Termbray Industries International (Holdings) Limited

Stock Code : 0093

07-08

Annual Report 2007-2008

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Lee Lap, *Chairman*
Mr. Tommy Lee, *Vice Chairman*
Mr. Wang Jinlong, *Chief Executive Officer*
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Siu Kang
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

NON-EXECUTIVE DIRECTOR

Mr. Lee Ka Sze, Carmelo

QUALIFIED ACCOUNTANT

Mr. Wong Shiu Kee

COMPANY SECRETARY

Mr. Lo Tai On

AUDIT COMMITTEE

Mr. Lee Ka Sze, Carmelo
Mr. Chan Siu Kang
Mr. Lo Yiu Hee
Mr. Tong Hin Wor

REMUNERATION COMMITTEE

Mr. Lee Lap
Mr. Chan Siu Kang
Mr. Lo Yiu Hee

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat B, 8/F, Waylee Industrial Centre
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HONG KONG REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
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LISTING INFORMATION

The Listing Code of the Company's shares on
The Stock Exchange of Hong Kong Limited 0093

PRINCIPAL BANKER

The Hongkong & Shanghai Banking
Corporation Limited

LEGAL ADVISORS IN HONG KONG

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

Chairman's Statement

Chairman's Statement

I report to shareholders the results of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") for the financial year ended 31st March, 2008. The Group recorded a loss of HK$11,099,000 for the year ended 31st March, 2008, compared with profit for the year of HK$14,375,000 in last year.

DIVIDEND

The board of directors of the Company does not recommend the payment of a dividend in respect of the year (2007: Nil).

REVIEW OF OPERATIONS

Property investment and development

The operating environment for the Group's property investment and development business remains tough during the year under review. Property market in Guangdong Province of Mainland China ("PRC") is still generally slack. The activities of the Group's property projects, which are mainly located in Guangdong Province, continue at a low level during the year.

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. During the year, the management has launched a series of advertising campaign and put much effort in marketing the properties. The rental income earned by the Group during the year is decreased by 9.0%. As at 31st March, 2008, 228 residential units remained to be sold, out of which 193 residential units were let out. Due to the set up of a larger scale computer and computer peripherals retail centre in western district of Shi Qi city, it caused a negative impact on the customer flow of the commercial arcades.

The original tenant has early terminated the tenancy agreement for the commercial arcades. Accordingly, the Group has made a provision against rental receivable and utility receivable of HK$3,674,000 in the current year. In June 2008, the Group start to operate the commercial arcades itself with a business partner who has experience in running similar retail centre in Zhongshan. The Group has 51% interest in the operating company.

With regard to the investment in Cong Hua White Swan Yuen Real Estate Development Limited ("Cong Hua Bow Yuen"), the chance for the extension of the joint venture period of Cong Hua Bow Yuen remains very remote. Full provision for impairment loss against the property held by Cong Hua Bow Yuen had been made in the financial statements of the Group in prior years.

Chairman's Statement

Oilfield engineering and consultancy services

During the year, the Group succeed in diversify its principal activities into the oilfield related industry.

On 3rd September, 2007, the Company entered into a letter of intent with 7 individuals for the acquisition of 51% equity interest in Petro-king International Company Limited ("Petro-king HK") and Petro-king Oilfield Technology Limited ("Petro-king PRC", together with Petro-king HK as "Petro-king Group").

Pursuant to the letter of intent, on 10th October, 2007, Petro-king Holding Limited (formerly known as Termbray Oilfield Services Limited) ("Petro-king Holding"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with 7 individuals ("PRC Vendors") to acquire the entire registered and paid-up capital of Petro-king PRC at the cash consideration of RMB30,000,000.

On the same day, Petro-king Holding also entered into the Petro-king HK acquisition agreement with 3 individuals ("HK Vendors"), pursuant to which (i) Petro-king Holding agreed to acquire 51% of the entire issued share capital of Petro-king HK at the consideration of RMB225,000,000 (equivalent to about HK$231,390,000) to be satisfied in cash; and (ii) Petro-king Holding agreed to acquire the swap shares representing 49% of the issued share capital of Petro-king HK as at the date of the Petro-king HK acquisition agreement and immediately prior to the completion of the Petro-king HK acquisition. The consideration for the purchase of the swap shares would be satisfied by (a) the allotment and issue of 49% of the issued share capital of the purchaser holding company, a holding company of Petro-king Holding as at the time of completion of Petro-king HK acquisition; and (b) the assignment of 49% of the shareholders' loan advanced from the Group to the purchaser holding company in such an amount outstanding as at completion of Petro-king HK acquisition.

On the date of completion of the Petro-king HK acquisition, the Company and King Shine Group Ltd ("King Shine"), which is beneficially owned by Mr. Wang Jinlong as to 55.28%, entered into a convertible notes subscription agreement, pursuant to which King Shine agreed to subscribe for the convertible notes of the Company with a tenor of 3 years in the principal amount of HK$133,692,000 at the initial conversion price (subject to adjustments) of HK$1.20 per conversion share. Assuming full conversion of the convertible notes at the initial conversion price, a total of 111,410,000 conversion shares will be issued.

The acquisition of Petro-king HK and Petro-king PRC was completed on 31st December, 2007. The subscription of the convertible notes by King Shine was completed on the same date.

The performance of Petro-king Group during the 1st quarter of 2008 is consistent with previous years' seasonal pattern. Petro-king Group's major business operation is in PRC. As most of the oilfields' operation was stopped during the period of Chinese New Year, the operation for Petro-king Group during the 1st quarter of 2008 was the lowest for the whole year. In addition, the substantial increase in crude oil prices has created a keen demand in the market for the related tools and machineries, It resulted in a delay in delivery of those ordered tools and machineries from overseas suppliers.

Chairman's Statement

TREASURY INVESTMENT ACTIVITY

The Group still holds a substantial amount of funds of approximately HK$0.7 billion which have been placed as short term bank deposit or invested in money market funds with international financial institutions or fixed income notes generating a stable source of income to the Group.

PROSPECTS

The global economy sustained a stable and balance growth during the year under review. China continues to act as a key driver in the global economic growth. The Group is confident to capitalize on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new business in China.

With the substantial available fund on hand, the Group has always been actively seeking for investment opportunities so as to achieve a diversification in business activities which will result in a steady growth in the Group's long term performance.

The directors believe that the natural resources sector offers significant development potential and has been considering opportunities in this sector.

On 8th August, 2007, the Company entered into an Option Agreement with an independent third party to purchase potential oil producing assets in Kazakhstan ("Potential Assets"). The relevant details of the option agreement were announced on the Company's and the Stock Exchange's website on 10th August, 2007.

Due to the reasons including the parties to the Option Agreement dated 8th August, 2007 for the Potential Assets not reaching mutual agreement on the terms of the acquisition agreement, the purchase option for the Potential Assets was not exercised by the Company and has lapsed on 9th November, 2007. The Company has incurred due diligence expenses of HK$11,431,000 in assessing and evaluating the Potential Assets. The Company's 50% share of the due diligence expenses was accounted for in the financial statements of the current year. The Company has issued a writ against the independent third party to recover 50% of the due diligence expenses incurred pursuant to the terms of the Option Agreement.

Despite the lapse of the purchase option, the Group will continue to seek other investment opportunities in the natural resources sector. The Group has submitted a bid to acquire another producing oilfield in Azerbaijan. The bid was not successful and the Group has incurred due diligence expenses of HK$10,436,000 in assessing and evaluating the project. The due diligence expenses was fully accounted for in the financial statements of the current year.

Chairman's Statement

To meet with the funding requirement for investment opportunities in the natural resources sector , the Company has issued the 3 years convertible notes to King Shine of HK$133,692,000. In addition, on January 2008, Lee & Leung (B.V.I.) Limited subscribed for 233,000,000 ordinary shares of the Company at a price of HK$1.20 per share. Both help to further enhance the funding position of the Group by HK$413,292,000.

To strengthen our expertise in the oilfield related industry, the Board welcome Mr. Wang Jinlong to join the Group as Chief Executive Officer on 22 February 2008. Mr. Wang holds a bachelor degree in petroleum engineering from Southwest Petroleum Institute, the PRC. He has more than 20 years working experience in oilfield related industry. The directors believe the expertise of Mr. Wang in oilfield related industry would be crucial for the Group to expand and be successful in the natural resources sector.

With the substantial increase in crude oil prices over the past years, we are optimistic on the performance of Petro-king Group in the coming year. Petro-king Group is capable to provide consultancy services on difficult and complex oilfield projects, of which competition is not so keen. Besides, Petro-king Group has completed successfully several projects with other PRC strategic partners in overseas. With their continuing expansion of business worldwide, they will offer more business to Petro-king Group. New projects in Middle East and Asia-pacific are now under negotiation and are expected to commence in 2008.

It is the Group's ongoing strategy to gain a foothold and develop in the natural resources sector by way of exploring different kinds of investment opportunities. On the other hand, there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of diversification of business into natural resources sector and has the confidence to strenghthen its competitiveness and to build value for our shareholders.

Finally, I would like to thank my fellow directors for their invaluable advice and the staff members for their hard work and dedication to the Group during the past year.

Lee Lap
Chairman

Hong Kong, 11th July, 2008

Management Discussion and Analysis

RESULTS

During the current year under review, the Group achieved a turnover of HK$43,290,000 and suffered a loss for the year of HK$11,099,000, compared with the turnover of HK$6,576,000 and profit for the year of HK$14,375,000 recorded in last year.

SEGMENT INFORMATION

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

	2008 **HK$'000**	2007 HK$'000
Sale of goods	**31,931**	–
Rental income	**6,199**	6,576
Service income	**5,160**	–
	43,290	6,576

The Group is principally engaged in property development, property investment, engineering projects (involving sale of tools and equipment) and provision of consultancy services on well drilling.

Management Discussion and Analysis

The Group reports primary segment information based on its business. Segment information is presented below:

(A) Business segments

	Property development and investment		Oilfield engineering and consultancy services			
	Property development HK$'000	Property investment HK$'000	Engineering projects HK$'000	Provision of consultancy service on well drilling HK$'000	Unallocated HK$'000	Consolidated HK$'000
2008						
Revenue	(4,724)	1,475	31,931	5,160	–	43,290
Result						
Segment result	(2,051)	840	760	1,891	–	1,440
Other unallocated income (note)					30,375	30,375
Unallocated corporate expenses					(17,464)	(17,464)
Share option expense					(6,609)	(6,609)
Due diligence expense on aborted acquisitions					(16,152)	(16,152)
Share of result of an associate					(185)	(185)
Finance costs					(1,467)	(1,467)
Loss before taxation						(10,062)
Taxation					(1,037)	(1,037)
Loss for the year						(11,099)

Management Discussion and Analysis

	Property development and investment		Oilfield engineering and consultancy services			
	Property development HK$'000	Property investment HK$'000	Engineering projects HK$'000	Provision of consultancy service on well drilling HK$'000	Unallocated HK$'000	Consolidated HK$'000
2007						
Revenue	5,136	1,440	–	–	–	6,576
Result						
Segment result	(9,413)	691	–	–	–	(8,722)
Other unallocated income (note)					35,695	35,695
Unallocated corporate expenses					(12,468)	(12,468)
Profit before taxation						14,505
Taxation					(130)	(130)
Profit for the year						14,375

Note: Other income represents mainly net income from short-term treasury activities, including investments in securities and money market funds and the placement of bank deposits.

(B) Geographical segments

The following table provides an analysis of the Group's revenue by location of customers:

	Turnover from geographical market	
	2008 HK$'000	2007 HK$'000
Hong Kong	**1,475**	1,440
The PRC	**41,815**	5,136
	43,290	6,576

A more detailed analysis of the Group's segment information is set out in note 7 to the consolidated financial statement.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2008, the Group remains cash-rich and has no bank borrowings and no material capital expenditure commitments. The operations are financed by shareholders' funds and convertible notes.

During the year, the Company has issued convertible notes of HK$133,692,000 to King Shine. The convertible notes are non interest bearing and have a tenor of 3 years to be matured on 31st December, 2010. The conversion right can not be exercised from date of issuance up to 30th June, 2009. Except for the event that the profit guarantee for Petro-king Group by King Shine for the financial year ended 31st December 2007 is met, the noteholder can exercise the conversion right up to 30% of the principal amount of the convertible notes. The lock-up period will cease if the listing of the Petro-king Group occurs before 30th June, 2009. A noteholder shall have the right to convert the notes into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK$1.20 per conversion share, at any time and from time to time during the period commencing from 1st July, 2009 up to 31st December, 2010.

On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible notes (if any) in cash, or at its option to convert (i) the whole (but not part only) of the outstanding principal amount of the outstanding and unconverted convertible notes into ordinary shares of the Company or (ii) part thereof into ordinary shares of the Company together with the full repayment of the remaining principal balance thereof in cash.

In addition, on January 2008, Lee & Leung (BVI) Limited subscribed for 233,000,000 ordinary shares of the Company at a price of HK$1.20 per share.

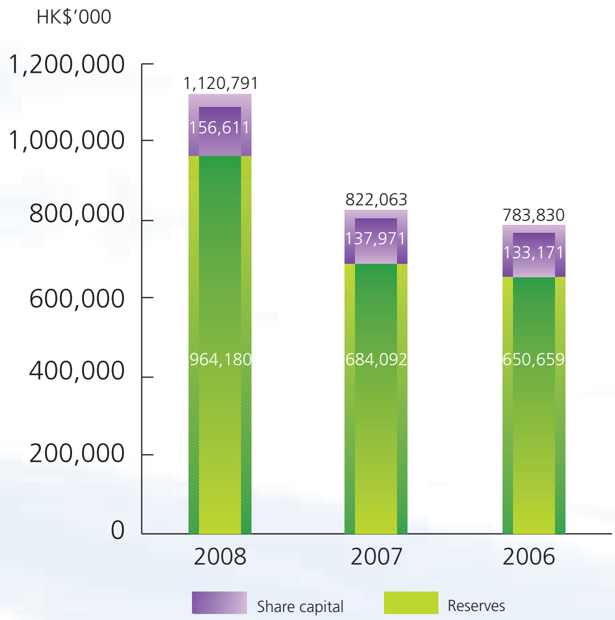
Cash and other liquid assets amounted to HK$777,990,000 and accounted for 77.62% of total current assets.

Exchange risk of the Group is not significant as the assets of the Group comprised substantially of cash, fixed income notes or money market funds denominated in United States currency which is officially pegged to the Hong Kong currency. No financial instrument are needed for hedging purposes in respect of interest rate and currency.

Management Discussion and Analysis

CAPITAL STRUCTURE

As at 31st March, 2008, the Group had no long term bank borrowings and its operations were financed by shareholders' funds and convertible notes.



ORDER BOOK

As at 31st March 2008, the outstanding orders on hand for oilfield engineering and consultancy services is approximately HK$80,000,000.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 59.23% and 83.51% respectively of the Group's turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 42.03% and 81.20% respectively of the Group's purchases for the year.

Save as the connected transaction disclosed in page 26 of this report, none of the Company's directors, their associates or any shareholders of the Company (who to the best of the knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers and the five largest suppliers.

Management Discussion and Analysis

STAFF AND EMOLUMENT POLICY

As at 31st March, 2008, the Group employed 158 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Company has a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out on page 27 of the report of directors.

Directors' Report

The directors of the Company present their annual report together with the audited consolidated financial statements of the Group for the year ended 31st March, 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries during the year were property development, property investment, engineering projects (involving sale of tools and equipment) and provision of consultancy services on well drilling.

RESULTS

The results of the Group for the year ended 31st March, 2008 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 39 to 97.

DIVIDEND

The directors do not recommend the payment of a dividend (2007: Nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in note 15 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Particulars of the Group's major completed properties for sale are set out on page 98.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 42.

DONATIONS

During the year, the Group had not made any charitable and other donations (2007: Nil).

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 99 and 100.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st March, 2008 were as follows:

	HK$'000
Contributed surplus	**191,810**
Retained profits	**106,803**
	298,613

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issue share capital and share premium account.

Directors' Report

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. Lee Lap
Mr. Tommy Lee (appointed on 14th January, 2008)
Mr. Wang Jinlong (appointed on 31st December, 2007)
Mdm. Leung Lai Ping
Mr. Wong Shiu Kee

Independent Non-Executive Directors

Mr. Chan Siu Kang
Mr. Lo Yiu Hee
Mr. Tong Hin Wor (appointed on 22nd February, 2008)
Dr. The Hon. Lee Tung Hai, Leo, G.B.M.,G.B.S.,LL.D.,J.P. (resigned on 22nd February, 2008)

Non-Executive Director

Mr. Lee Ka Sze, Carmelo

Mdm. Leung Lai Ping, Mr. Wong Shiu Kee and Mr. Lee Ka Sze, Carmelo shall retire from the board by rotation in accordance with the Company's Bye-laws 99 and Mr. Tommy Lee and Mr. Wang Jinlong, as new directors of the Company, shall retire in accordance with the Company's Bye-law 102(B), at the forthcoming Annual General Meeting and, being eligible, they offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company pursuant to paragraph 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

Mr. Lee Lap and Mdm. Leung Lai Ping have respectively a service contract with the Company for service as executive director which is terminable by either party giving to the other party not less than six months' prior notice in writing.

Mr. Tommy Lee has entered into a service contract with the Company pursuant to which Mr. Tommy Lee is appointed for service with the Company as an executive director and vice chairman of the Company for a term of one year from 14th January, 2008.

Mr. Wang Jinlong has entered into a service contract with the Company pursuant to which Mr. Wang is appointed for service with the Company as an executive director for a term of three years from 31st December, 2007. Mr. Wang Jinlong has further entered into a service contract with the Company pursuant to which Mr. Wang is appointed as the chief executive officer of the Company for a term of three years from 22nd February, 2008. Apart from the above, Mr. Wang Jinlong has entered into a service contract with Petro-king HK underwhich he is appointed as an executive director and chief executive of Petro-king HK for a term of three years with effect from 1st January, 2008, and has entered into a service contract with Petro-king PRC underwhich he is appointed as the chief executive of Petro-king PRC for a term of three years from 1st January, 2008.

Mr. Chan Siu Kang, Mr. Lo Yiu Hee and Mr. Tong Hin Wor, the independent non-executive directors, and Mr. Lee Ka Sze, Carmelo, the non-executive director, have respectively entered into an appointment letter with the Company for service as an independent non-executive director or non-executive director for a term of 2 years from 1st January, 2007 to 31st December, 2008 (except for Mr. Tong Hin Wor from 22nd February, 2008 to 31st December, 2008), which appointment shall terminate on the earlier of (i) 31st December, 2008; or (ii) the date on which the director concerned ceases to be an independent non-executive director or non-executive director pursuant to the Bye-laws or any other applicable laws.

Other than the aforesaid, none of the directors had any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lee Lap, aged 65, is the Chairman of the Company. He is the founder of the Group and has been actively involved in the printed circuit board and electronics industry in Hong Kong since 1968. Mr. Lee is responsible for overall policy and decision making and business development of the Group. Mr. Lee is an honorary citizen of Zhongshan, Shenzhen and Guangzhou in PRC.

Mr. Tommy Lee, aged 30, is the Vice Chairman of the Company. He is the son of Mr. Lee Lap. He studied in Economics in the Seneca College in Canada. Mr. Lee had been the Vice President of a private company which is principally engaged in the manufacturing industry and he was responsible for the overall management and strategic planning of the private company during the past 7 years.

Mr. Wang Jinlong, aged 43, is the Chief Executive Officer of the Company. He holds a bachelor degree in petroleum engineering from Southwest Petroleum Institute, the PRC. He is the executive director and general manager of Petro-king PRC since May 2003 and the director of Petro-king HK since July 2003. Mr. Wang has over 22 years of working experience in the oilfield exploration industry. Mr. Wang worked for the 5th Drilling Company of Ministry of Geology and Mineral Resources of PRC ("MGMR") during the period from June 1986 to July 1994 and was the senior engineer before he left the Company. He was transferred to work as the project drilling engineer for the UNDP058 project of the United Nations and MGMR during the period from February 1991 to January 1993. During the period from August 1994 to May 2003, he worked for Phillips China Inc., an integrated oil and gas company headquartered in the U.S., and his last position held therewith was senior drilling/production engineer.

Madam Leung Lai Ping, aged 59, is the wife of Mr. Lee Lap. She has been involved in overall policy and decision making and general administration of the Group since 1968.

Mr. Wong Shiu Kee, aged 44, is the Finance Director of the Company. He first joined the Company in 1991 and rejoined the Company in October 2000. With over 20 years of experience in financial management, he is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and is also a qualified Chartered Secretary designated as ACIS and ACS.

Independent Non-executive Directors

Mr. Chan Siu Kang, aged 71, is a graduate of the National Taiwan University with bachelor's degree in Electrical Engineering. Mr. Chan has 30 years' manufacturing and senior management experience in the electronics industry. Among which, he has held 20 years in the role as general manager and director.

Mr. Lo Yiu Hee, aged 50, holds bachelor and master degrees in business administration from the Chinese University of Hong Kong. Mr. Lo is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lo has over 20 years of experience in finance and accounting in various listed companies. Mr. Lo was the former executive director of BEP International Holdings Limited, a company listed in Hong Kong and is presently the Senior Vice president & Group CFO of a technology supply chain and logistic solutions company. He was the Vice President of CPA Australia, Hong Kong China Division for 2000/01 and 2003/04, and councillor for 1997-2006.

Mr. Tong Hin Wor, aged 63, holds a diploma in management studies from Hong Kong Polytechnic University. Mr. Tong has over 30 years of working experience in financial management. Mr. Tong was the financial controller of Termbray Electronics Company Limited in 1991. He was the financial controller of Karrie Industrial Company Limited, a company principally engaged in electronics and sheet metal manufacturing in 1993, the group controller of Elec & Eltek (International) Limited in 1995 and the group vice president of Elec & Eltek Corporate Services Limited from 1995 to 2004.

Non-executive Director

Mr. Lee Ka Sze, Carmelo, aged 48, has been an independent non-executive director of the Company since March 1997. On 30th September, 2004, he was re-designated as a non-executive director of the Company. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo. Mr. Lee is a non-executive director of Hopewell Holdings Limited, China Pharmaceutical Group Limited, The Cross-Harbour (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company Limited and Taifook Securities Group Limited, and an independent non-executive director of KWG Property Holding Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He was a member of the Main Board Listing Committee of the Stock Exchange from 2000 to 2003. He is also an adjudicator of the Registration of Persons Tribunal and a chairman of the Transport Tribunal of the HKSAR Government.

SENIOR MANAGEMENT

Mr. Jin Dong Zhao, aged 45, is the vice president of Petro-king Oilfield Technology Limited, joined the company in 2003. He is responsible for technical work and PRC projects. Mr. Zhao is a senior engineer graduated from Changchun Geological Institute in 1983. He has over 25 years of professional experience in the petroleum industries. Mr. Zhao has worked for the China Geologic and Mineral Department, the Drilling centre for De Zhou Research Institute of the China New Star Petroleum Company as supervisor and worked for Phillips as supervisor, senior engineer and superintendent.

Directors' Report

Mr. Zhang Tai Yuan, aged 43, is the vice president of Petro-king Oilfield technology Limited, joined the company in 2004. He is responsible for international projects. Mr. Zhang is senior drilling engineer graduated from China South West Petroleum Institute. Mr. Zhang has over 22 years of professional experience in petroleum industries. During his 15 years' service to CNPC SiChuan Bureau, he has extensive drilling and completion experience in directional well, extreme deep well and complicated carbonate formation, and gas well with hydrogen sulphur. Mr. Zhang has been in charge of technical management in a scientific research institute. Mr. Zhang has been the chinese engineering representative of a cooperation zone between ChuanZhong Filed and AnRan Oil Company, project manager of an Indonesia project for Si Chuan Bureau, drilling engineer/drilling supervisor in Devon Energy China Inc. Mr. Zhang has involved in the management of a number of international projects and in charge of the development, scientific research, technical support and project management of international projects in Yemen, Saudi Arabia, Nigeria, Sudan, Indonesia and Burma.

Ms. Sun Jin Xia, aged 34, is the executive director and vice president of Petro-king Oilfield Technology Limited. She joined in the company in 2003. Ms. Sun is in charge of commercial business and daily operation management. Ms. Sun holds a master degree in business administration from University of Ballarat, Australia. She has over 10 years of working experience and 6 years in sales & marketing management.

Mr. Yuan Fucun, aged 38, is the vice president-Natural Resources Division, joined the company in May 2008. He is responsible for operation of Natural Resources Division, oil fields assets evaluation and acquisition, and oil field development & management. Mr. Yuan is a senior well engineer graduated from South West Petroleum University in 1992, has 16 years of professional experience in petroleum industries. Mr. Yuan has worked for oil operators (CNOOC, Phillips and Conoco Phillips) over 12 years on offshore drilling, production and reservoir engineering as engineer and manager. He also worked for Schlumberger as senior engineer, project manager and well engineering manager for various international projects in Russia, Algeria, Dubai and Egypt. Mr. Yuan has very solid experience in international & domestic project management for both oil operators and service providers.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31st March, 2008, the interests of the Company's directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or otherwise notified pursuant to Divisions 7 to 9 of Part XV of the SFO, were as follows:

(A) Long Positions and Short Position in Shares, Underlying Shares and Debentures of the Company

Name of director	Personal interest	Family interest	Corporate interest	Other interest	Total	Type of securities	Percentage of total issued shares
Mr. Lee Lap	–	–	–	1,252,752,780 *(note 1)*	1,252,752,780	Shares	63.99%
Mdm. Leung Lai Ping	–	–	–	1,252,752,780 *(note 1)*	1,252,752,780	Shares	63.99%
Mr. Tommy Lee	–	–	–	1,252,752,780 *(note 1)*	1,252,752,780	Shares	63.99%
Mr. Wang Jinlong	–	–	HK$133,692,000 *(note 2)*	–	HK$133,692,000	Debenture	–
	–	–	111,410,000	–	111,410,000	Underlying shares	5.69%
	–	–	(111,410,000) *(note 3)*	–	(111,410,000)	Underlying shares	5.69%

Notes:

(1) The 1,252,752,780 shares included under the other interest of Mr. Lee Lap, Mdm. Leung Lai Ping and Mr. Tommy Lee are held by Lee & Leung (B.V.I.) Limited which is wholly-owned by First Trend Management Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.

(2) King Shine Group Limited is the holder of the convertible notes in the aggregate principal amount of HK$133,692,000 pursuant to which King Shine Group Limited is entitled to convert into an aggregate of 111,410,000 new shares upon exercise of the conversion right. King Shine Group Limited is beneficially owned by Mr. Wang Jinlong as to 55.28%. As such, Mr. Wang Jinlong is deemed to be interested in the 111,410,000 underlying shares pursuant to Part XV of SFO.

(3) The convertible notes referred to in Note (2) above is charged to the Company as security for King Shine Group Limited and its guarantors' liabilities in respect of the representation and warranties and the profit guarantee given under the agreement for the acquisition of Petro-king International Company Limited. For the relationship of King Shine Group Limited and Mr. Wang Jinlong mentioned under Note 2 above, Mr. Wang Jinlong is deemed to have a short position in the 111,410,000 underlying shares pursuant to Part XV of SFO.

Directors' Report

(B) Long Positions in Shares of Associated Corporations

Name of director	Name of subsidiary	Number of non-voting deferred shares held *(note)*	% of total issued non-voting deferred shares
Mr. Lee Lap	Applied Industrial Company Limited	1,000	40%
	Lee Plastics Manufacturing Company Limited	250,000	50%
	Magnetic Electronics Limited	5,000	100%
	Termbray Electronics Company Limited	7,000	70%
Mdm. Leung Lai Ping	Applied Industrial Company Limited	1,500	60%
	Lee Plastics Manufacturing Company Limited	250,000	50%
	Termbray Electronics Company Limited	3,000	30%

Note: All the above non-voting deferred shares are held by the above directors personally as beneficial owner.

Name of director	Name of subsidiary	Number of ordinary Shares	% of total issued ordinary shares
Mr. Wang Jinlong	Termbray Petro-king Oilfield Services (BVI) Limited	98	49%
	Petro-king Holding Limited	10,000	100%
	Petro-king International Company Limited	100	100%
	深圳市百勤石油技術有限公司	5,000,000	100%

Note : The above 49% ordinary shares in Termbray Petro-king Oilfield Services (BVI) Limited are held directly by King Shine Group Limited, which is beneficially owned by Mr. Wang Jinlong as to 55.28%. Termbray Petro-king Oilfield Services (BVI) Limited is interested in 100% of the issued shares of Petro-king Holding Limited, which in turn is interested in 100% of the issued shares of Petro-king International Co. Limited and 深圳市百勤石油技術有限公司 respectively. Mr. Wang Jinlong is therefore deemed to be interested in 49% of the issued shares of Termbray Petro-king Oilfield Services (BVI) Limited, 100% of the issued shares of Petro-king Holding Limited, Petro-king International Company Limited and 深圳市百勤石油技術有限公司 respectively.

(C) Long Positions in Shares Options Granted by the Company

Name of director	Number of share options outstanding at 1st April, 2007	Granted during the year	Exercised during the year	Number of share options outstanding at 31st March, 2008
Mr. Wang Jinlong	–	20,000,000	–	20,000,000 *(note 1)*
	–	17,000,000	–	17,000,000 *(note 2)*

Notes:

(1) These share options were granted at an aggregate consideration of HK$1 on 25th February, 2008 as approved by the shareholders of the Company on 22nd February, 2008 and are exercisable at HK$1.20 per share at any time between 25th February, 2008 and 24th February, 2011. Mr. Wang Jinlong is entitled to (a) exercise the option to subscribe for one-half of the option shares at any time during the period commencing on 25th February, 2008 until 24th February, 2011 (both dates inclusive); and (b) exercise the option to subscribe for the remaining one-half of the option shares at any time during the period commencing on 25th February, 2009 until 24th February, 2011 (both dates inclusive).

(2) These share options were granted at an aggregate consideration of HK$1 on 28th March, 2008 under the share option scheme of the Company. The exercise price is HK$1.25 per share.

Save as disclosed above and apart from the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Saved as disclosed herein, as at 31st March, 2008, none of the directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had entered into transactions with the following companies, of which the directors have controlling interests:

Panda Investment Company Limited ("Panda Investment")

The transactions with Panda Investment are described in note 38 to the financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have controlling interests in Panda Investment.

During the year, the Group's property has been leased to Mr. Lee Wing Keung, the son of Mr. Lee Lap, details of which are disclosed in the section headed "Connected Transaction".

Save as aforementioned, no other contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party or were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Listing Rules, the Company discloses that Mr. Lee Lap and Mdm. Leung Lai Ping are interested in companies engaged in property investment and development in Mainland China and Hong Kong ("Competing Business").

The board of directors of the Company has established procedures to identify any conflict of interest due to the interests of Mr. Lee Lap and Mdm. Leung Lai Ping. If conflict of interest arises, Mr. Lee Lap and Mdm. Leung Lai Ping will abstain from participating in making any decision. The Company is therefore capable of carrying on its business independently of, and at arm's length from the Competing Business.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2008, the persons (other than the directors as disclosed in the "Directors' Interests in Shares and Options") interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary Share of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK$0.08 each held	Long position/ (short position) in number of underlying shares	Percentage of the issued share capital of the Company
Lee & Leung (B.V.I.) Limited *(note 1)*	Beneficial owner	1,252,752,780	–	63.99%
First Trend Management Limited *(note 1)*	Held by controlled corporation as trustee for Lee & Leung Family Unit Trust	1,252,752,780	–	63.99%
HSBC International Trustee Limited *(note 1)*	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	–	63.99%
Cosmo Telecommunication Inc. *(note 2)*	Beneficial owner	151,202,960	–	7.72%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	–	7.72%
East Glory Trading Limited *(note 3)*	Beneficial owner	103,397,540	–	5.28%
Master Winner Limited *(note 3)*	Held by controlled corporation	103,397,540	–	5.28%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	–	5.28%
King Shine Group Limited *(note 4)*	Beneficial owner	–	111,410,000	5.69%
		–	(111,410,000)	(5.69%)

Notes:

(1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited which is wholly-owned by First Trend Management Limited as trustee for Lee & Leung Family Unit Trust. All the units in Lee & Leung Family Unit Trust are held by HSBC International Trustee Limited as trustee for Lee & Leung Family Trust. Mr. Lee Lap is the settlor of the Lee & Leung Family Trust. The discretionary beneficiaries of the Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping and the offspring of such children.

Directors' Report

(2) Cosmo Telecommunication Inc. is a wholly owned by Ms. Jing Xiao Ju.

(3) East Glory Trading Limited is wholly owned by Master Winner Limited, which in turn is wholly owned by Mr. Yuan Qinghua.

(4) King Shine Group Limited, which is beneficially owned by Mr. Wang as to 55.28%, is the holder of the convertible notes in the aggregate principal amount of HK$133,692,000 pursuant to which King Shine is entitled to convert into an aggregate of 111,410,000 new shares upon exercise of the conversion right.

Saved as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31st March, 2008.

CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the Company discloses the following continuing connected transaction entered into during the year:

On 11th March, 2005, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), a wholly owned subsidiary of the Company, as lessor and Mr. Lee Wing Keung as lessee entered into a lease agreement, pursuant to which the lessee will lease a residential property in the Hong Kong Island with a saleable area of approximately 306 square metres from the lessor for a term of three years commencing on 16th March, 2005 at a monthly rent of HK$120,000 (inclusive of rates, management fees, utility charges and maintenance fees of security alarm system) for domestic purposes.

Upon the expiry of the existing lease agreement on 15th March, 2008, Termbray Fujian has renewed the lease agreement with Mr. Lee Wing Keung for a term of three years commencing on 16th March, 2008 at a monthly rent of HK$190,000 (inclusive of rates, management fees, utility charges).

The rental income earned by the Group during the current year is HK$1,475,000 (2007: HK$1,440,000). Mr. Lee Wing Keung is the son of Mr. Lee Lap, Chairman of the Company, and, as such, is treated as an associate of Mr. Lee Lap under Rule 14A.11(4)(b) of the Listing Rules and thereby is a connected person of the Company under Chapter 14A of the Listing Rules . Accordingly, the signing of the lease agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

The independent non-executive directors of the Company have reviewed the above transaction and opined that the connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Company, and

(ii) on normal commercial terms, and

(iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SHARE OPTION SCHEME

The shareholders approved at an annual general meeting of the Company held on 18th August, 2006 the adoption of a share option scheme ("Share Option Scheme") of the Company. The purpose of the Share Option Scheme is for the Company to attract, retain and motivate talented participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. The Share Option Scheme is for a period of 10 years from the date of adoption on 18th August, 2006. The directors may, at their discretion, make an offer to any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon his or her signing the duplicate letter comprising acceptance of the option and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares of the Company under the Share Option Scheme will be highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day); (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date, and (iii) the nominal value of a share of the Company.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of shares of the Company in issue as at the date of approval of the Share Option Scheme. An option may be exercised during a period to be determined by the directors in its absolute discretion and an any event such period shall not be longer than 10 years from the date upon which the option is granted.

The total number of shares issued and to be issue upon exercise of the option granted to each participant under the Share Option Scheme in any 12-month period shall not exceed 1 per cent of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 per cent limit shall be subject to shareholders' approval in a general meeting with such participant and his or her associates abstaining from voting.

On 28th March, 2008, 17,000,000 share options were granted at an aggregate consideration of HK$1 to Mr. Wang Jinlong at a exercise price of HK$1.25 under the Share Option Scheme and are exercisable during the periods from 28th March, 2009 for 5,666,666 share options, from 28th March, 2010 for 5,666,667 share options and from 28th March, 2011 for 5,666,667 share options, until 27th March, 2018. The closing price immediately before the date on which the said share options were granted was HK$1.16 per share. All these 17,000,000 share options were outstanding as at 31st March, 2008. Save as aforementioned, no other option was granted, exercised, lapsed nor cancelled pursuant to the Share Option Scheme.

The fair value of these 17,000,000 share options as at the grant date is HK$11,181,648. Details of the valuation model is disclosed in note 31 to the financial statements. The valuation is subjective and uncertain as it is subject to a number of assumptions and limitations of the model.

Directors' Report

PROVIDENT FUND SCHEME

The Group has a mandatory provident fund scheme ("MPF Scheme") managed by a banking group. All staff employed in Hong Kong joined the MPF Scheme. The MPF Scheme is a defined contribution scheme and the assets of which are held separately from those of the Group in independently administered funds. Both of the employer and the employee are required to make mandatory contributions to the MPF Scheme calculated at 5% of the employee's monthly relevant income, subject to the rules and regulations of the Mandatory Provident Fund Schemes Ordinance. As at 31st March, 2008, the Group had no forfeited contributions (2007: Nil) available to offset future employers' contributions to the MPF Scheme.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll cots to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contributions

The contribution made by the Group charged to the income statement in respect of the year are as follows:

	2008 **HK$'000**	2007 HK$'000
Gross employers' contributions	**206**	132
Less: Forfeited contributions	**–**	–
Net contributions	**206**	132

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, as of the date of this report, there is sufficient public float of the shares of the Company with not less than 25% of the total issued shares of the Company as required under the Listing Rules.

Directors' Report

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no statutory restrictions against such rights under the laws in Bermuda.

AUDITORS

The financial statements for the three years ended 31st March, 2008 were audited by Messrs. Deloitte Touche Tohmatsu.

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Lee Lap
Chairman

Hong Kong, 11th July, 2008

Corporate Governance Report

The Company are committed to maintaining a high standard of corporate governance. We 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 Code on Corporate Governance Practices (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 during the year ended 31st March, 2008 with the Code save as disclosed below.

Pursuant to code provision A.2.1, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman should be clearly established and set out in writing. During the period until 22nd February, 2008, Mr. Lee Lap is both the chairman and chief executive officer of the Group. Having considered the business operation and the size of the Group during the service period, the Board is of the view that Mr. Lee Lap acting as both the chairman of the Board and also as the chief executive officer of the Group during the said period is acceptable and in the best interest of the Group.

After completion of the acquisition of Petro-king Group and the diversification of business in the oilfield related industry, the Company appointed Mr. Wang Jinlong as chief executive officer on 22nd February, 2008. Since then, Mr. Lee Lap acts as the Chairman of the Company only and the roles of chairman and chief executive officer are separated.

Pursuant to code provision A.4.2., 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.

In view of the above and paragraph 4.2 of the Code, the Company at the annual general meeting held on 19th August, 2005 amended its existing bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director shall be subject to re-election once every 3 years.

Corporate Governance Report

BOARD OF DIRECTORS

The Board of Directors (the "Board") is charged with leading the Group in a responsible and effective manner. Each director has to carry out his/her duties in utmost good faith above and beyond any prevailing applicable laws and regulations and act in the best interests of the shareholders. The duties of the Board include establishing the strategic direction of the Group, setting objectives and monitoring the performance of the Group.

The Board has established schedule of matters specifically reserved to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

The Board of the Company consists of 5 executive directors, 3 independent non-executive directors and one non-executive director. Their brief biographical details are described on pages 18 and 19 of the Annual Report.

The independent non-executive directors, all of whom are independent of the management of the Company, are highly experienced professionals coming from a diversified industrial background. Their brief biographical details are described on pages 18 and 19 of the Annual Report. They ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate check and balance to safeguard the interest of shareholders and the Company as a whole.

Each of the independent non-executive directors and non-executive director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company until 31st December, 2008. The appointment shall terminate on the earlier of (i) 31st December, 2008, or (ii) the date on which the director ceases to be director for any reasons pursuant to the bye-law of the Company or any other applicable laws.

The full Board meets no less than four times a year to review the financial and operating performance of the Group. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. The Board has established procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

Corporate Governance Report

There were 11 board meetings held in the financial year ended 31st March, 2008. The attendance record of each director is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Name of director	No. of board meeting attended
Mr. Lee Lap *(Chairman)*	10
Mr. Tommy Lee *(Vice Chairman)*	3 (3 board meeting held since appointment)
Mr. Wang Jinlong *(Chief Executive Officer)*	1 (1 board meeting held since appointment)
Mdm. Leung Lai Ping	7
Mr. Wong Shiu Kee	11
Mr. Lee Ka Sze, Carmelo	4
Mr. Chan Siu Kang	10
Mr. Lo Yiu Hee	10
Mr. Tong Hin Wor	2 (2 board meeting held since appointment)
Dr. The Hon. Lee Tung Hai, Leo (resigned on 22nd February, 2008)	2 (9 board meeting held before resignation)

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 31st March, 2008.

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.

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are two Board committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

Corporate Governance Report

AUDIT COMMITTEE

The audit Committee, which is now chaired by Mr. Lo Yiu Hee (previously chaired by Dr. Lee Tung Hai before his resignation) 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 Corporate Governance Code of the Listing Rules. Other members are Mr. Lee Ka Sze Carmelo, Mr. Chan Siu Kang and Mr. Tong Hin Wor.

Dr. Lee Tung Hai resigned as an independent non-executive director and a member of the audit committee of the Company with effect from 22nd February, 2008 due to his hectic schedule of work and other community service commitments which make him unable to provide the necessary time to the board. Meanwhile, Mr. Tong Hin Wor was appointed as an independent non-executive director and a member of the audit committee of the Company.

The Audit Committee meets no less than twice a year with the senior management and the external auditors to review the accounting principles and practices adopted by the Group and other financial reporting matters, assures the completeness, accuracy and fairness of the financial statements of the Group, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, reviews all significant business affairs managed by the executive directors in particular on connected transactions. The Committee also provides advice and recommendations to the Board and oversees all matters relating to the external auditors, and it plays an important role in monitoring and safeguarding the independence of external auditors.

The Audit Committee met two times during the financial year ended 31st March, 2008. Set out below is the summary of work done during the year under review:

– to review the financial statements of the Group for the year ended 31st March, 2007 and for the six months ended 30th September, 2007;

– to discuss on the effectiveness of the internal control system;

– to review the auditors' statutory audit plan and the letters of representation; and

– to consider and approve the 2008 audit fees.

Corporate Governance Report

The attendance record of each member is shown below. All business transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Name of audit committee member	No. of meeting attended
Mr. Lee Ka Sze, Carmelo	2
Mr. Chan Siu Kang	2
Mr. Lo Yiu Hee	2
Mr. Tong Hin Wor	0 (No audit committee meeting held since appointment)
Dr. The Hon. Lee Tung Hai, Leo	1 (1 audit committee meeting held before resignation)

REMUNERATION COMMITTEE

The Remuneration Committee, chaired by Mr. Lee Lap with defined terms of reference. Other members are Mr. Chan Siu Kang and Mr. Lo Yiu Hee.

The Company aims to design remuneration policies that attract and retain executives needed to run the Group successfully and to motivate executives to pursue appropriate growth strategies whilst taking into account performance of the individual. The remuneration should reflect performance, complexity and responsibility of the individual; and the remuneration package will be structured to include salary, bonus and share options scheme to provide incentives to directors and senior management to improve their individual performances.

The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive directors.

Set out below is the summary of work of the Remuneration Committee done during the year under review:

– to review the remuneration policy of the year ended 31st March, 2008;

– to review the remuneration of the executive directors and the independent non-executive directors and non-executive director; and

– to review the annual share option policy.

The Remuneration Committee meets once during the financial year ended 31st March, 2008 with the presence of all members of the Remuneration Committee.

OTHER INFORMATION

The Board of Directors has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company.

During the year, the Board of Directors at its meetings approved the following changes in directorship:

– the appointment of Mr. Wang Jinlong as executive director on 31st December, 2007 and chief executive officer on 22nd February, 2008;

– the appointment of Mr. Tommy Lee as executive director and vice-chairman of the Company on 14th January, 2008; and

– the resignation of Dr. Lee Tung Hai, Leo and appointment of Mr. Tong Hin Wor as independent non-executive director and member of audit committee of the Company on 22nd February, 2008.

The Company had established its own website to communicate with shareholders and investors.

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by Deloitte Touche Tohmatsu for the Group for the year ended 31st March, 2008 are analysed as follows:

	31st March, 2008 HK$	31st March, 2007 HK$
Audit service	**1,593,000**	400,000
Non audit service	**5,319,121**	129,000
	6,912,121	529,000

Note: The remuneration for non audit services includes fee regarding the review of the interim financial report of the Group for the six months ended 30th September, 2007 amounted to HK$93,000 (2007: HK$88,000) and fees for the due diligence review on aborted acquisitions.

Corporate Governance Report

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. During the year, the Board had conducted a review of the effectiveness of the system of internal control of the Group (not including oilfield engineering and consultancy services acquired by the Group on 31st December, 2007). The review covered all material controls, including financial, operational and compliance controls and risk management functions. Based on the results of the review, the Group will continue to take steps to further enhance the effectiveness of the internal control system.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in circular of the Company accompanying notice convening general meeting and has been read out by the Chairman at the general meeting.

At the 2007 annual general meeting, a separate resolution was proposed by the Chairman is respect of each separate issue, including re-election of directors. The Chairman of the Board of Directors and members of Audit Committee and Remuneration Committee attended the 2007 Annual General Meeting to answer questions of shareholders.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibility in preparing the financial statements. The statement of the auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 37.

CONCLUSION

The Company strongly believes that the quality and standard of corporate governance reflects the quality of the management and the operations of the Group's business. Good corporate governance can safeguard the proper use of funds and effective allocation of resources and to protect shareholders' interests. The management wholeheartedly advocates of the good practice in corporate governance and will try our best to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 97 which comprise the consolidated balance sheet as at 31st March, 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11th July, 2008

Consolidated Income Statement

For the year ended 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	7	**43,290**	6,576
Cost of goods and services		**(29,179)**	(1,964)
Gross profit		**14,111**	4,612
Other income	8	**30,185**	30,895
Selling and distribution expenses		**(3,853)**	–
Administrative expenses		**(49,012)**	(12,802)
Other operating expenses		**(31)**	–
Gains arising from changes in fair value of investments held for trading		**190**	4,800
Allowance on properties for sale	9	**–**	(13,000)
Share of result of an associate		**(185)**	–
Finance costs	10	**(1,467)**	–
(LOSS) PROFIT BEFORE TAXATION	11	**(10,062)**	14,505
Taxation	13	**(1,037)**	(130)
(LOSS) PROFIT FOR THE YEAR		**(11,099)**	14,375
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**(12,307)**	14,375
MINORITY INTERESTS		**1,208**	–
(LOSS) PROFIT FOR THE YEAR		**(11,099)**	14,375
		HK cents	HK cents
(LOSS) EARNINGS PER SHARE	14		
Basic		**(0.69)**	0.85
Diluted		**N/A**	0.84

Consolidated Balance Sheet

At 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**17,400**	8,107
Prepaid lease payments for land	16	**66,675**	67,273
Investment properties	17	**3,478**	3,585
Pledged bank deposits	25 & 36(b)	**2,034**	2,024
Goodwill	18	**258,678**	–
		348,265	80,989
CURRENT ASSETS			
Properties for sale	19	**109,995**	105,934
Inventories	20	**16,926**	–
Trade and other receivables	21	**92,599**	5,543
Deposits and prepayments		**3,293**	2,461
Prepaid lease payments for land	16	**598**	598
Available-for-sale investments	22	**633,247**	225,537
Investments held for trading	23	**103,839**	187,977
Tax recoverable		**123**	–
Amounts due from related parties	24	**730**	–
Pledged bank deposits	25 & 36(a)	**–**	465
Bank balances and cash	25	**40,904**	223,983
		1,002,254	752,498
CURRENT LIABILITIES			
Trade and other payables and accrued charges	26	**44,804**	2,710
Deposits received		**2,064**	1,165
Provisions	27	**3,173**	3,173
Amount due to a related company	28	**405**	716
Taxation liabilities		**10,151**	3,244
Amount due to a director	28	**6,465**	–
Amounts due to minority shareholders	28	**18,103**	–
		85,165	11,008
NET CURRENT ASSETS		**917,089**	741,490
TOTAL ASSETS LESS CURRENT LABILITIES		**1,265,354**	822,479
NON-CURRENT LIABILITIES			
Convertible notes	29	**116,267**	–
NET ASSETS		**1,149,087**	822,479

Consolidated Balance Sheet
At 31st March, 2008

	Notes	**2008 HK$'000**	2007 HK$'000
CAPITAL AND RESERVES			
Share capital	30	**156,611**	137,971
Reserves	32	**964,180**	684,092
Equity attributable to equity holders of the Company		**1,120,791**	822,063
Minority interests		**28,296**	416
TOTAL EQUITY		**1,149,087**	822,479

The consolidated financial statements on pages 39 to 97 were approved and authorised for issue by the board of directors on 11th July, 2008 and are signed on its behalf by:

Lee Lap	**Wong Shiu Kee**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Exchange translation reserve HK$'000	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st April, 2006	133,171	132,550	2,537	–	–	515,572	783,830	416	784,246
Arising from translation of financial statements of foreign operations recognised directly in equity	–	–	5,521	–	–	–	5,521	–	5,521
Profit for the year	–	–	–	–	–	14,375	14,375	–	14,375
Total recognised income for the year	–	–	5,521	–	–	14,375	19,896	–	19,896
Issue of shares	4,800	10,860	–	–	–	–	15,660	–	15,660
Unclaimed dividends written back	–	–	–	–	–	2,677	2,677	–	2,677
At 31st March, 2007	137,971	143,410	8,058	–	–	532,624	822,063	416	822,479
Arising from translation of financial statements of foreign operations recognised directly in equity	**–**	**–**	**5,934**	**–**	**–**	**–**	**5,934**	**–**	**5,934**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(12,307)**	**(12,307)**	**1,208**	**(11,099)**
Total recognised income for the year	**–**	**–**	**5,934**	**–**	**–**	**(12,307)**	**(6,373)**	**1,208**	**(5,165)**
Issue of shares	**18,640**	**260,960**	**–**	**–**	**–**	**–**	**279,600**	**–**	**279,600**
Recognition of equity component of convertible notes	**–**	**–**	**–**	**18,892**	**–**	**–**	**18,892**	**–**	**18,892**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**6,609**	**–**	**6,609**	**–**	**6,609**
Arising on acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,672**	**26,672**
At 31st March, 2008	**156,611**	**404,370**	**13,992**	**18,892**	**6,609**	**520,317**	**1,120,791**	**28,296**	**1,149,087**

Consolidated Cash Flow Statement

For the year ended 31st March, 2008

	Note	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		**(10,062)**	14,505
Adjustments for:			
Depreciation of property, plant and equipment		**1,440**	1,438
Depreciation of investment properties		**107**	107
Amortisation of prepaid lease payments for land		**598**	598
Finance costs		**1,467**	–
Share of result of an associate		**185**	–
Share-based payment expenses		**6,609**	–
Allowance on properties for sale		**–**	13,000
Allowance for doubtful debts		**3,674**	–
Loss on disposal of property, plant and equipment		**2**	–
Interest income		**(27,887)**	(27,605)
Operating cash flows before movements in working capital		**(23,867)**	2,043
Increase in inventories		**(2,189)**	–
(Increase) decrease in trade and other receivables, deposits and prepayments		**(2,862)**	736
Increase in amounts due from related parties		**(730)**	–
Decrease in trade and other payables and accrued charges and deposits received		**(6,670)**	(681)
Decrease in provisions		**–**	(3,257)
(Decrease) increase in amount due to a related company		**(311)**	346
Decrease in investments held for trading		**84,138**	51,688
Cash from operating activities		**47,509**	50,875
Income taxes paid		**(5,163)**	–
NET CASH FROM OPERATING ACTIVITIES		**42,346**	50,875
INVESTING ACTIVITIES			
Net cash outflow from acquisition of subsidiaries	34	**(276,835)**	–
Interest received		**27,887**	27,605
Decrease in pledged bank deposits		**455**	93
Purchase of property, plant and equipment		**(8,021)**	(276)
Purchase of available-for-sale investments		**(598,118)**	(101,426)
Redemption of available-for-sale investments		**190,408**	215,140
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(664,224)**	141,136

Consolidated Cash Flow Statement

For the year ended 31st March, 2008

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Issue of shares	**279,600**	15,660
Issue of convertible notes	**133,692**	–
Increase in amount due to a director	**6,465**	–
Increase in amount due to minority shareholders	**18,103**	–
	437,860	15,660
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(184,018)**	207,671
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**223,983**	16,187
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**939**	125
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**40,904**	223,983
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**40,904**	223,983

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

1. GENERAL

The Company is a public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed "Corporate information" of the Company's Annual Report.

The Group is principally engaged in property development, property investment, engineering projects (involving sale of tools and equipment) and provision of consultancy services on well drilling.

The directors consider the Company's ultimate and immediate holding company to be Lee & Leung (B.V.I.) Limited, a company incorporated in the British Virgin Islands.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st April, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury share transactions

The adoption of the new HKFRSs has resulted in the changes to the following areas:

- The impact of application of HKFRS 7 "Financial instruments: Disclosures" has been to expand the disclosures provided in the financial statements regarding the Group's financial instruments, especially on the sensitivity analysis to market risk.

- The impact of application of HKAS 1 (Amendment) "Capital Disclosures" has been to disclose information regarding its objectives, policies and processes for managing capital.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

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

The application of the remaining new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arranagements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1st January, 2009.
2 Effective for annual periods beginning on or after 1st July, 2009.
3 Effective for annual periods beginning on or after 1st January, 2008.
4 Effective for annual periods beginning on or after 1st July, 2008.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the 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 and by Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

A summary of the significant accounting policies adopted by the Group is set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Impairment of goodwill

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where the entity transacts with the associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of tools and equipment is recognised when significant risks and rewards of ownership of the goods are transferred to buyers (generally on delivery, satisfactory installation and acceptance) and the amount of revenue and the costs incurred for the transaction can be measured reliably.

Revenue from provision of consultancy service on well drilling is recognised when services are provided.

Rental income is recognised on a straight line basis over the relevant lease term.

Interest income from a financial asset is recognised on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, and after taking into account their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold interest in land

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments for land under operating leases, which are carried at cost and amortised over the lease term on a straight line basis.

Notes to the Consolidated Financial Statements
For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is provided to write off the cost of investment properties over their estimated useful lives, using the straight line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised in accordance with the Group's accounting policies.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first out method.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale investments

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale investments are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible notes

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. Conversion option which will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rates of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables and amounts due to a related company/a director/minority shareholders are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company at the rates of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Notes to the Consolidated Financial Statements
For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Schemes the state-managed retirement pension schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

In related to share options granted before 1st January, 2005, the Group chose not to apply HKFRS2 with respect to share options granted on or before 7th November, 2002 and vested before 1st January, 2005 and accordingly, the consolidated financial statements did not recognize the financial effect of these share options until they were exercised.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from cash-generated unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st March, 2008, the carrying amount of goodwill is HK$258,678,000. Details of the recoverable amount calculation are disclosed in note 18.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of convertible notes and equity attributable to shareholders of the Company, comprising issued share capital, retained profits and other reserves.

The management reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with the issued share capital. The Group will balance its overall capital structure through the payment of dividends as well as obtaining finance from banks, if necessary.

There are no changes on the Group's approach to capital management during the year, and the Group is not subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 **HK$'000**	2007 HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**136,267**	232,015
Investments held for trading	**103,839**	187,977
Available-for-sale investments	**633,247**	225,537
Financial liabilities		
Liabilities at amortised cost	**175,184**	2,013

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group does not usually enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures.

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rate, interest rates and price risk.

Foreign currency risk management

The Group's financial assets and financial liabilities are substantially denominated in Hong Kong dollars or United States dollars. Since the Hong Kong dollars are pegged to the United States dollars, the management considers the foreign exchange risk to the Group is not significant.

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the group entity and therefore the Group is exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises. The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars	**743,058**	623,033	**–**	–
Renminbi	**7,797**	9,017	**1,059**	800

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(i) Market risk (continued)

Foreign currency risk management (continued)

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of individual entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. It is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rate. A negative number below indicates an increase in loss where functional currencies of the entity strengthens against the relevant currency. For a 5% weakening of functional currencies of individual entities against the relevant currency, there would be an equal and opposite impact on the loss, and the balances below would be positive.

	Profit or loss	
	2008	2007
	HK$'000	HK$'000
Renminbi	**(337)**	(411)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(i) Market risk (continued)

Interest rate risk management

The Group is exposed to both fair value and cash flow interest rate risk in relation to its interest bearing financial assets which are mainly available-for-sale investments, investments held for trading and bank deposits. These investments and bank deposits are respectively arranged at fixed rates and variable rates over the period. The management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to interest rates for available-for-sale investments and investments held for trading arranged at variable rate at the balance sheet date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interests rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31st March, 2008 would decrease/increase by approximately HK$332,000 (2007: profit would increase/decrease approximately by HK$320,000).

The Group's sensitivity to interest rates has increased during the current year mainly due to increase in variable rate financial instruments.

Price risk management

Other than the interest rate risk, the Group is also exposed to equity security price risk. Management monitors the price movements of these assets and makes appropriate investment decisions.

At 31st March, 2008, it is estimated that a 5 per cent increase in the prices of equity securities, with all other variables held constant, would decrease the Group's loss for the year by approximately HK$5,192,000 (2007: HK$9,282,000).

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the balance sheet date and had been applied to the exposure to price risk for the Group's investments held-for-trading at that date. The 5 per cent increase in prices represents management's assessment of a reasonably possible change in the prices of those instruments.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Credit risk management

The management performs individual credit evaluations on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group are arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 36(b).

In order to minimise the credit risk, the management reviews the recoverable amount of each receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. Ongoing credit evaluation is performed on the financial condition of trade receivables. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group has provided guarantees to banks by a subsidiary in respect of mortgage loans granted to property purchasers. These guarantees provided by the subsidiary to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The directors considered that the credit risk involved was not significant.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

The credit risk on the Group's liquid funds, including available-for-sale investments, investments held for trading and bank deposits, is limited because the majority of the counterparties are banks or corporations with high credit-worthiness.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank and other borrowings.

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate working capital and available banking facilities and continuously monitors the forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008							
Trade and other payables	–	10,909	18,466	4,569	–	33,944	33,944
Amount due to a related party	–	405	–	–	–	405	405
Amount due to a director	–	6,465	–	–	–	6,465	6,465
Amounts due to minority shareholders	–	18,103	–	–	–	18,103	18,103
Convertible notes	5.21	–	–	–	133,692	133,692	116,267
		35,882	18,466	4,569	133,692	192,609	175,184

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk management (continued)

	Weighted average effective interest rate %	On demand or Less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2007							
Trade and other payables	–	1,297	–	–	–	1,297	1,297
Amount due to a related party	–	–	–	716	–	716	716
		1,297	–	716	–	2,013	2,013

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices, or prices quoted by financial institutions or over the counter markets; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

7. REVENUE AND SEGMENT INFORMATION

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

	2008 **HK$'000**	2007 HK$'000
Sale of goods	**31,931**	–
Rental income	**6,199**	6,576
Service income	**5,160**	–
	43,290	6,576

The Group is principally engaged in property development, property investment, engineering projects (involving sale of tools and equipment) and provision of consultancy services on well drilling.

Notes to the Consolidated Financial Statements
For the year ended 31st March, 2008

7. REVENUE AND SEGMENT INFORMATION (continued)

The Group reports primary segment information based on its business. Segment information is presented below:

Business segment

	Property development HK$'000	Property investment HK$'000	Engineering projects HK$'000	Provision of consultancy service on well drilling HK$'000	Unallocated HK$'000	Consolidated HK$'000
2008						
Revenue	4,724	1,475	31,931	5,160	–	43,290
Result						
Segment result	(2,051)	840	760	1,891	–	1,440
Other unallocated income (note)					30,375	30,375
Unallocated corporate expenses					(17,464)	(17,464)
Share option expense					(6,609)	(6,609)
Due diligence expense on aborted acquisitions					(16,152)	(16,152)
Share of result of an associate					(185)	(185)
Finance costs					(1,467)	(1,467)
Loss before taxation						(10,062)
Taxation					(1,037)	(1,037)
Loss for the year						(11,099)
Assets						
Segment assets	112,045	31,505	346,679	8,710	–	498,939
Unallocated corporate assets					851,580	851,580
Total assets						1,350,519
Liabilities						
Segment liabilities	2,363	385	25,128	–	–	27,876
Unallocated corporate liabilities					173,556	173,556
Total liabilities						201,432
Other information						
Capital additions	–	–	–	–	8,021	8,021
Depreciation and amortisation	–	332	–	–	1,813	2,145
Allowance for doubtful debt	3,674	–	–	–	3,674	3,674
Loss on disposal of property, plant and equipment	–	–	–	–	2	2
Due diligence expense on aborted acquisition	–	–	–	–	16,152	16,152

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

7. REVENUE AND SEGMENT INFORMATION (continued)

Business segment (continued)

	Property development HK$'000	Property investment HK$'000	Engineering projects HK$'000	Provision of consultancy service on well drilling HK$'000	Unallocated HK$'000	Consolidated HK$'000
2007						
Revenue	5,136	1,440	–	–	–	6,576
Result						
Segment result	(9,413)	691	–	–	–	(8,722)
Other unallocated income (note)					35,695	35,695
Unallocated corporate expenses					(12,468)	(12,468)
Profit before taxation						14,505
Taxation					(130)	(130)
Profit for the year						14,375
Assets						
Segment assets	109,376	31,838	–	–	–	141,214
Unallocated corporate assets					692,273	692,273
Total assets						833,487
Liabilities						
Segment liabilities	2,404	240	–	–	–	2,644
Unallocated corporate liabilities					8,364	8,364
Total liabilities						11,008
Other information						
Capital additions	–	–	–	–	276	276
Depreciation and amortization	–	332	–	–	1,811	2,143
Allowance on properties for sale	13,000	–	–	–	–	13,000

Note: Other income represents mainly net income from short-term treasury activities, including investments in securities and money market funds and the placement of bank deposits.

7. REVENUE AND SEGMENT INFORMATION (continued)

Geographical segments

The following table provides an analysis of the Group's revenue by location of customers:

	Turnover from geographical market	
	2008	2007
	HK$'000	HK$'000
Hong Kong	**1,475**	1,440
The PRC	**41,815**	5,136
	43,290	6,576

The following is an analysis of the carrying amount of assets, and additions to property, plant and equipment analysed by geographical area in which the assets are located:

	Carrying amount of assets		Additions to property, plant and equipment	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Segment assets				
Hong Kong	**113,158**	31,838	**2,476**	250
The PRC	**385,781**	109,376	**5,545**	26
	498,939	141,214	**8,021**	276
Other assets				
Hong Kong	**58,954**	67,570	**–**	–
The PRC	**55,543**	20,930	**–**	–
United States of America (note)	**382,445**	338,173	**–**	–
European countries (note)	**354,638**	265,600	**–**	–
	1,350,519	833,487	**8,021**	276

Note: The assets represent the Group's investments in debt and equity securities and money market funds.

8. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Interest income from		
– available-for-sale investments	**22,336**	20,058
– investments held for trading	**5,363**	7,337
– bank deposits	**188**	210
	27,887	27,605
Exchange gains	**1,634**	2,631
Sundry income	**664**	659
	30,185	30,895

9. ALLOWANCE ON PROPERTIES FOR SALE

In view of the continuous development of large scale projects in the local region and the other unfavourable property market circumstances, the directors of the Company considered it appropriate to make allowance on the properties for sale amounting to HK$13 million for the year ended 31st March, 2007, which had been determined based on their net realisable value by reference to the market value of similar properties in the region by an independent valuer.

In the opinion of the directors, no allowance on properties for sale is made in the current year, and this is referenced to the market value of similar properties in the region based on a valuation as at 5th May, 2008 carried out by an independent valuer.

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Effective interest expense on convertible notes	**1,467**	–

11. (LOSS) PROFIT BEFORE TAXATION

	2008 **HK$'000**	2007 HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**732**	425
Amortisation of prepaid lease payments for land	**598**	598
Allowance for doubtful debts	**3,674**	–
Cost of inventories sold	**23,608**	–
Depreciation of		
– property, plant and equipment	**1,440**	1,438
– investment properties	**107**	107
Staff costs including directors' emoluments (note)	**16,541**	6,669
Share option expense	**6,609**	–
Due diligence expense on aborted acquisitions	**16,152**	–
Operating lease rentals in respect of land and buildings	**240**	330
Loss on disposal of property, plant and equipment	**2**	–
Impairment loss for club membership	**461**	–
Gross rental income from properties for sale/investment properties	**(6,199)**	(6,576)
Less: direct operating expense from properties for sale/investment properties that generated rental income during the year	**2,521**	1,964
	(3,678)	(4,612)

Note: The staff costs do not include the rental value of the Group's land and building provided as accommodation to certain directors of the Company which is disclosed in note 12.

Notes to the Consolidated Financial Statements
For the year ended 31st March, 2008

12. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable for each of the directors are as follows:

	Year ended 31st March, 2008				
	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Contributions to retirement benefit schemes HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors					
Mr. Lee Lap	–	3,140	12	–	3,152
Mdm. Leung Lai Ping	–	2,640	12	–	2,652
Mr. Wong Shiu Kee	–	1,080	54	–	1,134
Mr. Tommy Lee	–	206	10	–	216
Wang Jinlong	–	288	–	6,609	6,897
Independent non-executive directors					
Dr. Lee Tung Hai	100	–	–	–	100
Mr. Chan Siu Kang	100	–	–	–	100
Mr. Lo Yiu Hee	100	–	–	–	100
Mr. Tong Hin Wor	–	–	–	–	–
Non-executive director					
Mr. Lee Ka Sze, Carmelo	100	–	–	–	100
	400	7,354	88	6,609	14,451

12. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(a) Directors' emoluments (continued)

	Year ended 31st March, 2007			
	Fees	Basic salaries, allowances and benefits-in-kind	Contributions to retirement benefit schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Mr. Lee Lap	–	3,020	12	3,032
Mdm. Leung Lai Ping	–	2,520	12	2,532
Mr. Wong Shiu Kee	–	980	49	1,029
Independent non-executive directors				
Dr. Lee Tung Hai	100	–	–	100
Mr. Chan Siu Kang	100	–	–	100
Mr. Lo Yiu Hee	100	–	–	100
Non-executive director				
Mr. Lee Ka Sze, Carmelo	100	–	–	100
	400	6,520	73	6,993

During the year, the land and building of the Group with a rental value of HK$2,280,000 (2007: HK$2,040,000) were provided as accommodation to certain directors of the Company which has been included in basic salaries, allowances and benefits-in-kind disclosed above.

(b) Senior employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2007: three) are directors of the Company, whose emoluments have been included above. The emoluments of the remaining two (2007: two) individuals, whose emoluments are individually below HK$1,000,000, are as follows:

	2008	2007
	HK$'000	HK$'000
Basic salaries, allowances and benefits-in-kind	**664**	613
Contributions to retirement benefit schemes	**26**	30
	690	643

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For the year ended 31st March, 2008

13. TAXATION

	2008 **HK$'000**	2007 HK$'000
The tax charge comprises:		
Hong Kong Profits Tax	**290**	130
PRC Enterprise Income Tax	**747**	–
	1,037	130

Hong Kong Profits Tax is calculated at 17.5% on estimated assessable profit.

The PRC income tax of subsidiaries is calculated at prevailing PRC tax rates on the estimated profits for the year.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. For a subsidiary of the Group which was qualified as High/New Tech Enterprise under old law or regulations, it was entitled to an incentive tax rate of 15%, the tax rate has been/ will be progressively increased to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010 2011, 2012, respectively and thereafter subject to the tax rate of 25%. For other subsidiaries of the Group that were subject to tax rate of 33%, the New Law and Implementation Regulations has changed the tax rate from 33% to 25% from 1st January, 2008.

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2008 **HK$'000**	2007 HK$'000
(Loss) profit before taxation	**(10,062)**	14,505
Tax at the applicable income tax rate of 17.5%	**(1,761)**	2,538
Tax effect of expenses not deductible for tax purpose	**6,108**	1,837
Tax effect of income not taxable for tax purpose	**(3,635)**	(6,187)
Tax effect of deductible temporary differences not recognised	**140**	2,455
Tax effect of tax losses not recognised	**670**	18
Utilisation of tax losses previously not recognised	**(205)**	(537)
Effect of share of results of an associate	**32**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(187)**	–
Others	**(125)**	6
Tax charge for the year	**1,037**	130

Details of the deferred tax not recognised are set out in note 33.

14. (LOSS) EARNINGS PER SHARE

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

	2008	2007
	HK$'000	HK$'000
(Loss) profit for the year attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	**(12,307)**	14,375

	Number of shares	
	'000	'000
Number of ordinary shares for the purposes of basic (loss) earnings per share	**1,780,180**	1,696,040
Effect of dilutive potential ordinary shares – share options	**–**	15,564
Number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,780,180**	1,711,604

For the year ended 31st March, 2008, no diluted (loss) earnings per share has been presented as the exercise of share option and the conversion of convertible note would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Machinery, moulds and equipment HK$'000	Furniture, fixtures, equipment and leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st April, 2006	6,250	89	8,822	4,646	19,807
Additions	–	–	26	250	276
At 31st March, 2007	6,250	89	8,848	4,896	20,083
Additions	–	391	5,080	2,550	8,021
Acquisition of subsidiaries	–	1,403	–	1,227	2,630
Disposals	–	(5)	–	–	(5)
Exchange adjustment	–	66	–	52	118
At 31st March, 2008	**6,250**	**1,944**	**13,928**	**8,725**	**30,847**
DEPRECIATION					
At 1st April, 2006	1,549	89	5,453	3,447	10,538
Provided for the year	142	–	717	579	1,438
At 31st March, 2007	1,691	89	6,170	4,026	11,976
Provided for the year	142	93	915	290	1,440
Disposals	–	(3)	–	–	(3)
Exchange adjustment	–	22	–	12	34
At 31st March, 2008	**1,833**	**201**	**7,085**	**4,328**	**13,447**
CARRYING VALUES					
At 31st March, 2008	**4,417**	**1,743**	**6,843**	**4,397**	**17,400**
At 31st March, 2007	4,559	–	2,678	870	8,107

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For the year ended 31st March, 2008

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight line basis over their useful lives, after taking into account of their estimated residual value, as follows:

Category of assets	Estimated useful lives
Buildings	25 to 40 years or over the remaining lease term of the land on which the building is situated, if shorter
Machinery, moulds and equipment	18%
Furniture, fixtures and equipment and leasehold improvements	10%
Motor vehicles	10%

The carrying value of the Group's buildings is analysed as follows:

	2008 HK$'000	2007 HK$'000
Buildings situated on leasehold interest in land in Hong Kong on:		
Long lease	**3,592**	3,702
Medium-term leases	**825**	857
	4,417	4,559

16. PREPAID LEASE PAYMENTS FOR LAND

	2008 HK$'000	2007 HK$'000
The Group's prepaid lease payments for land comprise:		
Leasehold land in Hong Kong on		
Long lease	**63,935**	64,447
Medium-term leases	**3,338**	3,424
	67,273	67,871
Analysed for reporting purposes as:		
Non-current	**66,675**	67,273
Current	**598**	598
	67,273	67,871

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For the year ended 31st March, 2008

17. INVESTMENT PROPERTIES

	Buildings HK$'000
COST	
At 1st April, 2006, 31st March, 2007 and 31st March, 2008	**4,480**
DEPRECIATION	
At 1st April, 2006	788
Provided for the year	107
At 31st March, 2007	895
Provided for the year	107
At 31st March, 2008	**1,002**
CARRYING VALUES	
At 31st March, 2008	**3,478**
At 31st March, 2007	3,585

The buildings are situated on land in Hong Kong on long lease. The Group's leasehold interest in the land with the carrying amount of approximately HK$28,028,000 at 31st March, 2008 (2007: HK$28,253,000) has been included in prepaid lease payments for land (note 16). The building are depreciated on a straight line basis over its estimated useful lives of 40 years.

The fair value of the Group's investment properties at 31st March, 2008, which comprise of leasehold interest in land and building, is HK$82,000,000 (2007: HK$55,000,000). The fair value has been arrived at based on a valuation carried out by DTZ Debenham Tie Leung Limited ("Debenham Tie Leung"), independent qualified professional valuers not connected with the Group with appropriate qualifications and recent experiences in valuation of similar properties in the relevant locations. The valuation report was issued by Debenham Tie Leung, represented by its director who is a member of the Institute of Valuers. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties.

The Group's investment properties are rented out under operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

18. GOODWILL

	2008	2007
	HK$'000	HK$'000
Arising on acquisition of subsidiaries and carrying amount at 31st December,	**258,678**	–

The goodwill is arisen from the acquisition of subsidiaries during the year (see note 34).

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the cash generating unit of provision of engineering on well drilling.

During the year ended 31st March, 2008, the management of the Group determines that there is no impairment of the CGU containing goodwill.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 23.3%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

19. PROPERTIES FOR SALE

The properties for sale are carried at net realisable value.

20. INVENTORIES

The inventories represent the finished goods held by the Group at the balance sheet date.

21. TRADE AND OTHER RECEIVABLES

The Group allows a normal credit period of 60 days to its customers in respect of the engineering projects and provision for consultancy services on well drilling. The Group also allows longer credit period for its strategic customers.

Rentals receivable are payable in accordance with the terms of the relevant agreements. The Group does not generally provide any credit period to its tenants.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

21. TRADE AND OTHER RECEIVABLES (continued)

	2008 HK$'000	2007 HK$'000
Trade receivables	**74,256**	5,543
Less: allowance for doubtful debts	**(3,674)**	–
	70,582	5,543
Prepayments	**22,017**	–
	92,599	5,543

The following is an aged analysis of trade receivables at the balance sheet date:

	2008 HK$'000	2007 HK$'000
1-90 days	**36,328**	2,979
Over 90 days	**34,254**	2,564
	70,582	5,543

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the management is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly. The movement in allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2008 HK$'000	2007 HK$'000
Increase in allowance recognised in profit or loss, and balance at end of the year	**3,674**	–

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2008 HK$'000	2007 HK$'000
Neither past due nor impaired	**26,577**	–
Past due but not impaired		
0-90 days	**36,995**	2,979
Over 90 days	**7,010**	2,564
	44,005	5,543
Total	**70,582**	5,543

21. TRADE AND OTHER RECEIVABLES (continued)

Receivables that were past due but not impaired relate to a wide ranged of independent customers that have a good track record without default history. Based on past experience, management believes that no allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

22. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represent investments in money market funds which are managed by international financial institutions and are redeemable on demand. Such money market funds are carried at their fair value at respective balance sheet dates. The fair value is determined based on valuation provided by the counterparty financial institutions by reference to prices of the funds' underlying investments quoted from over-the-counter markets. The average effective interest rate in respect of money market funds at 31st March, 2008 is approximately 4.6% (2007: 5.1%).

23. INVESTMENTS HELD FOR TRADING

	2008	2007
	HK$'000	HK$'000
The fair value of the investments held for trading at the balance sheet date includes:		
Unlisted debt securities	**103,839**	187,662
Listed equity securities in Hong Kong	**–**	315
	103,839	187,977

The debt securities, which mainly represents investments in corporations in either United States of America or European countries with good credit rating, are substantially carry interest at fixed interest rates, are denominated in United States dollars with maturity dates ranging from 15th July, 2007 to 26th June, 2013. The average effective interest rate in respect of the debt securities at 31st March, 2008 is approximately 4.22% (2007: 3.52%).

The fair value of unlisted securities is based on prices quoted by financial institutions by reference to transactions or the counter markets and those of the listed equity securities is based on bid prices quoted in the relevant stock exchange.

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24. AMOUNTS DUE FROM RELATED PARTIES

The Group has the following outstanding balances due from related parties:

Name of related party	**Balance at 2008 HK$**	Balance at 2007 HK$	Maximum amount outstanding during the year HK$
Zhao Jindong 趙錦棟	**107**	–	107
Zhang Xiaorui 張曉瑞	**623**	–	623
	730	–	

Mr. Zhao Jindong is the director of the Group's subsidiary. Ms. Zhang Xiaorui is the minority shareholder of the Group's subsidiary. The amounts due from related parties are unsecured, interest-free and repayable on demand.

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits and bank balances and cash, which comprise short-term bank deposits, carry interest at effective interest rates ranging from 0.01% to 2.65% (2007: 3.4% to 5.2%) per annum.

26. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade and other payables at the balance sheet date:

	2008 HK$'000	2007 HK$'000
0-90 days	**11,970**	–
Over 90 days	**21,974**	1,297
Trade and other payables	**33,944**	1,297
Accrued charges	**10,860**	1,413
	44,804	2,710

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

27. PROVISIONS

	2008 HK$'000	2007 HK$'000
Provisions for warranties and undertakings (note)		
At beginning of the year	**3,173**	3,430
Utilised during the year	**–**	(257)
At end of the year	**3,173**	3,173
Provision for settlement of legal action		
At beginning of the year	**–**	3,000
Provided for the year	**–**	–
Utilised during the year	**–**	(3,000)
At end of the year	**–**	–
Total at end of the year	**3,173**	3,173

Note: The provision represents management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties and undertakings given in connection with the disposal of subsidiaries in prior years as referred to in note 36(c). The timing of payment for such costs and expenses is dependent upon finalisation of certain matters requiring the approval of the PRC local authorities, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

28. AMOUNTS DUE TO A RELATED COMPANY/A DIRECTOR/MINORITY SHAREHOLDERS

The amounts due to a related company/a director/minority shareholders are unsecured, interest free and repayable on demand.

29. CONVERTIBLE NOTES

On the date of completion of the acquisition of Petro-king International Company Limited ("Petro-king HK") and Petro-king Oilfield Technology Limited ("Petro-king PRC"), the Company and King Shine Group Limited ("King Shine"), a company which was set up by the PRC vendors entered into the a convertible notes subscription agreement, pursuant to which the Company agreed to issue and King Shine agreed to subscribe for the convertible notes in the principal amount of HK$133,692,000 at conversion price of HK$1.20 per conversion share. The convertible notes are interest free and shall be redeemed on the date falling on the third anniversary of the date of issue of the convertible notes.

The convertible notes, being a compound financial instrument (that contains both financial liability and equity components), was split between the equity component of HK$18,892,000 and the liability component of HK$114,800,000. The valuation was based on the valuation report issued by Vigers Appraisal & Consulting Limited, a firm of independent valuers, dated 18th April, 2008. The effective interest rate of the liability component is 5.21% per annum.

On the maturity date, King Shine shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible notes (if any) in cash, or at its option to convert (i) the whole (but not part only) of the outstanding principal amount of the outstanding and unconverted convertible notes into shares or (ii) part thereof into shares together with the full repayment of the remaining principal balance thereof in cash.

King Shine agrees not to exercise the conversion right nor transfer the convertible notes during the period from the date of issue of the convertible notes to 30th June, 2009. However, if the profit guarantee in respect of Petro-king HK and Petro-king PRC for the year ended 31st December, 2007 is met, King Shine will be entitled to exercise the conversion right or transfer up to 30% of the convertible notes. Provided that if the separate listing of the Petro-king Group on a recognised stock exchange to be decided shall occur before 30th June, 2009, the lock-up period will cease to have effect on the date of the listing of the Group.

The movement of the liability component of the convertible bond for the year is set out below:

	2008	2007
	HK$'000	HK$'000
Carrying amount at the date of issue	**114,800**	–
Interest charge	**1,467**	–
Carrying amount at the end of the year	**116,267**	–

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30. SHARE CAPITAL

	2008 & 2007	
	Number of shares '000	**Nominal value HK$'000**
Ordinary shares of HK$0.08 each		
Authorised	2,800,000	224,000
Issued and fully paid		
At 1st April, 2006	1,664,643	133,171
Shares issued in respect of exercise of share options	60,000	4,800
At 31st March, 2007	1,724,643	137,971
Shares issued	233,000	18,640
At 31st March, 2008	**1,957,643**	**156,611**

In January 2008, 233,000,000 ordinary shares of the Company were placed to the ultimate holding company of the Company at a price of HK$1.20 per share. The proceeds from placement of shares of the Company were used for the acquisition set out in note 34. All the new shares issued rank pari passu in all respects with the existing shares.

31. SHARE OPTIONS

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 22nd August, 2001, the Company adopted a new share option scheme ("2001 ESOP") to replace the scheme adopted in 1991 which was terminated on that date.

Under the 2001 ESOP, the Company granted options on 31st August, 2001 to its directors to subscribe for a total of 60,000,000 ordinary shares in the Company at the subscription price of HK$0.261 per share exercisable during the period from 1st October, 2001 to 30th September, 2007. The consideration for the options granted amounted to HK$2, which was recognised in the consolidated income statement when received. In the year ended 31st March, 2007, the options to subscribe for 60,000,000 ordinary shares of the Company at HK$0.261 per share were exercised.

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 18th August, 2006, the Company adopted a new share option scheme ("2006 ESOP") to replace the scheme adopted in 2001 which was terminated on that date.

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31. SHARE OPTIONS (continued)

On 14th January, 2008, a share option agreement has been entered into between the Company and Mr. Wang Jinlong, as a capacity of chief executive officer of the Company, whereby the Company granted to Mr. Wang Jinlong the right to subscribe for 20,000,000 new shares at HK$1.20 per share and are exercisable during the periods from 25th February, 2008 to 26th February, 2011 for 10,000,000 share options and from 25th February, 2009 to 26th February, 2011 for the remaining 10,000,000 share options.

On 28th March, 2008, the Company granted 17,000,000 options to its director, Mr. Wang Jinlong, at an exercise price of HK$1.25 per share and are exercisable during the periods from 28th March, 2009 for 5,666,666 share options, from 28th March, 2010 for 5,666,667 share options and from 28th March, 2011 for 5,666,667 share options, until 27th March, 2018.

The fair values were calculated using the binominal option pricing model. The inputs into the model were as follows:

Grant date	25th February, 2008	28th March, 2008
Share price at grant date	HK$1.37 per share	HK$1.15 per share
Exercise price	HK$1.20 per share	HK$1.25 per share
Volatility	73%	73%
Risk free rate	1.99%	2.58%
Dividend yield	0% per annum	0% per annum

The following table discloses movements of the Company's share options under the 2006 ESOP and share option agreement entered into with Mr. Wang Jinlong during the year:

Date granted	Outstanding at 1.4.2007	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31.3.2008
25th February, 2008	–	20,000,000	–	–	–	20,000,000
28th March, 2008	–	17,000,000	–	–	–	17,000,000
	–	37,000,000	–	–	–	37,000,000
Exercisable at the end of the year						10,000,000
Weighted average exercise price	–	HK$1.22	–	–	–	HK$1.22

31. SHARE OPTIONS (continued)

The following table discloses movements of the Company's share options under the 2001 ESOP held by Mr. Lee Lap and Mdm. Leung Lai Ping during last year:

Date granted	Outstanding at 1.4.2006	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31.3.2007
31st August, 2001	60,000,000	–	(60,000,000)	–	–	–

32. RESERVES

Details of the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 42.

The directors do not recommend the payment of a dividend in respect of the year (2007: Nil).

33. DEFERRED TAXATION

At the balance sheet date, the Group has deductible temporary differences of HK$27,993,000 (2007: HK$41,704,000) and unused tax losses of HK$86,411,000 (2007: HK$86,847,000) available for offset against future profit. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Substantially all the tax losses may be carried forward indefinitely.

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34. ACQUISITION OF SUBSIDIARIES

On 10th October, 2007, the Group entered into various agreements, pursuant to which the Group acquired 51% of the issued share capitals of Petro-king HK and Petro-king PRC at the aggregate consideration of RMB255,000,000 (equivalent to about HK$274,890,000) which was satisfied in cash. Legal and professional charge associated with the acquisition is HK$11,097,000, which is capitalised as part of the investment cost.

The Company has obtained profit guarantee from the vendors whereby the Company will be reimbursed part of the consideration paid on the acquisition, if: (i) the aggregated amount of the audited consolidated net profits of Petro-king HK and Petro-king PRC for each of the two years ended 31st December, 2007 and ending 31st December, 2008 is less than RMB45 million and RMB55 million respectively, or (ii) the aggregated amount of the audited consolidated net profits of Petro-king HK and Petro-king PRC for the two years ending 31st December, 2008 is less than RMB100 million.

34. ACQUISITION OF SUBSIDIARIES (continued)

The above transactions were approved by the members of the Company on the special general meeting to be held on 28th December, 2007 and the details of the above transactions are set out in the Company's circular dated 12th December, 2007. The effective date of the acquisition is 31st December, 2007.

	Acquiree's company carrying amount and provisional fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	2,558
Interest in an associate	550
Inventories	13,496
Trade and other receivables	84,082
Amount due from related parties	24,135
Amount due from an associate	2,646
Bank balances and cash	8,147
Trade and other payables and accrued charges	(46,252)
Amounts due to related parties	(24,854)
Tax payable	(10,877)
	53,631
Minority interest	(26,279)
Goodwill	258,635
Total consideration	285,987
Satisfied by:	
Cash	285,987
Net cash outflow arising on acquisition:	
Cash consideration paid	285,987
Bank balances and cash acquired	(8,147)
	277,840

Goodwill arising on the acquisition of Petro-king HK and Petro-king PRC during the year is determined on a provisional basis as the nature and fair value of the identifiable assets acquired can be determined on a provisional value only. The Company is in process of obtaining independent valuation to access the fair value. It may be adjusted upon the completion of the initial accounting.

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34. ACQUISITION OF SUBSIDIARIES (continued)

On 30th March, 2008, Petro-king PRC had further acquired additional interest of 3% in the associate, Beijing Petroking-Enruida Oilfield Technology Co., Ltd. 北京百勤恩瑞達石油技術有限公司 ("Petro-king BJ"). After the acquisition, Petro-king BJ became an indirect subsidiary of the Company. Before the acquisition of additional interest in Petro-king BJ, Petro-king PRC had 48% interest in Petro-king BJ. Petro-king BJ is a limited liability company established in the PRC on 3rd April, 2006 with a registered capital of RMB2,000,000.

	Acquiree's company carrying amount and provisional fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	72
Inventories	790
Trade and other receivables	1,748
Tax recoverable	153
Amount due from related parties	623
Bank balances and cash	1,454
Trade and other payables and accrued charges	(1,774)
Amounts due to related parties	(2,267)
	799
Minority interests	(393)
Goodwill	43
Total consideration	449
Satisfied by:	
Cash	67
Transfer from interest in an associate	382
	449
Net cash inflow arising on acquisition:	
Cash consideration paid	449
Bank balances and cash acquired	(1,454)
	(1,005)

Goodwill arising on the acquisition of Petro-king BJ during the year is determined on a provisional basis as the nature and fair value of the identifiable assets acquired can be determined on a provisional value only. The Company is in process of obtaining independent valuation to access the fair value. It may be adjusted upon the completion of the initial accounting.

35. OPERATING LEASE COMMITMENTS

The Group as lessor

At the balance sheet date, the Group's investment properties (comprising leasehold interest in land and building) and properties held for sale with carrying amounts of HK$31,505,000 (2007: HK$31,838,000) and HK$70,034,000 (2007: HK$85,909,000) respectively were let out under operating leases, some of which contain rent free periods and rental escalation over the lease terms. All of the properties leased out have committed tenants for the next one to six years without termination options.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	HK$'000	HK$'000
Within one year	**2,816**	3,830
In the second to fifth years inclusive	**2,319**	5,500
Over five years	**1,186**	–
	6,321	9,330

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**180**	180

Operating lease payments represent rentals payable by the Group for office premises and warehouses. These are negotiated and rentals are fixed on an annual basis.

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36. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of assets pledged and contingent liabilities of the Group outstanding at the balance sheet date are as follows:

(a) Bank deposits of Nil (2007: HK$465,000) were pledged to secure the credit facilities granted to the Group.

(b) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers by banks amounted to approximately HK$140,000 (2007: HK$172,000) and, in this connection, the Group's bank deposits of HK$2,034,000 (2007: HK$2,024,000) were pledged to the banks as security. These guarantees provided by the subsidiary to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The directors considered that the fair value of such guarantee on initial recognition was insignificant.

(c) In connection with the disposal in 1999 of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards, the Group has given warranties and undertakings to the purchaser as specified in the agreement for the disposal of these subsidiaries. During the year ended 31st March, 2001, the Group received notification from the purchaser raising claims against the Group arising from the warranties and undertakings. It is the intention of the management to contest the claims vigorously. No legal proceedings have yet been instituted against the Group for these claims. Based upon legal advice obtained, management is of the opinion that such claims, if materialised, would not result in any material liabilities to the Group in excess of the amounts already provided for in the consolidated financial statements.

37. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contributions.

The contributions payable to the schemes by the Group in respect of the year which were charged to the consolidated income statement amounted to HK$206,000 (2007: HK$132,000).

38. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

(a) Pursuant to the tenancy agreements entered into between Panda Investment Company Limited ("Panda Investment") and a wholly-owned subsidiary, Termbray Electronics Company Limited ("Termbray Electronics"), Termbray Electronics leased certain office premises and warehouses from Panda Investment during the year at the agreed rental of HK$240,000 (2007: HK$330,000). The Company's directors, Mr. Lee Lap and Madam Leung Lai Ping, have controlling interests in Panda Investment.

(b) At 31st March, 2008, the Group had an amount of approximately HK$405,000 (2007: HK$716,000) due to Panda Investment which is unsecured, interest free and repayable on demand.

(c) Pursuant to a tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap, and a wholly-owned subsidiary, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), Termbray Fujian leased its land and building to Mr. Lee Wing Keung for a period of 3 years commencing from 16th March, 2008 at the monthly rental of HK$190,000 determined by reference to the market rental value of the property as valued by a property valuer. The rental income recognised in the consolidated income statement for the year is HK$1,475,000 (2007: HK$1,440,000).

(d) The compensation of key management personnel paid or payable by the Group in respect of the year, substantially all of which comprised of short term benefits attributable to the directors of the Company, amounted to HK$14,451,000 (2007: HK$6,993,000), details of which are set out in note 12.

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2008

39. PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of the subsidiaries at 31st March, 2008 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length. All the principal subsidiaries are wholly owned subsidiaries and, unless otherwise specified, are operating in their place of incorporation/establishment, unless otherwise specified. None of the subsidiaries had any loan capital outstanding at 31st March, 2008 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
Direct subsidiary:			
Termbray Electronics (B.V.I.) Limited (i)	British Virgin Islands	100 ordinary shares of US$1 each	Investment holding
Indirect subsidiary:			
Bow Yuen Industries Limited (ii)	Hong Kong	28,000 ordinary shares of HK$1 each	Investment holding
Ever Success Properties Limited (ii)	Hong Kong	100 ordinary shares of HK$1 each	Investment holding
Termbray (China) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Investment holding
Termbray (Fujian) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Property holding
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Property holding
Termbray Electronics Company Limited	Hong Kong	2 ordinary shares of HK$100 each and 10,000 non-voting deferred shares of HK$100 each	Investment holding and treasury activities

Notes to the Consolidated Financial Statements
For the year ended 31st March, 2008

39. PARTICULARS OF SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
# Petro-king Holding Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Investment holding
# Petro-king International Company Limited	Hong Kong	100 ordinary shares of HK$1 each	Trading of tools and equipment and provision for consultancy services on well drilling
# Petro-king Oilfield Technology Limited (iii)	The People's Republic of China	Registered capital of RMB5,000,000	Trading of tools and equipment and provision for consultancy services on well drilling
# Beijing Petroking-Enmida Oilfield Technology Co., Ltd. (iii)	The People's Republic of China	Registered capital of RMB2,000,000	Trading of tools and equipment and consultancy services on well drilling
Termbray Energy Company Limited (i)	British Virgin Islands	100 ordinary shares of US$1 each	Investment holding
Shenzhen Termbray Power Technology Company Limited (iii)	The People's Republic of China	Registered capital of US$700,000	Provision of engineering consulting services
Zhongshan Ever Success Properties Limited (iii)	The People's Republic of China	Registered capital of RMB1,500,000	Property development

(i) Operating in Hong Kong
(ii) Operating in the PRC
(iii) A limited liability company established in the People's Republic of China.
Non-wholly owned subsidiary, shares held by the Group is 51%.

List of Major Properties

PROPERTIES FOR SALE

Property location	Use	Approximate gross floor area Sq.m.	Group's attribution interest %
90-124 An Lan Road, Zhongshan, Guangdong Province	Commercial and car park Residential	16,452 27,020	100 100

Five Year Financial Summary

The following tables summarize certain consolidated financial information in respect of the Group's results, assets and liabilities for the last five financial years, as extracted from the audited financial statements.

CONSOLIDATED RESULTS

	Year ended 31st March,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**43,290**	6,576	5,399	3,095	3,370
(Loss)/profit before taxation	**(10,062)**	14,505	4,105	(36,567)	1,820
Taxation	**(1,037)**	(130)	(130)	–	–
(Loss)/profit for the year	**(11,099)**	14,375	3,975	(36,567)	1,820

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**17,400**	8,107	9,269	11,427	13,680
Prepaid land lease payments	**66,675**	67,273	67,871	68,469	69,067
Investment properties	**3,478**	3,585	3,692	3,801	3,910
Properties for development	**–**	–	–	–	20,578
Other non-current assets	**2,034**	2,024	2,117	2,112	2,806
Goodwill	**258,678**	–	–	–	–
Current assets	**1,002,254**	752,498	718,411	707,735	729,489
TOTAL ASSETS	**1,350,519**	833,487	801,360	793,544	839,530
CURRENT LIABILITIES	**(85,165)**	(11,008)	(17,114)	(16,079)	(18,989)
NON-CURRENT LIABILITIES	**(116,267)**	–	–	–	–
NET ASSETS	**1,149,087**	822,479	784,246	777,465	820,541
Equity attributable to equity holders of the Company	**1,120,791**	822,063	783,830	777,049	820,125
Minority interests	**28,296**	416	416	416	416
TOTAL EQUITY	**1,149,087**	822,479	784,246	777,465	820,541

Five Year Financial Summary

PER SHARE DATA

	As at 31st March,				
	2008	2007	2006	2005	2004
	HK cents	HK cents	HK cents	HK cents	HK cents
Basic (loss) earnings per share	**(0.69)**	0.85	0.24	(2.20)	0.11
Dividends per share	**–**	–	–	–	–
Net asset value per share	**58.70**	47.69	47.11	46.70	49.29