease liabilities	(657)
Other payables and accruals	(376)
Income tax payable	(2,372)
Net identifiable assets acquired	416,987
Less: Total purchase consideration	(375,687)
Bargain purchase from acquisition of subsidiaries	41,300

The bargain purchase from acquisition of entities from a related party is mainly attributable to discounting impact of the deferred consideration payable and fair value adjustments of intangible assets. It will not be taxable for tax purposes.

(c) Acquisition-related costs

Acquisition-related costs in relation to the acquisition of HK$16,734,000 that were not directly attributable to the issue of shares are expensed in the consolidated statement of profit or loss.

(d) Revenue and profit contribution

The acquired business contributed revenues of HK$13,401,000 and net profit of HK$4,993,000 to the Group for the period from 30 October 2020 to 31 December 2020.

If the acquisition had occurred on 1 April 2020, the Acquired Subsidiaries' consolidated pro-forma revenue and net profit for the nine-month period ended 31 December 2020 would have been HK$54,645,000 and HK$16,719,000 respectively. These amounts have been calculated using the Acquired Subsidiaries' financial results and adjusting them for (i) differences in the accounting policies between the Group and the Acquired Subsidiaries, (ii) exclusion of financial results of subsidiaries being disposed of by the Acquired Subsidiaries in a restructuring which occurred prior to the acquisition, together with the consequential gain on disposal recognised, and (iii) the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 April 2020, together with the consequential tax effects.

If the acquisition had occurred on 1 April 2020, the Group's consolidated pro-forma revenue and net profit for the nine-month period ended 31 December 2020 would have been HK$66,207,000 and HK$53,058,000 respectively. These amounts have included the Acquired Subsidiaries' consolidated pro-forma financial results, bargain purchase from acquisition of subsidiaries of HK$41,300,000 and acquisition-related costs of HK$16,734,000 for the nine-month period ended 31 December 2020, and have been adjusted for the additional finance costs that would have been charged assuming the unwinding of interests on deferred consideration payable had applied from 1 April 2020, together with the consequential tax effects.

14. EVENTS AFTER THE REPORTING PERIOD

The Coronavirus Disease 2019 ("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 31 December 2020. 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 31 December 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.

RESULTS

During the current nine-month period ended 31 December 2020, the Group achieved a revenue of HK$24,963,000 and recorded a profit for the nine-month period of HK$45,959,000, compared with a revenue of HK$14,869,000 and loss for the year of HK$26,983,000 recorded in last year ended 31 March 2020.

DIVIDEND

No interim dividend was paid by the Company for the six months ended 30 September 2020 (2019: Nil).

The Board does not recommend the payment of a final dividend for the nine-month period ended 31 December 2020 (year ended 31 March 2020: Nil).

CHANGE OF FINANCIAL YEAR END DATE

The Board resolved to change the financial year end date of the Company from 31 March to 31 December with effect from 17 December 2020. Accordingly, the current financial year end date of the Company is 31 December and the current annual audited financial statements of the Company and the audited consolidated financial statements of the Group will cover a nine-month period from 1 April 2020 to 31 December 2020.

Taking into consideration that the current principal business of the Group are carried out mainly through its subsidiaries with the financial year end date on 31 December, the Board considers that the change of financial year end date of the Company from 31 March to 31 December will enable alignment of the Company's financial year end date with that of its principal subsidiaries. It will also enable streamlining of the preparation and audit of the Group's consolidated financial statements and reduction of relevant time and costs.

PROFIT FOR THE PERIOD

The profit for the current period under review is primarily due to the aggregate effect upon recognition of the following items:

(i) foreign exchange gain arising from the revaluation of the Renminbi currency by approximately 9% during the nine-month period ended 31 December 2020;

(ii) fair value gain of HK$3.3 million on an investment property;

(iii) professional fees and expenses incurred on acquisition of aEasy Credit Investment Limited, together with its subsidiaries ("Zero Finance Group"); and

(iv) the bargain purchase upon acquisition of Zero Finance Group.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("2020 AGM") is scheduled to be held on Friday, 11 June 2021. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 7 June 2021 to Friday, 11 June 2021 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of 2020 AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 4 June 2021.

REVIEW OF OPERATIONS

Property development and investment

The operating environment for the Group's property development and investment business is fair during the nine-month period ended 31 December 2020.

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 is endeavouring to market the properties and 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 in 2020. The sale activities of the Group's property project in Zhongshan for the remaining residential units is not satisfactory during the nine-month period ended 31 December 2020. 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 current 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 nine-month period ended 31 December 2020, the Group have entered into 4 sale and purchase agreements, and out of which, 3 sale transactions are approved and registered in the government's property sale system. The Group has recognized the sale of 3 residential units during the nine-month period ended 31 December 2020 (year ended 31/3/2020: 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 nine-month period ended 31 December 2020. The rental income earned by the Group from Ever Success Plaza during the nine-month period ended 31 December 2020 decreased by approximately 53% from that of last corresponding year ended 31 March 2020. As at 31 December 2020, 58 residential units remained to be sold, out of which 10 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 health growth over the years. The 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.

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 "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 Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in respect of the Acquisition exceeds 100%. The Listing Committee of the Stock Exchange has resolved that the 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 Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As such, the 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 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 Acquisition. As such, both of them have abstained from voting on the board resolutions approving the 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 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 Acquisition.

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

Upon Completion, the Target Company has become the Company's wholly-owned subsidiary. Accordingly, the financial information of Zero Finance Group since the completion date (30 October 2020) is consolidated into the accounts of the Group for the nine-month period ended 31 December 2020.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has a long history of over 20 years of engaging in property development and investment 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 Zero Finance 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 its acquisition by Zero Finance up to the date of this announcement.

The Company expects that the merger of the Group's existing property mortgage loan business with the secured and unsecured loan business of Zero Finance 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 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 application developed and used by Zero Finance.

(i) In terms of business model:

(a) The Company believes that after the 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 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 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 Zero Finance 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 Zero Finance 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 applications. After the Acquisition, the Enlarged Group will continue to develop and expand the unsecured loan business via "X Wallet" to generate revenue for the Enlarged Group.

ZERO FINANCE GROUP

Business review

Zero Finance Group has been engaging in money lending business through its principal operating subsidiary, Zero Finance, a money lender licensed in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) since the commencement of business in May 2015.

Zero Finance Group conducts their money lending business in Hong Kong through the provision of secured and unsecured loans. The secured loan business comprises personal and corporate customers (i) mainly with collaterals of appraised value of real estate assets which include mortgages of first, second and third ranking; and (ii) loans secured by pledge over shares of listed companies. For unsecured loans, Zero Finance Group provides traditional offline personal loans and mobile application "X Wallet" which processes and approve personal loans in a fully automated manner.

As at 31 December 2020, there are 108 secured loans with gross loans receivables of approximately HK$298 million and 4,055 unsecured personal loans with gross loans receivables of approximately HK$76 million.

Upon completion of acquisition of Zero Finance Group, it further enhanced the revenue of the money lending business of the Group which contributed approximately HK$13.4 million for the period from 30 October 2020 to 31 December 2020. Interest income generated from secured loans has accounted for the majority of revenue for the period. For the period from 30 October 2020 to 31 December 2020, the interest income generated from secured loans was HK$8.2 million which contributing approximately 41% of the money lending segment and approximately 33% of the Group's total revenue. For unsecured personal loans, the interest income was HK$5.2 million for the period from 30 October 2020 to 31 December 2020 which contributing approximately 26% to the money lending segment and approximately 21% of the Group's total revenue.

In assessing the expected credit losses of the loans receivables and interest receivables as at 31 December 2020, the Group has taken into account the change in overall economic environment, negative impact by the COVID-19 pandemic and factoring forward-looking scenarios on the impact of possible further downturn of the property market and the economy. As at 31 December 2020, the provision for impairment on loan receivables under the expected credit loss model for Zero Finance Group amounted to approximately HK$19 million.

OUTLOOK

China and United States ("US") are experiencing various challenges after the global economic crisis. All of the factors including debit 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 pandemic 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 future global economy. 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 development and investment 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.

With the inauguration of the new US government, the China and US relationship is at a critical moment, facing new opportunities and challenges. Hong Kong is gradually returning to a track with healthy and stable development. However, the COVID-19 pandemic in early 2020 continues to pose an unpredictable impact on the economy. Under a series of anti-epidemic measures taken by the Hong Kong government, the anti-epidemic achievements have been gradually improved, and people's living habits have been constantly changed by "work from home" and "social distancing", which have brought unique advantages to the Group's financial technology lending business. Individuals' demand for unsecured loan services supported by financial technology is growing. The management expects it will stimulate the development of the personal loan business via Zero Finance's fully automated mobile application "X Wallet".

After the COVID-19 pandemic in early 2020, economic growth was hindered and consumer lending activities were decreased. However, the International Monetary Fund expects Hong Kong's economy will return to positive growth, and the demand for loan services is expected to return to steady growth, so as to promote the sustainable development of the Group's money lending business in coming years.

In addition, Hong Kong government has implemented some new housing policies (such as the relaxation of mortgage payment requirements) to reduce the barriers to purchase of property in Hong Kong. The management expects it will further support the development of the mortgage loan business.

Due to the impact of epidemic on the operations of various industries (such as tourism, catering and entertainment), the Group have adopted prudent examination and approval strategies for loan applicants with relevant working background and kept close observation on them to mitigate credit risk. Meanwhile, we will offer a higher loan credit limit for those applicants who can fulfill our risk assessment, so as to expand the size of our loan portfolio and meet the funding needs of our customers to the greatest extent.

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 operate and develop the money lending business in Hong Kong, strengthen our risk management policies, comply with various relevant ordinances and actively take timely measures to balance our risk and return in the long run.

The 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 31 December 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.

The Group will cautiously operate its property development and investment 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group remains cash-sufficient and no material capital expenditure commitments other than the purchase consideration payable under the Acquisition. The operations are financed by capital and reserves.

Bank balances and cash amounted to approximately HK$256 million and accounted for approximately 61% of total current assets.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities (including current and non-current liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the consolidated statement of financial position.

The Group was in a net cash position as at 31 December 2020 and 31 March 2020.

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.

STAFF

As at 31 December 2020, the Group employed 60 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

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 nine-month period ended 31 December 2020.

CORPORATE GOVERNANCE

The Company are committed to maintaining a high standard of corporate governance and firmly believe that to maintain a good, solid and sensible framework of corporate governance will ensure the Company to run its business in the best interests of its shareholders as a whole.

The Company adopted all the code provisions in the Corporate Governance Code ("the Code") contained in Appendix 14 of the Listing Rules as its own code on corporate governance practices.

The Company has complied with the Code during the nine-month period ended 31 December 2020 save as disclosed below.

Pursuant to code provision A.4.2. of the 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 in such manner and at such frequency as the bye-laws may provide." Accordingly, the chairman and managing director of the Company may not be made subject to retirement by rotation. The Company has amended its 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 3 years, while directors holding the office of chairman or managing director shall be subject to re-election once 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 nine-month period ended 31 December 2020.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for senior management of the Company in respect of their dealings in the securities of the Company.

AUDIT COMMITTEE

The audit committee, which is chaired by Mr. Lo Yiu Hee, has been established with defined terms of reference in alignment with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code of the Listing Rules. Other existing members are Mr. Tong Hin Wor and Mr. Ching Yu Lung.

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 annual results for the nine-month period ended 31 December 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the nine-month period ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the nine-month period ended 31 December 2020. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

OTHER INFORMATION

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, 19 March 2021