TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0093)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

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 year ended 31 March 2018 together with the comparative figures for the last year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	3	**34,089**	39,496
Cost of goods sold and services rendered		**(13,263)**	(27,296)
Gross profit		**20,826**	12,200
Other income	4	**792**	781
Other gains and losses	5	**40,828**	5,010
Administrative expenses		**(16,880)**	(12,615)
Gain on assets distributed to shareholders	6	**63,866**	–
Share of result of an associate		**(17,524)**	(135,831)
Profit (loss) before taxation		**91,908**	(130,455)
Taxation	7	**(8,715)**	(1,932)
PROFIT (LOSS) FOR THE YEAR	8	**83,193**	(132,387)
OTHER COMPREHENSIVE INCOME (EXPENSE)			
Item that may not be reclassified to profit or loss:			
Gain on revaluation of leasehold land and buildings		**48,106**	326,966
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(2,819)**	2,140
Share of other comprehensive income (expense) of an associate			
– currency translation differences		**5,798**	(10,537)
– reclassification of revaluation reserve to profit or loss		**–**	1,159
Reserves released on assets distributed to shareholders		**2,038**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**53,123**	319,728
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**136,316**	187,341
DIVIDEND	9	**170,511**	–
		HK cents	*HK cents*
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
– Basic		**4.25**	(6.76)
– Diluted		**4.25**	(6.76)

Consolidated Statement of Financial Position
At 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**409,114**	366,592
Investment property	*11*	**187,000**	162,300
Interest in an associate	*12*	**–**	115,047
Pledged bank deposits		**2,000**	2,000
Deferred tax assets		**2,716**	–
		600,830	645,939
CURRENT ASSETS			
Completed properties for sale		**73,442**	79,215
Deposits, prepayments and other receivables		**1,882**	1,851
Held-for-trading investments	*6*	**720**	–
Bank balances and cash		**302,325**	281,659
		378,369	362,725
CURRENT LIABILITIES			
Other payables and accrued charges		**4,462**	5,138
Deposits received		**4,152**	5,064
Amount due to a related company		**1,700**	3,885
Taxation payable		**11,240**	2,738
		21,554	16,825
NET CURRENT ASSETS		**356,815**	345,900
TOTAL ASSETS LESS CURRENT LIABILITIES		**957,645**	991,839
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**238**	237
NET ASSETS		**957,407**	991,602
CAPITAL AND RESERVES			
Share capital		**156,611**	156,611
Reserves		**800,379**	834,574
Equity attributable to owners of the Company		**956,990**	991,185
Non-controlling interests		**417**	417
TOTAL EQUITY		**957,407**	991,602

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by HKICPA for the first time in the current year:

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

Except as described below, application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]

HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI") . All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 Financial Instruments: Recognition and Measurement. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, there would be no material impact on the accumulated amount of impairment to be recognised by the Group as at 1 April 2018 as compared to the accumulated amount recognised under HKAS 39.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitment of HK$284,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will not recognise a right-of-use asset and a corresponding liability for the lease as it qualifies for short-term lease.

In addition, the Group currently considers refundable rental deposits paid of HK$81,000 and refundable rental deposits received of HK$326,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result changes in measurement, presentation and disclosure as indicated above. Upon application of HKFRS 16, the directors of the Company will consider the measurement model to be applied to the Group's leases under HKFRS 16, specially, the potential election of revaluation model to certain right-of-use assets that relate to the class of property, plant and equipment in which the Group currently applies revaluation model. A reasonable estimate of the financial effect, if any, will be provided upon completion of a detailed review by the directors.

Except for the new and revised HKFRSs mentioned above, the directors of the Company anticipate that the application of all other new and revised HKFRSs will have no material impact on the consolidated financial statements when they become effective.

3. REVENUE AND SEGMENT INFORMATION

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

	2018 *HK$'000*	2017 *HK$'000*
Sales of properties	**29,413**	34,195
Rental income	**4,676**	5,301
	34,089	39,496

Segment information reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the one principal operating segment of the Group, namely property investment and development which involved properties leasing and sales of properties.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

	2018 *HK$'000*	2017 *HK$'000*
Revenue from property investment and development segment	**34,089**	39,496
Segment profit from property investment and development segment	**48,314**	17,364
Unallocated other income	**524**	573
Unallocated other gains and losses	**4,485**	(2,586)
Unallocated expenses	**(16,472)**	(11,907)
Gain on assets distributed to shareholders	**63,866**	–
Share of result of an associate	**(17,524)**	(135,831)
Profit (loss) for the year	**83,193**	(132,387)

All of the segment revenue reported above is from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by property investment and development segment without allocation of unallocated other income, unallocated other gains and losses, unallocated expenses, gain on assets distributed to shareholders and share of result of an associate. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

4. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Interest income from bank balances	**725**	667
Sundry income	**67**	114
	792	781

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Net exchange gains (losses)	**15,906**	(13,490)
Fair value gain on held-for-trading investments	**222**	–
Fair value gain on investment property	**24,700**	18,500
	40,828	5,010

6. GAIN ON ASSETS DISTRIBUTED TO SHAREHOLDERS

On 16 June 2017, the Board of Directors of the Company approved a special interim dividend by way of distribution in specie of all shares of the Company's associate, Petro-king Oilfield Services Limited ("Petro-king"), held by the Group on the basis of 268 shares of Petro-king for every 1,000 shares of the Company held (the "Distribution in Specie"). Out of the total of 526,180,335 shares of Petro-king held by the Group, a total of 524,648,320 shares of Petro-king with fair value amounting to HK$170,511,000 had been distributed, and the remaining 1,532,015 undistributed shares of Petro-king with fair value amounting to HK$498,000 had been recognised as held-for-trading investments in the consolidated statement of financial position. The gain amounting to approximately HK$63,866,000 was determined with reference, amongst others, to the market price per share of Petro-king on 14 July 2017, being the date of the distribution, and the carrying value of the Group's interest in Petro-king as an associate.

7. TAXATION

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**280**	280
PRC Enterprise Income Tax	**1,848**	969
	2,128	1,249
PRC Land Appreciation Tax ("LAT")	**9,113**	682
Deferred tax	**(2,526)**	1
	8,715	1,932

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 LAT according to the requirements set forth in the relevant PRC tax laws and regulations.

8. PROFIT (LOSS) FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**5,584**	1,028

9. DIVIDEND

As detailed in note 6, the Company distributed a special interim dividend of 524,648,320 shares of Petro-king with a carrying amount of HK$170,511,000 to its shareholders on 14 July 2017.

10. EARNINGS (LOSS) PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**83,193**	(132,387)
	Number of shares	
	'000	*'000*
Number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,957,643**	1,957,643

The computation of the diluted earnings (loss) per share for the current and prior years does not assume the exercise of the associate's share options and convertible bonds, because both the conversion of potential ordinary shares in relation to the share options and the conversion of convertible bonds of the associate have an anti-dilutive effect to the basic earnings (2017: basic loss) per share.

11. INVESTMENT PROPERTY

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

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

On 31 March 2018 and 2017, independent valuations were undertaken by Vigers Appraisal & Consulting Ltd. ("Vigers"), an independent qualified professional valuer not connected to the Group which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations.

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

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

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

Investment property held by the Group in the consolidated statement of financial position	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Investment property in Hong Kong	Level 3	Direct comparison method		
		The key input is		
		(1) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of HK$52,000 (2017: HK$45,150) per square feet on gross floor area basis for the property.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

The fair value of the investment property at 31 March 2018 and 2017 was measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfer into or out of Level 3 during both years.

12. INTEREST IN AN ASSOCIATE

	2018	2017
	HK$'000	*HK$'000*
Cost of investment less impairment loss recognised in an associate listed in Hong Kong	**–**	96,398
Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate, net of dividend received	**–**	18,649
	–	115,047

The financial year end date for the associate is 31 December. For the purpose of applying the equity method of accounting, the audited consolidated financial statements of the associate for the year ended 31 December 2016 had been used in prior year as the Group considers that it is impracticable for the associate to prepare a separate set of audited financial statements as of 31 March 2017.

On 10 June 2016, the Group entered into the subscription agreements with the associate for subscription of approximately 121,426,000 new shares for a consideration of approximately HK$37,642,000. The subscription was completed on 8 July 2016. As at 31 March 2017, the Group's shareholding in the associate remains at 30.47% as these subscriptions are in proportion to the total shares held by the shareholders.

Following the completion of the Distribution in Specie as set out in note 6, the remaining shares of Petro-king held by the Group had been recognised as held-for-trading investments and Petro-king ceased to be the Group's associate. Accordingly, the relevant interest in associate has been derecognised.

RESULTS

During the current year under review, the Group achieved a revenue of HK$34,089,000 and recorded a profit for the year of HK$83,193,000, compared with the revenue of HK$39,496,000 and loss for the year of HK$132,387,000 recorded in last year.

The profit for the current year under review is mainly due to the gain on assets distributed to shareholders of the Company of approximately HK$64 million upon completion of the Distribution in Specie of the Petro-king shares and the fair value gain on an investment property of approximately HK$25 million.

DIVIDEND

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

No interim dividend was paid by the Company for the six months ended 30 September 2017 (2016: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("2018 AGM") is scheduled to be held on Friday, 14 September 2018. For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Monday, 10 September 2018 to Friday, 14 September 2018 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of 2018 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 7 September 2018.

REVIEW OF OPERATIONS

Property investment and Development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The commercial arcades is still vacant. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades.

Due to the planned construction of Shenzhen-Zhongshan sea-crossing bridge connecting the cities of Shenzhen and Zhongshan, the sales of residential properties in Zhongshan market is bloomed. The sale activities of the Group's property project in Zhongshan is active during the year. 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 year under review have to be approved by the relevant government authorities before they can be registered in the government's sales system. During the year under review, the Group have entered into 56 sale and purchase agreements, and out of which, 44 sale transactions are approved and registered in the government's sale system. The Group has recognized the sale of 44 residential units during the year under review (31/3/2017: 64 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 year. The rental income earned by the Group from Ever Success Plaza during the year decreased by 38% from that of last corresponding year. As at 31 March 2018, 94 residential units remained to be sold, out of which 53 residential units were let out.

Oilfield engineering and consultancy services

The Group held 30.47% interest as at 1 April 2017 and at the date of completion of Distribution in Specie on 14 July 2017 in Petro-king (stock code 2178) listed on The Stock Exchange of Hong Kong Limited as an associate through Termbray Natural Resources Company Limited, a wholly owned subsidiary of the Group.

During the year under review, the Group's has applied equity method of accounting for the results of Petro-king Group as an associate up to the date of completion of Distribution in Specie in Petro-king Group. The results of Petro-king Group for the six months ended 30 June 2017 ("1H2017") is accounted for.

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

The first half of 2017 remained challenging for the oilfield service industry. Low profitability and uncertainty in project cash flow led to Petro-king Group's cautious approach in seeking and agreeing to undertake new projects. Petro-king Group had experienced another challenging half year marked by lower activity levels and continuing pressure on pricing in mainland China and the overseas markets. During 1H2017, Petro-king Group focused on improving its management performance, organizational structure, operational performance and overall competitiveness for its long-term development.

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

(1) As disclosed in the 2016 annual report of Petro-king, the increase in losses of Petro-king Group was mainly attributable to the lower oilfield services activity level and the continued downward pressure on pricing as a result of the downturn of both the China and the overseas oilfield service markets. As shown on the annual results of the Company for the year ended 31 March 2017, the Group recorded a loss for the year of approximately HK$132 million, which was mainly attributable to the share of loss of Petro-king amounting to approximately HK$136 million. The Distribution in Specie would relieve the Group from having to account for the operating loss of Petro-king in the consolidated financial statements of the Company as an associate and to unlock the value of the Petro-king shares in the Company's accounts and return the same to the shareholders of the Company.

(2) The Distribution in Specie would allow the Group to streamline its business activities by focusing on its principal business of property investment and development. The Group's operations would not be affected by the Distribution in Specie. As shown in the annual results of the Company for the year ended 31 March 2017, the Group has consolidated total assets of approximately HK$1,009 million, and the book carrying amount of the Petro-king shares held by the Group was approximately HK$115 million.

(3) Pursuant to the Distribution in Specie, the qualifying shareholders would be entitled to receive their proportionate interest in Petro-king shares, such that they might directly participate in the investment of the Petro-king shares by either holding such shares or realizing their value on market. The Distribution in Specie would provide the shareholders of the Company with the flexibility to determine the level of their participation in investing in Petro-king at their own discretion in comparison to a disposal of the Petro-king shares by the Company followed by a special cash dividend.

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

As no fraction of a Petro-king share had been distributed under the Distribution in Specie, fractional entitlements to the Petro-king shares of 1,532,015 shares was held by the Company as at 31 March 2018. It was classified as held for trading investments in the financial statements of the Company and any net proceed from its subsequent sale will be retained for the benefit of the Company.

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, and the progress of increase in US interest rate have an unpredictable impact on the recovery of global economy. In China, Central government has implemented various tightening monetary policies to cool down the overheated property market. We believe China will continue to play a key role in the future global economic recovery. The Group is confident in capitalising on these opportunities and will grasp every business 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 year under review, but the Group will still continue to explore the investment opportunities in the property markets.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group remains cash-rich and no material capital expenditure commitments. The operations are financed by capital and reserves.

Bank balances and cash amounted to approximately HK$302 million and accounted for 79.9% of total current assets.

Foreign currency risk of the Group is not significant as the assets of the Group comprised substantially of cash denominated in Hong Kong dollar. No financial instrument is needed for hedging purposes in respect of interest rate and currency.

STAFF

As at 31 March 2018, the Group employed 41 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 year.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied with the Code during the year ended 31 March 2018 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 year ended 31 March 2018.

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. Lee Ka Sze, Carmelo, 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 year ended 31 March 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu 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)*
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

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

Hong Kong, 15 June 2018