Annual Report 2008/2009

Termbray Industries International (Holdings) Limited

Stock Code: 0093

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Termbray Industries International (Holdings) Limited
Annual Report 2008/2009

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

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
30-38 Tsuen King Circuit
Tsuen Wan, New Territories, Hong Kong
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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
Telephone: (852) 2980 1768
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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
Hang Seng Bank Limited

LEGAL ADVISORS IN HONG KONG

Woo, Kwan, Lee & Lo

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

Chairman's Statement

LEE LAP *Chairman*

Chairman's Statement

RESULTS

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, 2009. The Group recorded a profit for the year of HK$21,858,000 and loss attributable to equity holders of HK$6,629,000 for the year ended 31st March, 2009, compared with loss for the year of HK$27,846,000 and loss attributable to equity holders of HK$20,848,000 in last year.

DIVIDEND

The board of directors of the Company does not recommend the payment of a dividend in respect of the year (2008: 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. Due to the vacancy of the commercial arcades, the occupancy rate of the residential units is also dropped. The management has put much effort in marketing the properties. The rental income earned by the Group from these properties during the period is decreased by 23.89%. As at 31st March, 2009, 227 residential units remained to be sold, out of which 174 residential units were let out.

Since June 2008, the Group has operated the commercial arcades itself with a business partner who has experience in running similar retail centre. The Group has 51% interest in the operating company. However, the occupancy rate is still not much improved, and the performance is not satisfactory. In November 2008, the Group has taken over the whole operation of the commercial arcades. The management is still trying hard to improve the situation by looking for innovative trendy commodities which is attractive to the consumers in Zhongshan.

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

Last year, the Group succeeded in diversify its principal activities into the oilfield related industry. The acquisition of Petro-king International Co.,Limited ("Petro-king HK") and Petro-king Oilfield Technology Limited ("Petro-king SZ", together with Petro-king HK as "Petro-king Group") was completed on 31st December, 2007.

During the year under review, the turnover of Petro-king Group is HK$212.3 millions (2008: HK$37.1 millions). The significant increase in turnover in current year by 472% is due to only three months' performance was accounted for in Termbray Group's result in last year after completion of acquisition of Petro-king Group on 31st December, 2007. Petro-king Group has maintained very good relationship with its existing customers. It is engaged in more difficult and complex oilfields services and the competition for high-end oil exploration technology is not very keen in China, therefore it is able to increase its business. As most of the exploration tools are imported from overseas which have better quality and performance, Petro-king Group is able to maintain a growth in profit margin on its projects. On the other hand, Sichuan province of China is one of its major operating market, but the earthquake did not cause any significant impact on its business in this region.

In addition, Petro-king Group also expands its business presence worldwide along with its major customers which acquired a number of overseas oilfield projects. Petro-king Group has undertaken the initial design work for several massive projects in Middle East. These projects output are well-accepted by our customers and will secure more jobs for Petro-king Group in the coming years.

On 6th August, 2008, Petro-king SZ entered into an acquisition agreement with Beijing Hendrun Energy Environment Technology Limited to acquire the entire registered and paid up capital of Beijing Enruida Technology Co., Limited ("Enruida PRC") at a consideration of RMB40,000,000. On the same date, Petro-king Holding Limited also entered into an acquisition agreement with Wisdom Boom Investments Limited to acquire the entire issue share capital of Hendrun Technologies Industrial R&D Co., Limited ("Enruida HK", collectively with Enruida PRC referred as "Enruida Group") at a consideration of such sum equivalent to RMB135,000,000. Such consideration shall be payable partly in cash and partly by way of issue and allotment of the IPO shares of the listing vehicle of the Petro-king Group.

The relevant details of the acquisition of Enruida Group were announced on the Company's and the Stock Exchange's website on 12th August, 2008.

The Enruida Group provides oilfield engineering and technical consultancy services for domestic oilfields as well as environmental protection services in the oilfields including sewage treatment, waste management and pollution control.

In view of the global financial crisis and the prevailing stock condition, the parties to the Enruida PRC Acquisition Agreements and the Enruida HK Acquisition Agreement (the "Acquisition Agreements") have reassessed the appropriateness of timing and merits of the terms of the Acquisition Agreements and mutually agreed on 31st October, 2008 not to proceed with the Acquisition Agreements. Each party to the Acquisition Agreements shall bear its own costs and disbursements in relation to the Acquisition.

Chairman's Statement

The Group has incurred due diligence expenses of approximately HK$5,174,000 in assessing and evaluating the Enruida Group. The termination of the Acquisition Agreements has no material adverse impact on the business development of the Group.

TREASURY INVESTMENT ACTIVITY

The Group still holds a substantial amount of funds of approximately HK$0.7 billion. It was 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 before the outbreak of the global financial crisis. In encounter with the global financial crisis, the Group has realized most of the money market fund into cash and has transferred the cash to large banks in Hong Kong.

OUTLOOK

The global economy sustained a stable and balance growth during the first half of the current financial year. With the outbreak of the global financial crisis in the last quarter of 2008, the global economy is definitely adversely affected. We will need to monitor carefully how is the economy being affected and when can it be recovered. We believe China continues to play a key role in the future global economic recovery. 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.

During the year under review, the crude oil price has been fluctuated significantly. It drops substantially from record high of USD147 per barrel in July 2008 to USD33 per barrel in December 2008 due to the biggest ever financial tsunami spread from United States to all over the world. This cause massive recession and crude oil stock piled up. The crude oil price has reverted upward in recent months and according to latest forecasts it will surpass USD70 per barrel by the end of 2009 and the trend is expected to continue. The economic revival plan starts to take effect in the leading economies in different regions, e.g. China and United States. With the implementation of the new price adjustment mechanism in China, our PRC customers will be benefited by the current price level as it will not trigger the special profit tax levy that will be imposed for them when the international oil price maintain at a high level. We expect there will be more changes to reflect the international price trend, hence it helps to improve the performance of our PRC customers. We anticipate our PRC customers will maintain capital investment domestically and increase overseas investment to meet the huge net import consumption of China. Besides, we manage to open up more new businesses in Northern China.

In addition, Petro-king Group has kicked-off several massive projects in oversea markets, such as Middle East and Asia-Pacific. These new projects will last for several years. These projects have completed initial design and will soon undergo production in the coming years. The multinational oil companies are still investing reasonably on exploitation and production of petroleum in which Petro-king Group have the expertise in the niche market. With their continue expansion of the business worldwide, these overseas customers will offer more business to Petro-king Group. We are cautiously optimistic about the future performance of Petro-king Group.

Chairman's Statement

It is the Group's ongoing strategy to gain a foothold and develop in the natural resources sector by way of cautiously exploring different kinds of investment opportunities which will result in a steady growth in the Group's long term performance. On the other hand, there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements, the impact of global financial crisis, the recovery progress of the global economy, the global human swine flu 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.

Lee Lap
Chairman

Hong Kong, 10th July, 2009

Management Discussion and Analysis

RESULTS

During the current year under review, the Group achieved a turnover of HK$218,809,000 and recorded a profit for the year of HK$21,858,000 and loss attributable to equity holders of HK$6,629,000 compared with the turnover of HK$43,290,000 and loss for the year of HK$27,846,000 and loss attributable to equity holders of HK$20,848,000 recorded in last year.

SEGMENT INFORMATION

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

	2009 **HK$'000**	2008 HK$'000
Sale of goods	**146,597**	31,931
Sales of properties	**367**	–
Rental income	**6,153**	6,199
Service income	**65,692**	5,160
	218,809	43,290

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
2009						
Revenue	4,240	2,280	146,597	65,692	–	218,809
Result						
Segment result	1,593	1,474	66,945	20,762	–	90,774
Unallocated other income *(note)*					13,018	13,018
Unallocated corporate expenses					(43,389)	(43,389)
Share option expense					(16,062)	(16,062)
Due Diligence expense on aborted acquisitions					(5,174)	(5,174)
Finance costs					(6,268)	(6,268)
Profit before taxation						32,899
Taxation					(11,041)	(11,041)
Profit for the year						21,858

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
			(Restated)	(Restated)	(Restated)	(Restated)
2008						
Revenue	4,724	1,475	31,931	5,160	–	43,290
Result						
Segment result	(2,051)	840	(13,460)	(4,203)	–	(18,874)
Unallocated other 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						(30,376)
Taxation					2,530	2,530
Loss for the year						(27,846)

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:

	Revenue from Geographical market	
	2009	2008
	HK$'000	HK$'000
Hong Kong	**2,280**	1,475
The PRC	**139,991**	41,815
Russia	**47,237**	–
Others	**29,301**	–
	218,809	43,290

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group remains cash-rich and has no material capital expenditure commitments. The operations are mainly financed by shareholders' funds and convertible note.

The convertible note of HK$133,692,000 issued to King Shine Group Limited in last year are non-interest bearing and have a tenor of 3 years to be matured on 31st December, 2010. The noteholder shall have the right to convert the note 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 note (if any) in cash.

As at 31st March, 2009, the Group has obtained secured bank borrowings facility of HK$23,253,000, Out of which, HK$21,705,000 (2008: Nil) are utilised and are repayable within one year and carry at fixed-rates ranging from 3.28% to 4.54% (2008: Nil) per annum. The Group's secured bank borrowings are denominated in United States currency.

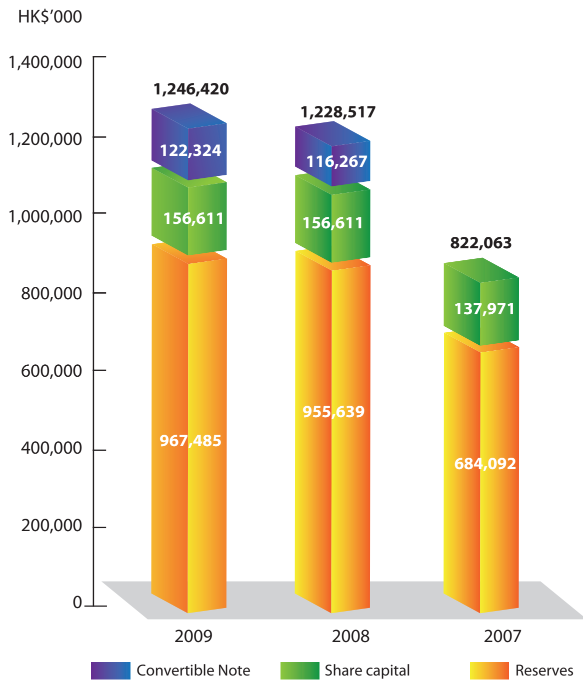
Cash and other liquid assets amounted to HK$751,973,000 and accounted for 71% of total current assets.

Exchange risk of the Group is not significant as the tangible assets of the Group comprised substantially of cash 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, 2009, the Group had no long term bank borrowings and its operations were financed by shareholders' funds, convertible note and short term secured bank borrowings.



ORDER BOOK

As at 31st March, 2009, the outstanding orders on hand for oilfield engineering and consultancy services is approximately HK$153,475,000 (2008: 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 29.15% and 70.96% 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 16.33% and 52.65% respectively of the Group's turnover for the year.

Save as the connected transactions disclosed on pages 26 to 28 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, 2009, the Group employed 186 staff at market remunerations with staff benefits such as insurance, provident fund scheme and 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 28 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, 2009.

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, 2009 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 40 to 103.

DIVIDEND

The directors do not recommend the payment of a dividend (2008: Nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 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 14 and note 16 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Particulars of the Group's major completed properties for sale are set out on page 104.

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 43.

DONATIONS

During the year, the Group had not made any charitable and other donations (2008: Nil).

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 105 and 106.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st March, 2009 were as follows:

	HK$'000
Contributed surplus	**191,810**
Retained profits	**75,517**
	267,327

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
Mr. Wang Jinlong
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

In accordance with the Company's Bye-laws, Mr. Chan Siu Kang, Mr. Lo Yiu Hee and Mr. Tong Hin Wor shall retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In addition, Mr. Lee Lap shall be subject to and offer himself for re-election at the forthcoming annual general meeting.

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, 2009.

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, 2009 to 31st December, 2010, which appointment shall terminate on the earlier of (i) 31st December, 2010; 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 66, is the Chairman of the Company and the remuneration committee of the board of directors 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 31, was appointed executive director in 2008 and 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 manufacture and sale of printed circuit board and he was responsible for the overall management and strategic planning of the private company.

Mr. Wang Jinlong, aged 44, was appointed executive director in 2007 and is the Chief Executive Officer of the Company since 2008. 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 23 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 60, 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 45, 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 72, was appointed independent non-executive director in 2004 and is a member of the audit committee and remuneration committee of the board of directors of the Company. He 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 51, was appointed independent non-executive director in 2004 and is the Chairman of the audit committee and a member of the remuneration committee of the board of directors of the Company. He 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. He was the Vice President of CPA Australia, Hong Kong China Division for 2000/01 and 2003/04, and councillor from 1997 to 2006. He is presently the Chief Financial Officer & Company Secretary of a listed apparel manufacturing company and member of the Disciplinary Panel of CPA Australia.

Mr. Tong Hin Wor, aged 64, was appointed independent non-executive director in 2008 and is a member of audit committee of the board of directors of the Company. He 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 49, 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 and is a member of audit committee of the board of directors 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 and Ping An Insurance (Group) Company of China, Ltd., all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Lee is a deputy chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited. Mr. Lee is also an adjudicator of the Registration of Persons Tribunal, a chairman of the Transport Tribunal of the HKSAR Government and a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants.

Directors' Report

SENIOR MANAGEMENT

Mr. Jin Dong Zhao, aged 46, 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 26 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.

Mr. Zhang Tai Yuan, aged 44, 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 23 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 35, 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 11 years of working experience and 8 years in sales & marketing management.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of directors and senior employees are set out in note 11 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31st March, 2009, 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. Lee & Leung (B.V.I.) Limited is wholly-owned by First Trend Management (PTC) Limited (formerly known as 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 58.28%. 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 directors	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 directors	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 Co.,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 58.28%. 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 Co.,Limited and 深圳市百勤石油技術有限公司 respectively.

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

Name of director	Number of underlying shares in respect of share option granted	Percentage of shareholding as 31st March, 2009
Mr. Wang Jinlong	20,000,000	1.02%
	17,000,000	0.87%

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.

Saved 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, 2009, 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 beneficial 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 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2009, the person (other than the directors as disclosed in the "Directors' interest 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 (PTC) 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 a wholly-owned by First Trend Management (PTC) Limited (formerly known as 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 Jinlong as to 58.28%, 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.

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, 2009.

CONNECTED TRANSACTION

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

On 16th March, 2008, 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, 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$2,280,000 (2008: HK$1,475,000). 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.

PETRO-KING GROUP CONTINUING CONNECTED TRANSACTIONS

On 6th May, 2008, the Company entered into a Framework Agreement with Petro-king Holding Limited ("Petro-king"), a non wholly-owned subsidiary of the Company for a term of three years commencing from 1st June, 2008 to 31st May, 2011. Pursuant to which, Petro-king and its wholly-owned subsidiaries will provide the Group with services in relation to (a) evaluation of potential oil assets identified for acquisition; and (b) oilfield operation and management services for the acquired oilfields.

Pursuant to the Framework Agreement, the Group undertakes for a term of three years that aggregate amount of the Petro-king Group continuing connected transaction for each of the years ending 31st March, 2009, 2010 and 2011 will not exceed relevant cap amounts set out below:

		For the year ending 31st March,		
Category of services		**2009**	**2010**	**2011**
		US$'000	US$'000	US$'000
(a)	Evaluation of potential oil assets identified for acquisition	1,500	1,500	1,500
(b)	Oilfield operation and management services for the acquired oilfields	13,360	20,560	43,520

The aggregate amount of Petro-king Group continuing connected transactions for the financial year ended 31st March, 2009 was HK$2,984,135.

The independent non-executive director had reviewed the Petro-king Group continuing connected transactions for the financial year ended 31st March, 2009 and were of the opinion that the Petro-king Group continuing connected transactions had been:

(i) carried out in the ordinary and usual course of business of the Group;

(ii) conducted on normal commercial terms; and

(iii) entered into in accordance with the terms of the relevant agreements governing the terms that are fair and reasonable and in the interests of the shareholders as a whole.

Directors' Report

The auditors of the Company was instructed to perform specific procedures on the Petro-king Group continuing connected transactions and reported on the actual finding of those procedures as follows:

(a) the Petro-king Group continuing connected transactions for the financial year ended 31st March, 2009 had been approved by the board of the directors;

(b) the Petro-king Group continuing connected transactions for the financial year ended 31st March, 2009 had been entered into in accordance with the terms of the relevant agreements; and

(c) the aggregate amount of the Petro-king Group continuing connected transactions for the financial year ended 31st March, 2009 have not exceeded the annual cap amount.

SHARE OPTION SCHEME

The existing share option scheme ("Scheme") of the Company was adopted on 18th August, 2006 as an incentive 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 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 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 New 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 New 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 New 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.

Movement of the share options during the year ended 31st March, 2009 are as follows:

Name of directors	Number of share options outstanding at 1st April, 2008	Granted during the year	Exercised during the year	Number of share options outstanding at 31st March, 2009
Mr. Wang Jinlong	20,000,000	–	–	20,000,000 *(note 1)*
	17,000,000	–	–	17,000,000 *(note 2)*
Employee of the Group	–	16,500,000	–	16,500,000 *(note 3)*

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) On 28th March, 2008, 17,000,000 share options were granted at an aggregate consideration of HK$1 to Mr. Wang Jinglong at an 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.

(3) On 29th May, 2008, 16,500,000 share options were granted at an aggregate consideration of HK$1 to an employee of the Group at an exercise of HK$1.14 under the Share Option Scheme and are exercisable during the periods from 29th May, 2009 for 6,666,666 share options, from 29th May, 2010 for 6,666,667 share options and from 29th May, 2011 for 3,166,667 share option, until 28th May, 2018. The closing price immediately before the date on which the said share options were granted was HK$1.14 per share.

The fair value of 16,500,000 share options as at the grant date is HK$11,410,000.

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

Share price at grant date	HK$1.14 per share
Exercise price	HK$1.14 per share
Volatility	75%
Risk free rate	3.20%
Dividend yield	0% per annum

The valuation is subjective and uncertain as it is subject to a number of assumptions and limitations of the model.

(4) No option was exercised, lapsed or cancelled during the year.

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, 2009, the Group had no forfeited contributions (2008: 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:

	2009 **HK$'000**	2008 HK$'000
Gross employers' contributions	**837**	206
Less: Forfeited contributions	**–**	–
Net contributions	**837**	206

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.

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.

Directors' Report

AUDITOR

The financial statements for the three years ended 31st March, 2009 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, 10th July, 2009

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 has 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, 2009 with the Code save as disclosed below.

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. The Company had amended its bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director, shall be subject to retirement by rotation at least once every 3 years, while directors holding the office of chairman or managing director shall be subject to re-election once every 3 years.

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. Save as disclosed therein, there are no other business, financial, family and other relevant interests among directors.

Corporate Governance Report

The chairman and the chief executive officer have different roles. The chairman is responsible for the operation of the Board and the chief executive officer is responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority not concentrating on a single individual.

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 page 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, 2010. The appointment shall terminate on the earlier of (i) 31st December, 2010, 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 Board has set up an independent professional consulting procedure and upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

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.

There were 10 board meetings held in the financial year ended 31st March, 2009. 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)*	9
Mr. Wang Jinlong *(Chief Executive Officer)*	7
Mdm. Leung Lai Ping	4
Mr. Wong Shiu Kee	10
Mr. Lee Ka Sze, Carmelo	3
Mr. Chan Siu Kang	10
Mr. Lo Yiu Hee	10
Mr. Tong Hin Wor	10

Corporate Governance Report

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, 2009.

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.

AUDIT COMMITTEE

The audit Committee, which is chaired by Mr. Lo Yiu Hee has been established with defined terms of reference in alignment with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code of the Listing Rules. Other members are Mr. Lee Ka Sze Carmelo, Mr. Chan Siu Kang and Mr. Tong Hin Wor.

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 2 times during the financial year ended 31st March, 2009. 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, 2008 and for the six months ended 30th September, 2008;

– 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. Lo Yiu Hee *(Chairman)*	2
Mr. Chan Siu Kang	2
Mr. Tong Hin Wor	2
Mr. Lee Ka Sze, Carmelo	2

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, 2009;

– to review the renewal of service contract and appointment letters of executive director, non-executive director and independent non-executive directors;

– 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, 2009 with the presence of all members of the Remuneration Committee.

Corporate Governance Report

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. There was no change in directorship during the year.

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, 2009 are analysed as follows:

	31st March, 2009 HK$	31st March, 2008 HK$
Audit service	**1,692,348**	1,593,000
Non audit service	**2,685,690**	5,319,121
	4,378,038	6,912,121

Note: The remuneration for non audit services mainly includes fee regarding the review of the interim financial report of the Group for the six months ended 30th September, 2008 amounted to HK$185,000 (2008: HK$93,000), and due diligence review of aborted acquisition amounted to HK$2,500,000 (2008: HK$1,690,000), and due diligence review on completed acquisition of HK$3,536,000 in 2008.

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. 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.

Corporate Governance Report

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 demanding a poll was included in circular of the Company accompanying notice convening general meeting and was read out by the Chairman at the general meeting.

At the 2008 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 2008 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 Auditor's Report on pages 38 and 39.

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 40 to 103, which comprise the consolidated balance sheet as at 31st March, 2009 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 misstatement, 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, 2009 and of the Group's profit 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
10th July, 2009

Consolidated Income Statement

For the year ended 31st March, 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
REVENUE	7	**218,809**	43,290
Cost of goods sold and services rendered		**(106,554)**	(29,179)
Gross profit		**112,255**	14,111
Other income	8	**21,130**	30,185
Selling and distribution expenses		**(19,765)**	(3,853)
Administrative expenses		**(73,880)**	(69,357)
(Losses) gains arising from changes in fair value of investments held for trading		**(573)**	190
Share of result of an associate		**–**	(185)
Finance costs	9	**(6,268)**	(1,467)
PROFIT (LOSS) BEFORE TAXATION	10	**32,899**	(30,376)
Taxation	12	**(11,041)**	2,530
PROFIT (LOSS) FOR THE YEAR		**21,858**	(27,846)
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**(6,629)**	(20,848)
MINORITY INTERESTS		**28,487**	(6,998)
PROFIT (LOSS) FOR THE YEAR		**21,858**	(27,846)
		HK cents	HK cents (Restated)
LOSS PER SHARE	13		
Basic		**(0.34)**	(1.17)
Diluted		**N/A**	N/A

Consolidated Balance Sheet

At 31st March, 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**17,138**	17,400
Prepaid lease payments for leasehold land	15	**66,077**	66,675
Investment property	16	**3,370**	3,478
Pledged bank deposits	24 & 36(b)	**2,034**	2,034
Goodwill	17	**243,318**	243,318
Intangible assets	17	**8,213**	16,500
		340,150	349,405
CURRENT ASSETS			
Properties for sale		**114,812**	109,995
Inventories	19	**38,419**	16,926
Trade and other receivables	20	**149,524**	92,599
Deposits and prepayments		**3,345**	3,293
Prepaid lease payments for leasehold land	15	**598**	598
Available-for-sale investments	21	**6,886**	633,247
Investments held for trading	22	**–**	103,839
Taxation recoverable		**2,871**	123
Amounts due from related parties	23	**–**	730
Pledged bank deposits	24 & 36(a)	**3,121**	–
Deposits with a financial institution		**126**	–
Bank balances and cash	24	**744,961**	40,904
		1,064,663	1,002,254
CURRENT LIABILITIES			
Trade and other payables and accrued charges	25	**28,812**	44,804
Deposits received		**1,487**	2,064
Provisions	26	**3,173**	3,173
Amount due to a related company	27 & 38(b)	**2,092**	405
Amount due to a director	27	**23,967**	6,465
Amounts due to minority shareholders	27	**–**	18,103
Taxation payable		**7,691**	10,151
Secured bank borrowings	28	**21,705**	–
		88,927	85,165
NET CURRENT ASSETS		**975,736**	917,089
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,315,886**	1,266,494
NON-CURRENT LIABILITIES			
Convertible note	29	**122,324**	116,267
Deferred tax liabilities	30	**4,766**	3,128
		127,090	119,395
NET ASSETS		**1,188,796**	1,147,099

Consolidated Balance Sheet

At 31st March, 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
CAPITAL AND RESERVES			
Share capital	31	**156,611**	156,611
Reserves	33	**967,485**	955,639
Equity attributable to equity holders of the Company		**1,124,096**	1,112,250
Minority interests		**64,700**	34,849
TOTAL EQUITY		**1,188,796**	1,147,099

The consolidated financial statements on pages 40 to 103 were approved and authorised for issue by the board of directors on 10th July, 2009 and are signed on its behalf by:

Lee Lap
Director

Wong Shiu Kee
Director

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2009

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Exchange translation reserve HK$'000	Convertible note equity reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st April, 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 (as restated)	–	–	–	–	–	(20,848)	(20,848)	(6,998)	(27,846)
Total recognised income and expense for the year (as restated)	–	–	5,934	–	–	(20,848)	(14,914)	(6,998)	(21,912)
Issue of shares	18,640	260,960	–	–	–	–	279,600	–	279,600
Recognition of equity component of convertible note	–	–	–	18,892	–	–	18,892	–	18,892
Recognition of share-based payments	–	–	–	–	6,609	–	6,609	–	6,609
Arising on acquisition of subsidiaries (as restated)	–	–	–	–	–	–	–	41,431	41,431
At 31st March, 2008 (as restated)	156,611	404,370	13,992	18,892	6,609	511,776	1,112,250	34,849	1,147,099
Arising from translation of financial statements of foreign operations recognised directly in equity	**–**	**–**	**2,413**	**–**	**–**	**–**	**2,413**	**1,091**	**3,504**
(Loss) profit for the year	**–**	**–**	**–**	**–**	**–**	**(6,629)**	**(6,629)**	**28,487**	**21,858**
Total recognised income and expense for the year	**–**	**–**	**2,413**	**–**	**–**	**(6,629)**	**(4,216)**	**29,578**	**25,362**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**16,062**	**–**	**16,062**	**–**	**16,062**
Capital contribution by a minority shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**273**	**273**
At 31st March, 2009	**156,611**	**404,370**	**16,405**	**18,892**	**22,671**	**505,147**	**1,124,096**	**64,700**	**1,188,796**

Consolidated Cash Flow Statement

For the year ended 31st March, 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
OPERATING ACTIVITIES			
Profit (loss) before taxation		**32,899**	(30,376)
Adjustments for:			
Depreciation of property, plant and equipment		**3,195**	1,440
Depreciation of investment property		**108**	107
Amortisation of prepaid lease payments for leasehold land		**598**	598
Amortisation of intangible assets		**8,287**	20,314
Finance costs		**6,268**	1,467
Share of result of an associate		**–**	185
Share-based payment expenses		**16,062**	6,609
Impairment losses recognised on trade and other receivables		**1,966**	3,674
Loss on disposal of property, plant and equipment		**58**	2
Interest income		**(11,245)**	(27,887)
Net exchange loss		**20**	–
Operating cash flows before movements in working capital		**58,216**	(23,867)
Decrease in properties for sale		**281**	–
Increase in inventories		**(21,245)**	(2,189)
Increase in trade and other receivables		**(58,891)**	(2,030)
Increase in deposits and prepayments		**(52)**	(832)
Decrease in investments held for trading		**103,839**	84,138
Decrease (increase) in amounts due from related parties		**730**	(730)
Decrease in trade and other payables and accrued charges		**(15,992)**	(7,569)
(Decrease) increase in deposits received		**(577)**	899
Increase (decrease) in amount due to a related company		**1,687**	(311)
Cash generated from operations		**67,996**	47,509
Income taxes paid		**(14,611)**	(5,163)
Interest paid		**(211)**	–
NET CASH FROM OPERATING ACTIVITIES		**53,174**	42,346
INVESTING ACTIVITIES			
Net cash outflow from acquisition of subsidiaries	34	**–**	(276,835)
Interest received		**11,245**	27,887
(Increase) decrease in pledged bank deposits		**(3,121)**	455
Purchase of property, plant and equipment		**(2,908)**	(8,021)
Proceeds on disposal of property, plant and equipment		**87**	–
Purchase of available-for-sale investments		**(383,365)**	(598,118)
Proceeds on disposal of available-for-sale investments		**1,008,931**	190,408
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**630,869**	(664,224)

Consolidated Cash Flow Statement

For the year ended 31st March, 2009

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Issue of shares	–	279,600
Issue of convertible note	–	133,692
Capital contribution by a minority shareholder	273	–
New secured bank borrowings raised	28,821	–
Repayments of secured bank borrowings	(7,116)	–
Increase in amount due to a director	17,502	6,465
(Decrease) increase in amounts due to minority shareholders	(18,103)	18,103
NET CASH FROM FINANCING ACTIVITIES	21,377	437,860
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	705,420	(184,018)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	40,904	223,983
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,237)	939
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	745,087	40,904
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	744,961	40,904
Deposits with a financial institution	126	–
	745,087	40,904

Cash comprises cash on hand and demand deposits. Cash equivalents, including bank balances and deposits with a financial institution, are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

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 principal place of business of the Company are disclosed in the section headed "Corporate information" of the Company's Annual Report.

The functional currency of the Company is United States dollars ("USD"). The consolidated financial statements are presented in Hong Kong dollars ("HKD") that is different from the functional currency of the Company as the directors of the Company manage and monitor the Group based on Hong Kong dollars.

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

The directors of the Company 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 the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

2 Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate

3 Effective for annual periods beginning on or after 1st January, 2009

4 Effective for annual periods beginning on or after 1st July, 2009

5 Effective for annual periods ending on or after 30th June, 2009

6 Effective for annual periods beginning on or after 1st July, 2008

7 Effective for annual periods beginning on or after 1st October, 2008

8 Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st April, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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 and by the Hong Kong Companies Ordinance.

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 its 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 intra-group transactions, balances, income and expenses are 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 interests 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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 business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

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 consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, these intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

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 properties is recognised when the respective properties have been completed and delivered to the buyers.

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 and commission income is recognised when services are provided.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued 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 on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of 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 period 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 leasehold land under operating leases, which are carried at cost and amortised on a straight-line method over the lease term.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged to write off the cost of investment property over its estimated useful life using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and 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.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. An impairment loss is 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.

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 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 at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into 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 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 to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

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.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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 (including trade and other receivables, amounts due from related parties, pledged bank deposits, deposits with a financial institution and bank balances and cash) 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 financial assets

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 financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial assets 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 (see accounting policy on impairment loss on financial assets below).

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade and other 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 and other 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 and other 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.

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.

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, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Convertible note

Convertible note issued by the Company that contain both the liability and conversion option components is classified separately into respective items on initial recognition. Conversion option that 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 rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible note equity reserve).

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible note (continued)

In subsequent periods, the liability component of the convertible note 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 note equity reserve until the embedded option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to the retained profits. 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 note are allocated to the liability and equity components in proportion to the allocation of the gross 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 note using the effective interest method.

Equity instruments

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the respective 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 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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 Group (i.e. Hong Kong dollars) at the rate 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 period, 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 translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are classified 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.

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.

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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 profit or loss, 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 Scheme and state-managed retirement pension schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

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 option 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.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the relevant 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, no material impairment loss may arise. As at 31st March, 2009, the carrying amount of goodwill is HK$243,318,000. Details of the recoverable amount calculation are disclosed in note 18.

Estimated impairment of trade receivables

The Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customers' current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and the allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at an effective interest rate computed at initial recognition. As at 31st March, 2009, the carrying amount of trade receivables is equal to HK$130,047,000 (net of allowance of doubtful debts amounting to HK$3,674,000).

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 shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the secured bank borrowings disclosed in note 28, convertible note 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 each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**899,766**	136,267
Investments held for trading	**–**	103,839
Available-for-sale investments	**6,886**	633,247
Financial liabilities		
Liabilities at amortised cost	**195,590**	175,184

(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 any 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 risks.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

6. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk

The Group's activities expose primarily to the foreign currency risk, the interest rates risk and the price risk.

Foreign currency risk management

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the relevant 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**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**140,809**	6,101	**124,969**	116,267
USD	**6,799**	5,911	**3,544**	–
Renminbi ("RMB")	**–**	7,797	**2,322**	1,059

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group 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 reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate.

In the opinion of the directors of the Company, the foreign currency exposure in relation to the HKD and USD exchange rate fluctuation is not significant as HKD is pegged to USD. For this reason, the sensitivity analysis below does not reflect this.

The sensitivity analysis below shows the impact relates to monetary assets or liabilities that are denominated in HKD, USD or RMB against the functional currencies of relevant group entities, USD, HKD or RMB.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

6. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Foreign currency risk management (continued)

Sensitivity analysis (continued)

In relation to monetary assets, where the functional currency of the relevant group entity strengthens 5% against the currency in which the assets are denominated, there would be a decrease in the post-tax profit for the year. However, in relation to monetary liabilities, where the functional currency of the relevant group entity strengthens 5% against the currency in which the liabilities are denominated, there would be an increase in post-tax profit for the year. A 5% weakening of the functional currency would have an equal but opposite impact on the post-tax loss for the year.

	Increase (decrease) in the post-tax profit for the year	
	2009	2008
	HK$'000	HK$'000
HKD Impact	**515**	–
USD Impact	**163**	–
RMB Impact	**(116)**	(337)

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.

Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to its interest bearing financial assets which are mainly available-for-sale investments, pledged bank deposits and bank balances. The Group currently does not have an interest rate hedging policy. The management of the Group monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed rate secured bank borrowings.

6. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Interest rate risk management (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for available-for-sale investments and bank balances. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year 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 post-tax profit for the year ended 31st March, 2009 would increase/decrease by approximately HK$3,785,000 (2008: post-tax loss decrease/increase approximately by HK$3,381,000).

Price risk management

Other than the interest rate risk, the Group was also exposed to investment held for trading price risk during the year ended 31st March, 2008. Management monitored the price movements of these assets and makes appropriate investment decisions.

At 31st March, 2008, it was estimated that a 5% increase in the prices of investment held for trading, with all other variables held constant, would decrease the Group's loss for the year by approximately HK$5,192,000.

At 31st March, 2009, the Group did not hold any investment held-for-trading. Accordingly, no price risk sensitivity analysis is performed.

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% increase in prices represents management's assessment of a reasonably possible change in the prices of those instruments.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

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 is 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, ongoing credit evaluation is performed on the financial condition of trade receivables. 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. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 45% (2008: 50%) of total trade receivables represented an amount due from the largest customer of the Group engaged in oil extraction business in the People's Republic of China ("PRC").

The management is of the view that this major customer of the Group has good trade record without default history and consider that the trade receivable from this customer is recoverable.

The credit risk on liquid funds, including available-for-sale investments, investments held for trading, pledged bank deposits and bank balances, is limited because the majority of the counterparties are banks or financial institutions with high creditworthiness.

A subsidiary has provided guarantees to banks 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.

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 monitors the utilisation of secured bank borrowings.

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.

	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
2009						
Trade and other payables	23,191	2,311	–	–	25,502	25,502
Amount due to a related party	2,092	–	–	–	2,092	2,092
Amount due to a director	23,967	–	–	–	23,967	23,967
Secured bank borrowings	7,803	87	13,981	–	21,871	21,705
Convertible note	–	–	–	133,692	133,692	122,324
	57,053	2,398	13,981	133,692	207,124	195,590

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

6. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk management (continued)

	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
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 note	–	–	–	133,692	133,692	116,267
	35,882	18,466	4,569	133,692	192,609	175,184

(c) Fair value

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

- the fair value of available-for-sale investments and listed equity securities classified as investments held for trading are determined with reference to quoted market bid prices;
- the fair value of unlisted debt securities classified as investment held for trading are determined with reference to price quoted by counterparty financial institutions; and
- the fair value of other financial assets and financial liabilities is 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 to their fair value.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

7. REVENUE AND SEGMENT INFORMATION

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

	2009 HK$'000	2008 HK$'000
Sale of goods	**146,597**	31,931
Sale of properties	**367**	–
Rental income	**6,153**	6,199
Service income	**65,692**	5,160
	218,809	43,290

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, 2009

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
2009						
Revenue	4,240	2,280	146,597	65,692	–	218,809
Result						
Segment result	1,593	1,474	66,945	20,762	–	90,774
Unallocated other income (note)					13,018	13,018
Unallocated corporate expenses					(43,389)	(43,389)
Share option expense					(16,062)	(16,062)
Due diligence expense on aborted acquisitions					(5,174)	(5,174)
Finance costs					(6,268)	(6,268)
Profit before taxation						32,899
Taxation					(11,041)	(11,041)
Profit for the year						21,858
Assets						
Segment assets	116,672	31,211	330,114	89,816	–	567,813
Unallocated corporate assets					837,000	837,000
Total assets						1,404,813
Liabilities						
Segment liabilities	(2,202)	(1,463)	(18,759)	–	–	(22,424)
Unallocated corporate liabilities					(193,593)	(193,593)
Total liabilities						(216,017)
Other information						
Capital additions	–	–	1,725	740	443	2,908
Depreciation and amortisation	–	332	6,315	2,706	2,835	12,188
Allowance for doubtful debts	–	–	–	–	1,966	1,966
Loss on disposal of property, plant and equipment	–	–	41	17	–	58

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

7. REVENUE AND SEGMENT INFORMATION (continued)

	Property development HK$'000	Property investment HK$'000	Engineering projects HK$'000 (Restated)	Provision of consultancy service on well drilling HK$'000 (Restated)	Unallocated HK$'000 (Restated)	Consolidated HK$'000 (Restated)
2008						
Revenue	4,724	1,475	31,931	5,160	–	43,290
Result						
Segment result	(2,051)	840	(13,460)	(4,203)	–	(18,874)
Unallocated other 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						(30,376)
Taxation					2,530	2,530
Loss for the year						(27,846)
Assets						
Segment assets	112,045	31,505	269,874	86,655	–	500,079
Unallocated corporate assets					851,580	851,580
Total assets						1,351,659
Liabilities						
Segment liabilities	2,363	385	25,128	–	–	27,876
Unallocated corporate liabilities					176,684	176,684
Total liabilities						204,560
Other information						
Capital additions	–	–	–	–	8,021	8,021
Depreciation and amortisation	–	332	14,220	6,094	1,813	22,459
Allowance for doubtful debt	3,674	–	–	–	–	3,674
Loss on disposal of property, plant and equipment	–	–	–	–	2	2

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.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

7. REVENUE AND SEGMENT INFORMATION (continued)

Geographical segments

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

	Revenue from geographical market	
	2009	2008
	HK$'000	HK$'000
Hong Kong	**2,280**	1,475
The PRC	**139,991**	41,815
Russia	**47,237**	–
Others	**29,301**	–
	218,809	43,290

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Hong Kong	**137,010**	114,192	**–**	2,476
The PRC	**430,803**	385,887	**2,465**	5,545
	567,813	500,079	**2,465**	8,021

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

8. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest income from		
– available-for-sale investments	**4,111**	22,336
– investments held for trading	**4,193**	5,363
– bank balances and deposits with a financial institution	**2,941**	188
	11,245	27,887
Net exchange gain	**–**	1,634
Commission income	**8,112**	–
Sundry income	**1,773**	664
	21,130	30,185

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Effective interest expense on convertible note	**6,057**	1,467
Interest on secured bank borrowings wholly repayable within five years	**211**	–
	6,268	1,467

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

10. PROFIT (LOSS) BEFORE TAXATION

	2009 HK$'000	2008 HK$'000 (Restated)
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,867**	1,593
Amortisation of prepaid lease payments for leasehold land	**598**	598
Amortisation of intangible assets, included in administrative expenses	**8,287**	20,314
Allowance for doubtful debts	**1,966**	3,674
Cost of inventories sold	**66,185**	23,608
Depreciation of		
– property, plant and equipment	**3,195**	1,440
– investment property	**108**	107
Staff costs including directors' emoluments (note)	**67,493**	16,541
Due diligence expense on aborted acquisitions	**5,174**	16,152
Operating lease rentals in respect of land and buildings	**2,933**	240
Loss on disposal of property, plant and equipment	**58**	2
Impairment loss for club membership	**–**	461
Net exchange loss	**20**	–
Gross rental income from investment property	**(2,280)**	(1,475)
Less: direct operating expense from investment property that generated rental income during the year	**806**	635
	(1,474)	(840)

Note: The staff costs include share option expenses of HK$16,062,000 (2008: HK$6,609,000) but do not include the rental value of the Group's land and buildings provided as accommodation to certain directors of the Company as set out in note 11.

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For the year ended 31st March, 2009

11. 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, 2009				
	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	7	–	3,147
Mdm. Leung Lai Ping	–	2,640	12	–	2,652
Mr. Wong Shiu Kee	–	1,500	75	–	1,575
Mr. Tommy Lee	–	1,037	51	–	1,088
Mr. Wang Jinlong	–	1,200	–	12,426	13,626
Independent non-executive directors					
Mr. Chan Siu Kang	100	–	–	–	100
Mr. Lo Yiu Hee	100	–	–	–	100
Mr. Tong Hin Wor	50	–	–	–	50
Non-executive director					
Mr. Lee Ka Sze, Carmelo	100	–	–	–	100
	350	9,517	145	12,426	22,438

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For the year ended 31st March, 2009

11. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(a) Directors' emoluments (continued)

	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
Mr. 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

During the year, the land and building of the Group with a rental value of HK$2,280,000 (2008: HK$2,280,000) 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, four (2008: four) are directors of the Company, whose emoluments have been included above. The emoluments of the remaining one (2008: one) individuals, whose emoluments are individually between HK$4,500,001 to HK$5,000,000 (2008: below HK$1,000,000), are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, allowances and benefits-in-kind	**963**	347
Contributions to retirement benefit schemes	**–**	10
Share-based payment	**3,636**	–
	4,599	357

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For the year ended 31st March, 2009

12. TAXATION

	2009 HK$'000	2008 HK$'000 (Restated)
Current tax:		
Hong Kong Profits Tax	**185**	290
PRC Enterprise Income Tax	**13,228**	747
Other jurisdiction	**1,341**	–
	14,754	1,037
Under (over) provision in prior years:		
Hong Kong Profits Tax	**(5,636)**	–
PRC Enterprise Income Tax	**285**	–
	(5,351)	–
Deferred tax (note 30)	**1,638**	(3,567)
	11,041	(2,530)

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. 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 a 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 and 2012, respectively and thereafter subject to the tax rate of 25%. For other subsidiaries of the Group which were subject to a tax rate of 33%, the New Law and Implementation Regulations has changed the tax rate from 33% to 25% from 1st January, 2008 onwards.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

12. TAXATION (continued)

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

	2009 **HK$'000**	2008 HK$'000 (Restated)
Profit (loss) before taxation	**32,899**	(30,376)
Tax at the applicable income tax rate of 25% (2008: 33%)	**8,225**	(10,024)
Tax effect of expenses not deductible for tax purpose	**14,790**	10,776
Tax effect of income not taxable for tax purpose	**(6,029)**	(6,141)
Tax effect of deductible temporary differences not recognised	**–**	264
Tax effect of tax losses not recognised	**968**	670
Utilisation of tax losses previously not recognised	**–**	(205)
Overprovision in respect of prior years	**(5,351)**	–
Deferred tax on undistributed profits of a subsidiary established in the PRC	**2,411**	–
Effect of share of results of an associate	**–**	61
Income tax on concessionary rate	**(3,788)**	1,492
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,575)**	726
Others	**1,390**	(149)
Tax charge (credit) for the year	**11,041**	(2,530)

Details of the deferred tax are set out in note 30.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000 (Restated)
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	**(6,629)**	(20,848)

	Number of shares '000	 '000
Number of ordinary shares for the purpose of basic loss per share	**1,957,643**	1,780,180

No diluted loss 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 for both years.

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14. 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, 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
Additions	–	2,465	91	352	2,908
Disposals	–	(248)	–	–	(248)
Exchange adjustment	–	37	135	26	198
At 31st March, 2009	**6,250**	**4,198**	**14,154**	**9,103**	**33,705**
DEPRECIATION					
At 1st April, 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
Provided for the year	142	733	1,380	940	3,195
Disposals	–	(103)	–	–	(103)
Exchange adjustment	–	12	10	6	28
At 31st March, 2009	**1,975**	**843**	**8,475**	**5,274**	**16,567**
CARRYING VALUES					
At 31st March, 2009	**4,275**	**3,355**	**5,679**	**3,829**	**17,138**
At 31st March, 2008	4,417	1,743	6,843	4,397	17,400

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight line basis over their estimated 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% to 30%
Furniture, fixtures, equipment and leasehold improvements	10% to 20%
Motor vehicles	15% to 18%

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

	2009 HK$'000	2008 HK$'000
Buildings situated on leasehold interest in land in Hong Kong on:		
Long lease	**3,482**	3,592
Medium-term leases	**793**	825
	4,275	4,417

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For the year ended 31st March, 2009

15. PREPAID LEASE PAYMENTS FOR LEASEHOLD LAND

	2009 HK$'000	2008 HK$'000
The Group's prepaid lease payments for leasehold land comprise:		
Leasehold land in Hong Kong on		
Long lease	**63,422**	63,935
Medium-term leases	**3,253**	3,338
	66,675	67,273
Analysed for reporting purposes as:		
Non-current	**66,077**	66,675
Current	**598**	598
	66,675	67,273

16. INVESTMENT PROPERTY

	Building HK$'000
COST	
At 1st April, 2007 and 31st March, 2008 and 2009	**4,480**
DEPRECIATION	
At 1st April, 2007	895
Provided for the year	107
At 31st March, 2008	1,002
Provided for the year	108
At 31st March, 2009	**1,110**
CARRYING VALUES	
At 31st March, 2009	**3,370**
At 31st March, 2008	3,478

16. INVESTMENT PROPERTY (continued)

The building is situated on land in Hong Kong on long lease. The Group's leasehold interest in land with the carrying amount of approximately HK$27,803,000 at 31st March, 2009 (2008: HK$28,028,000) has been included in prepaid lease payments for leasehold land as set out in note 15. The building is depreciated on a straight-line basis over its estimated useful lives of 40 years.

The fair value of the Group's investment property at 31st March, 2009, which comprise of leasehold interest in land and building, is HK$60,000,000 (2008: HK$82,000,000). The fair value has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited ("Debenham Tie Leung"), an independent qualified professional valuer not connected with the Group. Debenham Tie Leung is a member of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The Group's investment property is rented out under operating lease.

17. GOODWILL AND INTANGIBLE ASSETS

The goodwill arose from the acquisition of subsidiaries during the year ended 31st March, 2008 as set out in note 34. In the opinion of the directors of the Company, the goodwill represents the future economic benefits arising from the potential growth in these businesses acquired. Particulars regarding impairment testing on goodwill are set out in note 18.

A valuation report, prepared by an independent qualified professional valuer, Vigers Appraisal & Consulting Limited ("Vigers") received in the current year shows that the fair values of customer-related intangible assets and intangible assets in relation to non-competition agreements of the acquired subsidiaries at the date of acquisition, determined based on the income-based method, were approximately HK$24,867,000 and HK$11,947,000 respectively. The comparative figures of 2008 have been restated as if the initial accounting had been completed from the acquisition date.

Notes to the Consolidated Financial Statements

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17. GOODWILL AND INTANGIBLE ASSETS (continued)

The valuation of customer-related intangible assets and intangible assets in relation to non-competition agreements amounted to approximately HK$24,867,000 and HK$11,947,000 respectively at the date of acquisition. There was a corresponding reduction in goodwill of HK$15,360,000 and increase in minority interests of HK$14,759,000. The loss attributable to equity holders and minority interests of the Company for the year ended 31st March, 2008 were also increased by approximately HK$8,541,000 and HK$8,206,000 respectively as a result of additional amortisation expenses. At 31st March, 2008, the following items are restated:

	As originally stated HK$'000	Adjustment to fair value of assets acquired in prior periods HK$'000	Amortisation and deferred tax credit for the year ended 31st March, 2008 HK$'000	As restated HK$'000
Goodwill	258,678	(15,360)	–	243,318
Intangible assets				
– Customer-related intangible assets	–	24,867	(19,567)	5,300
– Non-competition agreements	–	11,947	(747)	11,200
Deferred tax liabilities	–	(6,695)	3,567	(3,128)
Total effect on assets and liabilities		14,759	(16,747)	
Retained profits	520,317	–	(8,541)	511,776
Minority interests	28,296	14,759	(8,206)	34,849
Total effect on equity		14,759	(16,747)	

The customer-related intangible assets, comprising mainly incomplete contracts at the date of acquisitions, have finite useful lives. Such intangible assets are amortised on a straight-line basis over their estimated useful lives of four months. The intangible assets in relation to non-competition agreements represented contracts entered with the vendors of Petro-king International Company Limited ("Petro-king HK") and Petro-king Oilfield Technology Limited ("Petro-king SZ"). The details of the acquired subsidiaries are as set out in note 34. Such intangible assets are amortised on a straight-line basis over their estimated useful lives of four years.

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For the year ended 31st March, 2009

17. GOODWILL AND INTANGIBLE ASSETS (continued)

The movements of these intangible assets are as follow:

	Customer -related intangible assets HK$'000	Intangible assets in relation to non-competition agreements HK$'000	Total HK$'000
COST			
At 1st April, 2007	–	–	–
Adjustment to fair value of assets acquired in prior periods	24,867	11,947	36,814
At 31st March, 2008 (as restated) and 31st March, 2009	**24,867**	**11,947**	**36,814**
AMORTISATION			
At 1st April, 2007	–	–	–
Provided for the year (as restated)	19,567	747	20,314
At 31st March, 2008 (as restated)	19,567	747	20,314
Provided for the year	5,300	2,987	8,287
At 31st March, 2009	**24,867**	**3,734**	**28,601**
CARRYING VALUES			
At 31st March, 2009	**–**	**8,213**	**8,213**
At 31st March, 2008 (as restated)	5,300	11,200	16,500

18. IMPAIRMENT TEST ON GOODWILL

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 relevant cash generating units including units relating to engineering projects and provision of consultancy service on well drilling.

During the year ended 31st March, 2009, the management of the Group determines that there is no impairment of the CGU containing goodwill.

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For the year ended 31st March, 2009

18. IMPAIRMENT TEST ON GOODWILL (continued)

The recoverable amount of this unit has been determined based on a business valuation report on the acquired subsidiaries prepared by Vigers. The income approach was adopted to determine the recoverable amount. The cash flow projections was prepared based on financial budgets approved by management and the cash flows beyond 6-year period are extrapolated using a steady growth rate of 2%. A discount rate of 12.2% is used. 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. INVENTORIES

The inventories represent merchandise for engineering projects held by the Group at the balance sheet date.

20. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 90 days after invoice date to most of its customers in respect of the engineering projects and provision for consultancy services on well drilling. The rental receivables are payable in accordance with the terms of the relevant agreements.

	2009 **HK$'000**	2008 HK$'000
Trade receivables	**133,721**	74,256
Less: allowance for doubtful debts	**(3,674)**	(3,674)
	130,047	70,582
Other receivables	**21,443**	22,017
Less: allowance for doubtful debts	**(1,966)**	–
	19,477	22,017
	149,524	92,599

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For the year ended 31st March, 2009

20. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis for the date of the transactions of trade receivables (net of allowance for doubtful debts) at the balance sheet dates:

	2009 HK$'000	2008 HK$'000
1 – 90 days	**90,653**	33,145
91 – 180 days	**19,001**	33,781
181 – 365 days	**10,994**	3,435
1 to 2 years	**9,399**	221
	130,047	70,582

Before accepting any new customers, the Group applies an internal credit assessment policy to assess the potential customer's credit quality and defines credit limits by customer. Management closely monitors the credit quality of trade receivables and considers that the trade receivables that are neither past due nor impaired to be of good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$22,872,000 (2008: HK$37,437,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 105 days (2008: 58 days) past due date.

Ageing of trade receivables which are past due but not impaired

	2009 HK$'000	2008 HK$'000
1 – 90 days	**15,175**	33,781
91 – 180 days	**3,533**	2,397
181 – 365 days	**2,878**	1,259
1 to 2 years	**1,286**	–
Total	**22,872**	37,437

Receivables that were past due but not impaired mainly relate to customers that have good trade records 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.

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For the year ended 31st March, 2009

20. TRADE AND OTHER RECEIVABLES (continued)

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 for specific components with uncertainty on the recoverability during the year is as follows:

	2009 HK$'000	2008 HK$'000
Balance at the beginning of the year	**3,674**	–
Impairment losses recognised on trade and other receivables	**1,966**	3,674
Balance at the end of the year	**5,640**	3,674

21. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represented deposits in money market accounts 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. The money market funds carry interest at variable rates and the average effective interest rate at 31st March, 2009 is approximately 1.56% (2008: 4.6%).

22. INVESTMENTS HELD FOR TRADING

Investments held for trading represent unlisted debt securities and listed equity securities in which are fully disposed of during the year.

The debt securities, which mainly represented investments in corporations in either United States of America or European countries with good credit rating, were substantially carried interest at fixed interest rates and denominated in United States dollars. The average effective interest rate in respect of the debt securities at 31st March, 2009 was approximately 4.22% (2008: 4.22%).

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

23. AMOUNTS DUE FROM RELATED PARTIES

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

Name of related party	Balance at 31.3.2009 HK$'000	Balance at 31.3.2008 HK$'000	Maximum amount outstanding during the year HK$'000
Zhao Jindong 趙錦棟	–	107	107
Zhang Xiaorui 張曉瑞	–	623	623
	–	730	

Mr. Zhao Jindong is a director of the Company's subsidiary. Ms. Zhang Xiaorui is a minority shareholder of the Company's subsidiary. The amounts due from related parties were unsecured, interest-free and fully repaid during the year.

24. 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 0.10% to 2.80% (2008: 0.01% to 2.65%) per annum.

Details of the pledged bank deposits are set out in note 36.

25. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	2009 HK$'000	2008 HK$'000
1-90 days	9,477	11,970
Over 90 days	16,025	21,974
Trade and other payables	25,502	33,944
Accrued charges	3,310	10,860
	28,812	44,804

The credit period on purchases of goods is 60 days (2008: 60 days).

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

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26. PROVISIONS

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 set out 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 local authorities of the PRC, therefore it is not practicable to estimate with certainty the timing of payment at this stage.

27. 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.

Certain directors of the Company have beneficial interests in the related company.

28. SECURED BANK BORROWINGS

Secured bank borrowings are repayable within one year and carry fixed-rate interest ranging from 3.28% to 4.54% (2008: nil) per annum.

The Group's secured bank borrowings are denominated in US$, a currency other than the functional currency of a relevant group entity.

29. CONVERTIBLE NOTE

On 31st December, 2007, the date of completion of the acquisition of Petro-king HK and Petro-king PRC, (details of the acquisitions are more fully disclosed in note 34) the Company and King Shine Group Limited ("King Shine"), a company which was set up by the PRC vendors, entered into a convertible note 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 note is interest free and shall be redeemed on the date falling on the third anniversary of the date of issue of the convertible note.

The convertible note, 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 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 note (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 note into shares or (ii) part thereof into shares together with the full repayment of the remaining principal balance thereof in cash.

29. CONVERTIBLE NOTE (continued)

King Shine agrees not to exercise the conversion right nor transfer the convertible note during the period from the date of issue of the convertible note 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 note. 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 Petro-king Group.

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

	2009 **HK$'000**	2008 HK$'000
Carrying amount at the beginning of the year/date of issue	**116,267**	114,800
Interest charge	**6,057**	1,467
Carrying amount at the end of the year	**122,324**	116,267

30. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation HK$'000	**Undistributed profits of a subsidiary established in the PRC HK$'000**	**Intangible assets HK$'000**	**Total HK$'000**
At 1st April, 2007	–	–	–	–
Acquisition of subsidiaries	–	–	6,695	6,695
Credit to consolidated income statement for the year	–	–	(3,567)	(3,567)
At 31st March, 2008 (as restated)	–	–	3,128	3,128
Charge (credit) to consolidated income statement for the year	673	2,411	(1,446)	1,638
At 31st March, 2009	**673**	**2,411**	**1,682**	**4,766**

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30. DEFERRED TAX LIABILITIES (continued)

At the balance sheet date, the Group has unused tax losses of HK$94,219,000 (2008: HK$93,548,000) available for offset against future profit as analysed as follows:

	2009 HK$'000	2008 HK$'000
Carried forward to		
December 2008	–	3,339
December 2009	2,708	2,669
December 2010	2,608	2,570
December 2011	1,378	1,358
December 2012	2,898	2,856
December 2013	3,871	–
Carried forward indefinitely	80,756	80,756
	94,219	93,548

No deferred tax asset had been recognised in respect of the unused tax losses as at 31st March, 2009 as it was uncertain whether sufficient taxable profits would be available to allow utilization of the carrying forward tax losses.

At the balance sheet date, deferred tax liabilities on temporary differences associated with the undistributed profits of a subsidiary established in the PRC derived on or after 1st January, 2008 amounting to HK$2,411,000 (2008: Nil) has been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

31. SHARE CAPITAL

	2009 & 2008 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, 2007	1,724,643	137,971
Shares issued	233,000	18,640
At 31st March, 2008 and 2009	**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.

32. SHARE OPTIONS

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.

On 25th February, 2008, the Company under the share option agreement entered into with Mr. Wang Jinlong, as a capacity of chief executive officer of the Company, granted 20,000,000 options to him, at an exercise price of HK$1.20 per share and are exercisable during the periods from 25th February, 2008 to 24th February, 2011 for 10,000,000 share options and from 25th February, 2009 to 24th February, 2011 for the remaining 10,000,000 share options, with estimated fair values per share amounting to HK$0.59 and HK$0.65 respectively.

On 28th March, 2008, the Company granted 17,000,000 options under the 2006 ESOP 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 with estimated fair values of HK$0.60, HK$0.66 and HK$0.71 respectively.

On 29th May, 2008, the Company granted 16,500,000 options under the 2006 ESOP to an employee of the Group, at an exercisable price of HK$1.14 per share and are exercisable during the periods from 29th May, 2009 for 6,666,666 share options, from 29th May, 2010 for 6,666,667 share options and from 29th May, 2011 for 3,166,667 share options, until 28th May, 2018 with estimated fair values of HK$0.65, HK$0.71 and HK$0.75 respectively. Subsequent to the balance sheet date, the employee resigned and those unvested share options were forfeited accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

32. SHARE OPTIONS (continued)

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	29th May, 2008
Share price at grant date	HK$1.37 per share	HK$1.15 per share	HK$1.14 per share
Exercise price	HK$1.20 per share	HK$1.25 per share	HK$1.14 per share
Volatility	73%	73%	75%
Risk free rate	1.99%	2.58%	3.20%
Dividend yield	0% per annum	0% per annum	0% per annum

The following table discloses movements of the Company's share options during the year:

Date granted	Outstanding at 1.4.2007	Granted during the year	Outstanding at 31.3.2008	Granted during the year	Outstanding at 31.3.2009
Mr. Wang Jinlong					
25th February, 2008	–	20,000,000	20,000,000	–	20,000,000
28th March, 2008	–	17,000,000	17,000,000	–	17,000,000
	–	37,000,000	37,000,000	–	37,000,000
An employee					
29th May, 2008	–	–	–	16,500,000	16,500,000
	–	37,000,000	37,000,000	16,500,000	53,500,000
Exercisable at the end of the year					25,666,666
Weighted average exercise price	–	HK$1.22	HK$1.22	HK$1.14	HK$1.20

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

33. RESERVES

Details of the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 43.

The directors do not recommend the payment of a dividend in respect of the year (2008: Nil).

34. ACQUISITION OF SUBSIDIARIES

On 10th October, 2007, the Group entered into various agreements, pursuant to which the Group acquired 51% of the equity interests of Petro-king HK and Petro-king PRC at an 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 was capitalised as part of the investment cost.

The Company has obtained profit guarantee from the vendors whereby the Company would be reimbursed part of the consideration paid on the acquisition if the aggregated amount of the audited consolidated net profits of Petro-king HK and Petro-king PRC for the two years ended 31st December, 2008 was less than RMB100 million. The profit guarantee amounts have been met.

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

34. ACQUISITION OF SUBSIDIARIES (continued)

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's company carrying amount and provisional fair value at acquisition date HK$'000	Acquiree's company restated fair value at acquisition date HK$'000
Net assets acquired:		
Property, plant and equipment	2,558	2,558
Interest in an associate	550	550
Intangible assets (note 17)	–	36,814
Inventories	13,496	13,496
Trade and other receivables	84,082	84,082
Amounts due from related parties	24,135	24,135
Amount due from an associate	2,646	2,646
Bank balances and cash	8,147	8,147
Trade and other payables and accrued charges	(46,252)	(46,252)
Amounts due to related parties	(24,854)	(24,854)
Taxation payable	(10,877)	(10,877)
Deferred tax liabilities	–	(6,695)
	53,631	83,750
Minority interest	(26,279)	(41,038)
Goodwill	258,635	243,275
Total consideration	285,987	285,987
Satisfied by:		
Cash	285,987	285,987
Net cash outflow arising on acquisition:		
Cash consideration paid	285,987	285,987
Bank balances and cash acquired	(8,147)	(8,147)
	277,840	277,840

34. ACQUISITION OF SUBSIDIARIES (continued)

Goodwill arising on the acquisition of Petro-king HK and Petro-king PRC during the prior year was determined on a provisional basis as the nature and fair value of the identifiable assets acquired could be determined on a provisional value only. The Company obtained independent valuation to assess the fair value during the year and the provisional goodwill was adjusted accordingly upon the completion of the initial accounting as set out in note 17.

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 fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	72
Inventories	790
Trade and other receivables	1,748
Taxation recoverable	153
Amounts 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)

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

35. OPERATING LEASE COMMITMENTS

The Group as lessor

At the balance sheet date, the Group's investment property (comprising leasehold interest in land and building) and properties held for sale with carrying amounts of HK$31,173,000 (2008: HK$31,505,000) and HK$85,156,000 (2008: HK$70,034,000) 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 three years without termination options.

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

	2009 **HK$'000**	2008 HK$'000
Within one year	**3,030**	2,816
In the second to fifth years inclusive	**2,182**	2,319
Over five years	**–**	1,186
	5,212	6,321

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:

	2009 **HK$'000**	2008 HK$'000
Within one year	**3,270**	862
In the second to fifth years inclusive	**6,081**	2,986
	9,351	3,848

Operating lease payments represent rentals payable by the Group for office premises and warehouses. These are negotiated and rentals are fixed for a period of 1 to 5 years (2008: 1 to 5 years).

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

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 HK$3,121,000 (2008: Nil) were pledged to secure the credit facilities granted to the Group. Such bank deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

(b) Guarantees were issued to banks by a subsidiary in respect of mortgage loans granted to property purchasers by banks amounted to approximately HK$119,000 (2008: HK$140,000) and, in this connection, the Group's bank deposits of HK$2,034,000 (2008: HK$2,034,000) 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$837,000 (2008: HK$206,000).

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

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 (2008: HK$240,000). Certain directors of the Company held beneficial interests in Panda Investment.

(b) At 31st March, 2009, the Group had an amount of approximately HK$2,092,000 (2008: HK$405,000) 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$2,280,000 (2008: HK$1,475,000).

(d) A director and a minority shareholder of a non-wholly owned subsidiary, Petro-king Holding Limited, act as guarantors of the secured bank borrowing of the Group for US$1,617,000 (equivalent to approximately HK$12,533,000) each.

(e) 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$22,438,000 (2008: HK$14,451,000), details of which are set out in note 11(a).

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, 2009

39. PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of the subsidiaries at 31st March, 2009 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, and are operating in their place of incorporation/ establishment, unless otherwise specified. None of the subsidiaries had any loan capital outstanding at 31st March, 2009 and 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:			
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, 2009

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 Co., 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-Enruida Oilfield Technology Co., Ltd. (iii)	The People's Republic of China	Registered capital of RMB2,000,000	Trading of tools and equipment and provision for consultancy services on well drilling
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, percentage of effective interests held by the Group is 51%.
* Non-wholly owned subsidiary, percentage of effective interests held by the Group is 26%.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2009

40. POST BALANCE SHEET EVENT

Pursuant to the Board of Directors' Meeting of Petro-king Oilfield Technology Limited ("Petro-king SZ"), a 51% indirect subsidiary of the Company, held on 1st April, 2009, Petro-king SZ would acquire 100% equity interest of 德州嘉誠石油裝備有限公司, an oilfield technology company, at a cash consideration of RMB6,000,000 (equivalent to HK$6,783,000). The acquisition was subsequently approved by the relevant authority in the PRC and acquisition was completed on 1st May, 2009.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's company carrying amount and provisional fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	2,439
Inventories	1,319
Trade and other receivables	338
Bank balances and cash	164
Trade and other payables and accrued charges	(891)
	3,369
Goodwill	3,414
Total consideration	6,783
Satisfied by:	
Cash	6,783
Net cash outflow arising on acquisition:	
Cash consideration paid	6,783
Bank balances and cash acquired	(164)
	6,619

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	16,452	100
	Residential	27,020	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,				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Turnover	**218,809**	43,290	6,576	5,399	3,095
Profit (loss) before taxation	**32,899**	(30,376)	14,505	4,105	(36,537)
Taxation	**(11,041)**	2,530	(130)	(130)	–
Profit (loss) for the year	**21,858**	(27,846)	14,375	3,975	(36,567)
(Loss)/profit attributable to equity holders of the company	**(6,629)**	(20,848)	14,375	3,975	(36,567)
Profit/(loss) attributable to minority holders	**28,487**	(6,998)	–	–	–

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March,				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**17,138**	17,400	8,107	9,269	11,427
Prepaid lease payments for leasehold land	**66,077**	66,675	67,273	67,871	68,469
Investment property	**3,370**	3,478	3,585	3,692	3,801
Other non-current assets	**2,034**	2,034	2,024	2,117	2,112
Goodwill	**243,318**	243,318	–	–	–
Intangible assets	**8,213**	16,500	–	–	–
Current assets	**1,064,663**	1,002,254	752,498	718,411	707,735
TOTAL ASSETS	**1,404,813**	1,351,659	833,487	801,360	793,544
CURRENT LIABILITIES	**(88,927)**	(85,165)	(11,008)	(17,114)	(16,079)
NON-CURRENT LIABILITIES	**(127,090)**	(119,395)	–	–	–
NET ASSETS	**1,188,796**	1,147,099	822,479	784,246	777,465
Equity attributable to equity holders of the Company	**1,124,096**	1,112,250	822,063	783,830	777,049
Minority interests	**64,700**	34,849	416	416	416
TOTAL EQUITY	**1,188,796**	1,147,099	822,479	784,246	777,465

Five Year Financial Summary

PER SHARE DATA

	Year ended 31st March,				
	2009	2008	2007	2006	2005
	HK cents	HK cents (Restated)	HK cents	HK cents	HK cents
Basic (loss) earnings per share	**(0.34)**	(1.17)	0.85	0.24	(2.20)
Dividends per share	**–**	–	–	–	–
Net asset value per share	**60.73**	58.60	47.69	47.11	46.70