Termbray Industries International (Holdings) Limited

Stock Code: 0093

2009/2010 Annual Report

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Lee Ka Sze, Carmelo
Mr. Lee Wing Sing, Vincent

COMPANY SECRETARY

Mr. Lo Tai On

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat B, 8/F, Waylee Industrial Centre
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Tsuen Wan, New Territories, Hong Kong
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Website: www.termbray.com.hk

HONG KONG REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
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Facsimile: (852) 2528 3158

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

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, 2010. The Group recorded a profit for the year of HK$68,926,000 and profit attributable to owners of the Company of HK$22,977,000 for the year ended 31st March, 2010, compared with profit for the year of HK$21,858,000 and loss attributable to owners of the Company of HK$6,629,000 in last year.

DIVIDEND

The board of directors of the Company does not recommend payment of a dividend in respect of the year (2009: 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 continues to drop. The management has put much effort in marketing the properties and is still trying hard to improve the operation of the commercial arcades by looking for innovative trendy commodities which are attractive to the consumers in Zhongshan. The rental income earned by the Group during the year decreased by 13.6%. As at 31st March, 2010, 233 residential units remained to be sold, out of which 142 residential units were let out.

With regard to the investment in Cong Hua White Swan Bow 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 consolidated financial statements of the Group in prior years.

Chairman's Statement

Oilfield engineering and consultancy services

During the year under review, the turnover of Petro-king Group is HK$382,408,000 (2009: HK$212,289,000). The turnover in current year increased by 80%. Petro-king Group has maintained very good relationship with its existing customers. It is engaged in 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.

Our major customers have acquired several massive overseas oil reserves, therefore the demand for experienced oilfield engineering and consultancy services have upsurged substantially. Petro-king Group have the technical knowhow to provide the comprehensive oilfield development design and consultancy services. These fundamental consultancy work have paved the way for more related oilfield project development works in future.

Whereas the domestic market was slacken due to the major customers have shifted their focus to newly acquired overseas oil reserves. Petro-king Group have strengthened its technical communication with domestic customers. This will improve potential business opportunities for domestic market in coming years.

TREASURY INVESTMENT ACTIVITY

The Group still holds a substantial amount of funds of approximately HK$0.8 billion which have been placed as short term bank deposits with large financial institutions in Hong Kong.

PRIVATISATION

New Insight Investments Limited ("the Offeror"), a wholly owned subsidiary of Lee & Leung (B.V.I.) Limited, on 28th January, 2010, informed the Board of the Company that it would make a voluntary conditional offer to acquire all of the issued shares of the Company (other than those already held by the Offeror and parties acting in concert with it) ("Termbray Shares").

At that date, the Offeror and parties acting in concern with it were interested in an aggregate of 1,329,639,900 shares of the Company, representing approximately 67.92% of the existing issued share capital of the Company.

The consideration for the Termbray Shares would be either (i) one new share of the Offeror for every Termbray Share or (ii) HK$1.20 per Termbray Share payable in cash.

Chairman's Statement

The offer would be conditional upon the Offeror having received valid acceptances of the offer (which are not, where permitted, withdrawn) by 4:00 p.m. on 31st March, 2010 (or such later time or date as the Offeror may, subject to the rules of the Hong Kong Code on Takeovers and Mergers and Share Repurchases ("Takeovers Code"), decide) in respect of the Termbray Shares which constitute not less than 90% of the Termbray Shares to which the offer relates.

To the extent applicable and pursuant to the compulsory acquisition power under the Companies Act, if the Offeror acquires not less than 90% of the Termbray Shares held by the independent shareholders (by virtue of the acceptances of the offer or otherwise) within the period of four months after posting the initial composite document, the Offeror intended to exercise its rights under the provisions of the Companies Act and Rule 2.11 of the Takeovers Code to compulsorily acquire those Termbray Shares not acquired by the Offeror pursuant to the offer, and following which an application would be made for the withdrawal of the listing of the shares of the Company from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 6.15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Given the low trading volume of the shares of the Company traded on the Stock Exchange, the Offeror believed that access to the equity capital markets did not provide the Company with an effective fund raising platform nor enhance its fund raising ability, and that the costs and management resources associated with the maintenance of the Company's listing status might not be justified. If the Company was to be delisted, it would be able to simplify its corporate structure, reduce administration time and costs and to save significant resources on listing compliance and investor relations in Hong Kong.

The composite document, containing details of the offer, together with the form of acceptance and transfer was dispatched by the Offeror and the Company jointly to the shareholders of the Company on 10th March, 2010 in accordance with the Takeovers Code.

As at 4:00 p.m. on 31st March, 2010, being the latest time and date for acceptance of the offer, valid acceptances of the offer had been received in respect of 21,089,950 Termbray Shares (representing approximately 3.36% of the Termbray Shares, and approximately 1.08% of the total issued share capital of the Company as at 31st March, 2010). Since the Termbray Shares validly tendered for acceptance under the offer were less than 90% of the Termbray Shares to which the offer related, the offer has not become unconditional and lapsed on 31st March, 2010. The Offeror did not extend nor revise the offer.

Chairman's Statement

OUTLOOK

Since the outbreak of the global financial crisis in the last quarter of 2008, the global economy is definitely adversely affected. We need to monitor carefully how and when it can 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.

The crude oil price has reverted upward and has surpassed USD70 per barrel 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. The Chinese government has carried out proactive fiscal policy and moderately easy monetary policy, thereby giving an impetus to the growth of economy and maintaining a positive GDP growth. Our major PRC customers have shifted their focus to develop overseas markets. They dominated the world market for acquiring oil reserve resources in the past year. These activities were in line with China resources safety strategy. It will certainly provide more business opportunities for Petro-king Group in the coming years.

Petro-king Group has kicked-off several massive projects in overseas markets. These new projects will last for several years. These projects have completed initial design and will soon undergo production in the coming years. We anticipate our PRC customers will increase their overseas investment. 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.

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 and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of the business in natural resources sector and has the confidence to strengthen its competitiveness and to build value for our shareholders.

Lee Lap
Chairman

Hong Kong, 9th July, 2010

Management Discussion and Analysis

RESULTS

During the current year under review, the Group achieved a turnover of HK$388,108,000 and recorded a profit for the year of HK$68,926,000 and profit attributable to owners of the Company of HK$22,977,000 compared with the turnover of HK$218,809,000 and profit for the year of HK$21,858,000 and loss attributable to owners of the Company of HK$6,629,000 recorded in last year.

SEGMENT INFORMATION

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

	2010	2009
	HK$'000	HK$'000
Sale of equipment	**285,525**	146,597
Sales of properties	**385**	367
Rental income	**5,315**	6,153
Consultancy services income	**96,883**	65,692
	388,108	218,809

The Group has adopted HKFRS 8 with effect from 1st April, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14 and change in the basis of measurement of segment profit or loss. In prior year, segment profit reported externally represented the profit earned by each segment without allocation of interest income, sundry income, unallocated corporate expenses, share option expense, due diligence expense on aborted acquisitions, finance costs and taxation. In contrast, segment profit reported to the chief operating decision maker, the executive directors of the Company, represents the profit earned by each segment without allocation of unallocated other income, unallocated expenses, share option expense, losses arising from changes in fair value of investments held for trading, effective interest expense on convertible note and corporate income tax credit.

Management Discussion and Analysis

In prior periods, primary segment information was analysed on the basis of the types of goods and services identified on a risks and returns approach, and the business segments reported were property development, property investment, engineering projects and provision of consultancy service on well drilling. However, information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment focuses more specifically on the two principal operating segments of the Group, namely property investment and development which involved property leasing and sales of properties, and oilfield engineering and consultancy services which involved sale of equipment and provision of consultancy services on well drilling.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

(A) Segment revenues and results:

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

	Revenue		**Segment profit**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Property investment and development	**5,700**	6,520	**3,067**	4,100
Oilfield engineering and consultancy services	**382,408**	212,289	**94,571**	60,637
	388,108	218,809	**97,638**	64,737
Unallocated other income (note 1)			**2,039**	11,039
Unallocated expenses			**(20,856)**	(31,226)
Share option expense			**(3,553)**	(16,062)
Losses arising from change in fair value of investments held for trading			**–**	(573)
Effective interest expense on convertible note			**(6,372)**	(6,057)
Corporate income tax credit			**30**	–
Profit for the year			**68,926**	21,858

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

Management Discussion and Analysis

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Segment profit represents the profit earned by each segment without allocation of unallocated other income, unallocated expenses, share option expense, losses arising from changes in fair value of investments held for trading, effective interest expense on convertible note and corporate income tax credit. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

(B) Geographical information

The Group's revenue from external customers by location where the goods are delivered and services are rendered are detailed below:

	Revenue from external customers	
	2010	2009
	HK$'000	HK$'000
Hong Kong	**80,562**	2,280
The PRC	**69,245**	139,991
Algeria	**75,736**	–
Singapore	**45,999**	–
Russia	**43,977**	47,237
Dubai	**31,351**	–
Others[1]	**41,238**	29,301
	388,108	218,809

Note:

(1) Others represent aggregated revenue attributable to countries which individually contributes not more than 10% of the total revenue of the Group.

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

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group remains cash-rich and no material capital expenditure commitments. The operations are financed by capital and reserves, convertible note and bank borrowings.

The convertible note of HK$133,692,000 issued to King Shine Group Limited in 2007 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 notes into ordinary shares of the Company, at the initial conversion price (subject to adjustments) of HK$1.20 per conversion share, at any time and from time to time during the period commencing from 1st July, 2009 up to 31st December, 2010. On the maturity date, the noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted convertible notes (if any) in cash.

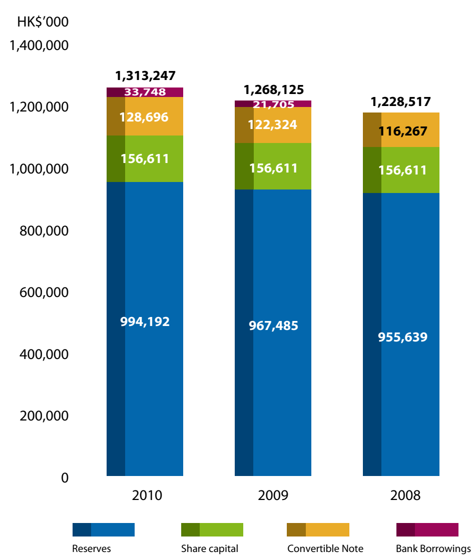
As at 31st March, 2010, the Group has obtained bank borrowings facility of HK$69,477,000 (2009: HK$23,253,000), out of which, HK$33,748,000 (2009: HK$21,705,000) are utilized. The utilized bank borrowings of HK$29,448,000 (2009: HK$21,705,000) are repayable within one year, HK$1,200,000 (2009: Nil) are repayable more than one year but not exceeding two years, HK$3,100,000 (2009: Nil) are repayable more than two years but not more than five years. The bank borrowings carry interest at variable-rates ranging from 2.29% to 4.54% (2009: 3.28% to 4.54%) per annum. The Group's bank borrowings are denominated in United States dollar and Hong Kong dollar.

Bank balances and cash amounted to HK$825,367,000 and accounted for 72.12% of total current assets.

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

CAPITAL STRUCTURE

As at 31st March, 2010, the Group's operations were financed by capital and reserves, convertible note and bank borrowings.



Management Discussion and Analysis

ORDER BOOK

As at 31st March, 2010, the outstanding orders on hand for oilfield engineering and consultancy services is approximately HK$686,895,000 (2009: HK$153,475,000).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 32.52% and 77.12% 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 24.80% and 77.28% respectively of the Group's turnover for the year.

Save as the connected transaction disclosed on pages 25 to 26 of this report, none of the Company's directors, their associates or any shareholders of the Company (who to the best of the knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers and the five largest suppliers.

STAFF AND EMOLUMENT POLICY

As at 31st March, 2010, the Group employed 205 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

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

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, 2010.

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 and investment, oilfield engineering and consultancy services.

RESULTS

The results of the Group for the year ended 31st March, 2010 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 (2009: Nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 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 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 (2009: Nil).

Directors' Report

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, 2010 were as follows:

	HK$'000
Contributed surplus	**191,810**
Retained profits	**77,985**
	269,795

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 Directors

Mr. Lee Ka Sze, Carmelo
Mr. Lee Wing Sing, Vincent (appointed on 11th December, 2009)

In accordance with the Company's Bye-laws, Mdm. Leung Lai Ping, Mr. Wang Jinlong, Mr. Wong Shiu Kee and Mr. Lee Ka Sze, Carmelo shall retire from the board by rotation in accordance with the Company's Bye-law 99(A), and Mr. Lee Wing Sing, Vincent, as a new director appointed during the year, shall retire in accordance with the Bye-law 102(B). All retiring directors, being eligible, offer themselves 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' Report

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. 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 to 30th December, 2010. 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.

Mr. Lee Wing Sing, Vincent has on 11th December, 2009 entered into an appointment letter with the Company for service as a non-executive director for a term of 2 years from 11th December, 2009 to 10th December, 2011, which appointment shall terminate on the earlier of (i) 10th December, 2011; or (ii) the date on which the director concerned ceases to be a 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 67, is the Chairman of the Company and he is also the Chairman of 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 32, is the Vice Chairman of the Company since 2008. 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 45, 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 24 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 MGMR. 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 61, 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 46, 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 73, was appointed as 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 52, was appointed as 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 councilor 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 65, was appointed as independent non-executive director in 2008 and is a member of the 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 Directors

Mr. Lee Ka Sze, Carmelo, aged 50, has been an independent non-executive director of the Company since March, 1997. On 30th September, 2004, he was re-designated as a non-executive director of the Company. He is a member of the 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 and Safety Godown Company 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. He 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.

Mr. Lee Wing Sing, Vincent, aged 37, was appointed as non-executive director of the Company in December 2009. He is the son of Mr. Lee Lap. He studied Economics in York University in Toronto, Canada. Mr. Lee is the Chief Operating Officer of a private company which is principally engaged in the manufacture and sale of printed circuit board and he is responsible for the overall management and strategic business development of the private company.

Directors' Report

SENIOR MANAGEMENT

Mr. Yuan Fucun, aged 40, is the executive vice president of Petro-king Oilfield Technology Limited. He joined the company in 2009. Mr. Yuan is a senior well engineer graduated from South West Petroleum University in 1992, has 18 years of professional experience in petroleum industries. Mr. Yuan has worked for oil operators (CNOOC, Phillips and Conoco Phillips) over 18 years on offshore drilling, production and reservoir engineering as engineer and manager. He also worked for Schlumberger as senior engineer, project manager and well engineering manager for various international projects in Russia, Algeria, Dubai and Egypt. Mr. Yuan has very solid experience in international & domestic project management for both oil operators and service providers.

Mr. Zhao Jin Dong, aged 47, 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 27 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, service engineer and superintendent.

Mr. Zhang Tai Yuan, aged 45, 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 24 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 36, is the executive director and vice president of Petro-king Oilfield Technology Limited. She joined 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 12 years of working experience and 9 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

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 at 31st March, 2010 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 directors	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. Lee Wing Sing Vincent	39,387,120	–	–	1,252,752,780 (note 1)	1,292,139,900	Shares	66.00%
Mr. Wang Jinlong	–	–	HK$133,692,000 (note 2)	–	HK$133,692,000	Debenture	–
	–	–	111,410,000	–	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, Mr. Lee Wing Sing, Vincent 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 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 Mr. Lee Wing Sing, Vincent) 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 56.98%. 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 were charged to the Company pursuant to a charge dated 31st December, 2007 (the "Charge") entered into between the Company and King Shine Group Limited 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 Co.,Limited, which Charge was subsequently released and discharged by a deed of release dated 5th March, 2010 and entered into in accordance with the terms of the Charge.

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 director	Name of subsidiary	Number of ordinary Shares	% of total issued ordinary shares
Mr. Wang Jinlong	Termbray Petro-king Oilfield Services (BVI) Limited	98	49%
	Petro-king Holding Limited	10,000	100%
	Petro-king International Co., Limited	5,000,000	100%
	深圳市百勤石油技術有限公司	20,000,000	100%
	德州嘉誠石油裝備有限公司	10,000,000	100%

Note: The above 49% ordinary shares in Termbray Petro-king Oilfield (BVI) Limited are held directly by King Shine Group Limited, which is beneficially owned by Mr. Wang Jinlong as to 56.98%. 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, 2010
Mr. Wang Jinlong	20,000,000	(Note 1)	1.02%
	17,000,000	(Note 2)	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, 2010, 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' 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 36 to the consolidated financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have controlling interests in Panda Investment.

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

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 at 31st March, 2010 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%

Directors' Report

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 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 Mr. Lee Wing Sing, Vincent) and the offspring of such children.

(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 56.98%, 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, 2010.

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 (2009: HK$2,280,000). 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

Directors' Report

(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.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the above continuing connected transaction of the Group. The auditor has reported the factual findings on these procedures to the board of directors and confirmed that the above continuing connected transactions:

(a) has received the approval of the board of the directors;

(b) has been entered into in accordance with the terms of the relevant agreement governing such transaction; and

(c) has not exceeded the relevant cap amount of HK$2,280,000 for the financial year ended 31st March, 2010.

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 above 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:

Category of services	**For the year ending 31st March,**		
	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

There is no Petro-king Group continuing connected transactions for the financial year ended 31st March, 2010 (2009: HK$2,984,135).

Directors' Report

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 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 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 issued upon exercise of the option granted to each participant under the 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.

Directors' Report

Movement of the share options during the year ended 31st March, 2010 are as follows:

Name of directors	Number of share options outstanding at 1st April, 2009	Granted during the year	Exercised during the year	Lapsed during the year	Number of share options outstanding at 31st March, 2010
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 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 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. All these 16,500,000 share options were lapsed during the year.

(4) No option was granted, exercised 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, 2010, the Group had no forfeited contributions (2009: 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 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 contribution made by the Group charged to the income statement in respect of the year are as follows:

	2010	2009
	HK$'000	HK$'000
Gross employers' contributions	**1,077**	837
Less: Forfeited contributions	**–**	–
Net contributions	**1,077**	837

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.

Directors' Report

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.

AUDITOR

The financial statements for the three years ended 31st March, 2010 were audited by Messrs. Deloitte Touche Tohmatsu.

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

By order of the Board
Lee Lap
Chairman

Hong Kong, 9th July, 2010

Corporate Governance Report

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

The Company adopted all the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices.

The Company has complied during the year ended 31st March, 2010 with the Code save as disclosed below.

Pursuant to code provisions A.1.1 and A.1.2, meetings of the board of directors of the Company ("the Board") should be held at least four times a year at approximately quarterly intervals and notice of at least 14 days should be given of a regular board meeting. During the year, the Board held six Board meetings of which two Board meetings were regular Board meetings. Other Board meetings were not qualified as regular Board meetings because notice of less than 14 days had been given in view of nature or urgency of those matters transacted at these Board meetings. The Board has taken necessary steps to ensure in future at least four regular Board meetings will be held in a year.

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 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.

Corporate Governance Report

The Board of the Company consists of 5 executive directors, 3 independent non-executive directors and 2 non-executive directors. Their brief biographical details are described on pages 17 and 18 of the Annual Report. Saved as disclosed therein, there are no other business, financial, family and other relevant interests among directors.

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 18 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.

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.

Mr. Lee Wing Sing, Vincent has on 11th December, 2009 entered into an appointment letter with the Company for service as a non-executive director for a term of 2 years from 11th December, 2009 to 10th December, 2011, which appointment shall terminate on the earlier of (i) 10th December, 2011; or (ii) the date on which the director concerned ceases to be a director pursuant to the Bye-laws or any other applicable laws.

The Board has set up an independent professional consulting procedures and upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company’s expenses.

The full Board meets regularly 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.

Corporate Governance Report

There were 6 board meetings held in the financial year ended 31st March, 2010. 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)*	3
Mr. Tommy Lee *(Vice Chairman)*	4
Mr. Wang Jinlong *(Chief Executive Officer)*	2
Mdm. Leung Lai Ping	1
Mr. Wong Shiu Kee	6
Mr. Lee Ka Sze, Carmelo	5
Mr. Chan Siu Kang	6
Mr. Lo Yiu Hee	6
Mr. Tong Hin Wor	6
Mr. Lee Wing Sing, Vincent (appointed on 11th December 2009)	0

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, 2010.

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

BOARD COMMITTEES

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

Corporate Governance Report

AUDIT COMMITTEE

The audit committee, which is 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, 2010. 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, 2009 and for the six months ended 30th September, 2009;

– 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 2009 audit fees.

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

Corporate Governance Report

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, 2010;

– to review the appointment letter of non-executive directors;

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

– to review the annual share option policy.

The remuneration committee meets once during the financial year ended 31st March, 2010 with the presence of all members of the remuneration committee.

OTHER INFORMATION

The Board 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. On 11th December, 2009, Mr. Lee Wing Sing, Vincent was appointed as a non-executive director of the Company. Such appointment was considered and approved at a board meeting duly convened and with the presence of all directors except Mr. Wang Jinlong. There was no other 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, 2010 are analysed as follows:

	31st March, 2010 HK$	31st March, 2009 HK$
Audit service	**2,507,706**	1,692,348
Non audit service	**520,370**	2,685,690
	3,028,076	4,378,038

Note: The remuneration for non audit services for current year mainly includes fee regarding the review of the interim financial report of the Group for the six months ended 30th September, 2009 amounted to HK$215,870 (2009: HK$185,000).

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 and also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget. Based on the results of the review, the Group will continue to take steps to further enhance the effectiveness of the internal control system.

SHAREHOLDER COMMUNICATION

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

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

Corporate Governance Report

At the 2009 annual general meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of directors. The Chairman of the Board and members of audit committee and remuneration committee attended the 2009 annual general meeting to answer questions of shareholders.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibility in preparing the financial statements. The statement of the auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 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 statement of financial position as at 31st March, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 of the Company, 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, 2010 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
9th July, 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	**388,108**	218,809
Cost of goods sold and services rendered		**(199,743)**	(106,554)
Gross profit		**188,365**	112,255
Other income	8	**7,596**	21,130
Other gains and losses		**493**	(2,044)
Selling and distribution expenses		**(46,693)**	(19,765)
Administrative expenses		**(43,651)**	(71,836)
Losses arising from changes in fair value of investments held for trading		**–**	(573)
Finance costs	9	**(7,745)**	(6,268)
Profit before tax	10	**98,365**	32,899
Taxation	12	**(29,439)**	(11,041)
Profit for the year		**68,926**	21,858
Other comprehensive income			
Exchange differences arising from translation of financial statements of foreign operations		**377**	3,504
Total comprehensive income for the year		**69,303**	25,362
Profit (loss) for the year attributable to:			
Owners of the Company		**22,977**	(6,629)
Minority interests		**45,949**	28,487
		68,926	21,858
Total comprehensive income attributable to:			
Owners of the Company		**23,154**	(4,216)
Minority interests		**46,149**	29,578
		69,303	25,362
		HK cents	HK cents
Basic and diluted earnings (loss) per share	13	**1.17**	(0.34)

Consolidated Statement of Financial Position

At 31st March, 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	14	**18,879**	17,138
Prepaid lease payments for leasehold land	15	**65,479**	66,077
Investment property	16	**3,261**	3,370
Pledged bank deposits	22 & 34(c)	**2,034**	2,034
Goodwill	17	**247,121**	243,318
Intangible assets	17	**5,226**	8,213
		342,000	340,150
Current assets			
Completed properties for sale		**116,105**	114,812
Inventories	19	**44,743**	38,419
Trade and other receivables	20	**125,620**	149,524
Deposits and prepayments		**18,518**	3,345
Prepaid lease payments for leasehold land	15	**598**	598
Available-for-sale investments	21	**–**	6,886
Taxation recoverable		**598**	2,871
Pledged bank deposits	22 & 34(a & b)	**12,811**	3,121
Deposits with a financial institution		**–**	126
Bank balances and cash	22	**825,367**	744,961
		1,144,360	1,064,663
Current liabilities			
Trade and other payables and accrued charges	23	**26,418**	28,812
Deposits received		**9,516**	1,487
Provisions	24 & 34(d)	**3,173**	3,173
Amount due to a related company	25 & 36(b)	**1,992**	2,092
Amount due to a director	25	**–**	23,967
Convertible note	26	**128,696**	–
Taxation payable		**15,368**	7,691
Bank borrowings	27	**29,448**	21,705
		214,611	88,927
Net current assets		**929,749**	975,736
Total assets less current liabilities		**1,271,749**	1,315,886

Consolidated Statement of Financial Position

At 31st March, 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Convertible note	26	**–**	122,324
Bank borrowings	27	**4,300**	–
Deferred tax liabilities	28	**5,797**	4,766
		10,097	127,090
Net assets		**1,261,652**	1,188,796
Capital and reserves			
Share capital	29	**156,611**	156,611
Reserves	31	**994,192**	967,485
Equity attributable to owners of the Company		**1,150,803**	1,124,096
Minority interests		**110,849**	64,700
Total equity		**1,261,652**	1,188,796

The consolidated financial statements on pages 40 to 103 were approved and authorised for issue by the board of directors on 9th July, 2010 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2010

	Attributable to owners of the Company								
	Share capital	Share premium	Exchange translation reserve	Convertible note equity reserve	Share options reserve	Retained profits	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April, 2008	156,611	404,370	13,992	18,892	6,609	511,776	1,112,250	34,849	1,147,099
(Loss) profit for the year	–	–	–	–	–	(6,629)	(6,629)	28,487	21,858
Exchange differences arising from translation of financial statements of foreign operations	–	–	2,413	–	–	–	2,413	1,091	3,504
Total comprehensive income 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
Profit for the year	**–**	**–**	**–**	**–**	**–**	**22,977**	**22,977**	**45,949**	**68,926**
Exchange differences arising from translation of financial statements of foreign operations	**–**	**–**	**177**	**–**	**–**	**–**	**177**	**200**	**377**
Total comprehensive income for the year	**–**	**–**	**177**	**–**	**–**	**22,977**	**23,154**	**46,149**	**69,303**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**3,553**	**–**	**3,553**	**–**	**3,553**
Effects of vested share options forfeited under share options scheme	**–**	**–**	**–**	**–**	**(3,991)**	**3,991**	**–**	**–**	**–**
At 31st March, 2010	**156,611**	**404,370**	**16,582**	**18,892**	**22,233**	**532,115**	**1,150,803**	**110,849**	**1,261,652**

Consolidated Statement of Cash Flows

For the year ended 31st March, 2010

	Note	2010 HK$'000	2009 HK$'000
Operating activities			
Profit before tax		**98,365**	32,899
Adjustments for:			
Depreciation of property, plant and equipment		**3,887**	3,195
Depreciation of investment property		**109**	108
Release of prepaid lease payments for leasehold land		**598**	598
Amortisation of intangible assets		**2,987**	8,287
Finance costs		**7,745**	6,268
Share-based payment expenses		**3,553**	16,062
Impairment losses recognised on trade and other receivables		**342**	1,966
Loss on disposal of property, plant and equipment		**1,101**	58
Interest income		**(2,173)**	(11,245)
Net exchange (gain) loss		**(1,936)**	20
Operating cash flows before movements in working capital		**114,578**	58,216
Decrease in completed properties for sale		**329**	281
Increase in inventories		**(4,524)**	(21,245)
Decrease (increase) in trade and other receivables		**23,620**	(58,891)
Increase in deposits and prepayments		**(15,038)**	(52)
Decrease in investments held for trading		**–**	103,839
Decrease in amounts due from related parties		**–**	730
Decrease in trade and other payables and accrued charges		**(4,200)**	(15,992)
Increase (decrease) in deposits received		**8,029**	(577)
(Decrease) increase in amount due to a related company		**(100)**	1,687
Cash generated from operations		**122,694**	67,996
Income taxes paid		**(18,229)**	(14,611)
Interest paid		**(1,373)**	(211)
Net cash from operating activities		**103,092**	53,174
Investing activities			
Net cash outflow from acquisition of subsidiaries	32	**(6,165)**	–
Interest received		**2,173**	11,245
Placement of pledged bank deposits		**(9,690)**	(3,121)
Purchase of property, plant and equipment		**(4,655)**	(2,908)
Proceeds on disposal of property, plant and equipment		**250**	87
Purchase of available-for-sale investments		**–**	(383,365)
Proceeds on disposal of available-for-sale investments		**6,886**	1,008,931
Net cash (used in) from investing activities		**(11,201)**	630,869

Consolidated Statement of Cash Flows

For the year ended 31st March, 2010

	Note	2010 HK$'000	2009 HK$'000
Financing activities			
Capital contribution by a minority shareholder		**–**	273
New bank borrowings raised		**80,978**	28,821
Repayments of bank borrowings		**(72,272)**	(7,116)
Bank overdrafts raised		**3,318**	–
(Repayments to) advances from a director		**(23,967)**	17,502
Repayments to minority shareholders		**–**	(18,103)
Net cash (used in) from financing activities		**(11,943)**	21,377
Net increase in cash and cash equivalents		**79,948**	705,420
Cash and cash equivalents at beginning of the year		**745,087**	40,904
Effect of foreign exchange rate changes		**332**	(1,237)
Cash and cash equivalents at end of the year		**825,367**	745,087
Analysis of cash and cash equivalents			
Bank balances and cash		**825,367**	744,961
Deposits with a financial institution		**–**	126
		825,367	745,087

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

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"). Its parent is Lee & Leung (B.V.I.) Limited incorporated in the British Virgin Islands and the directors of the Company consider that its ultimate parent to be First Trend Management (PTC) Limited, a company incorporated in the British Virgin Islands which is held by HSBC International Trustee Limited for Lee & Leung Family Trust, the settlor of which is Mr. Lee Lap.

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 Group is principally engaged in property investment and development, oilfield engineering and provision of consultancy services.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 7).

HKAS 23 (Revised 2007) "Borrowing Costs"

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The revised accounting policy does not have a material effect on the reported results and financial position of the Group for the current or prior accounting periods.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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

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

[2] Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

[3] Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

[4] Effective for annual periods beginning on or after 1st January, 2010

[5] Effective for annual periods beginning on or after 1st February, 2010

[6] Effective for annual periods beginning on or after 1st July, 2010

[7] Effective for annual periods beginning on or after 1st January, 2011

[8] Effective for annual periods beginning on or after 1st January, 2013

The application of HKFRS 3 (Revised) "Business Combinations" may affect the Group's accounting for business combination for which the acquisition date is on or after 1st April, 2010. HKAS 27 (Revised) "Consolidated and Separate Financial Statements" will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from the Group's financial year beginning on 1st April, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from the Group's financial year beginning on 1st April, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

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 consolidated financial statements.

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 statement of comprehensive income from the effective date of acquisition and 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 in 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.

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 is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On 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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where 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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers.

Revenue from sale of 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 services 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.

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 profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 so as to write off the cost of investment property over its estimated useful life and after taking into account of their estimated residual value, 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 profit or loss in the period in which the item is derecognised.

Properties for sale

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

Inventories

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

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

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

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 consolidated statement of financial position 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into 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.

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. Subsequent to initial recognition, loans and receivables (including trade and other receivables, 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 of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables, financial assets at fair value through profit or loss and held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. 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 affected.

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 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 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 loss 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, 2010

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 (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 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 and a director and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset 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 notes 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible notes (continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing 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 notes 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 notes 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 other comprehensive income 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (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 consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the exchange translation reserve). Such translation differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs (continued)

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense 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.

Leasehold land and building

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 can be made reliably, the leasehold interests in land are accounted for as operating leases and amortised 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 statement of comprehensive income 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 end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with 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 assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

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

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The following are the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, 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, a material impairment loss may arise. As at 31st March, 2010, the carrying amount of goodwill is HK$247,121,000 (2009: 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 adjusts 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st March, 2010, the carrying amount of trade receivables is HK$113,759,000 (2009: HK$130,047,000) (net of allowance of doubtful debts amounting to HK$4,016,000 (2009: HK$3,674,000)).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation 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 bank borrowings disclosed in note 27, convertible note disclosed in note 26 and equity attributable to owners 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010	2009
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**965,832**	899,766
Available-for-sale investments	**–**	6,886
Financial liabilities		
Liabilities at amortised cost	**187,500**	195,590

(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.

6. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk

The Group's activities expose it primarily to the foreign currency risk and the interest rate risk.

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

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**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**11,143**	140,809	**–**	124,969
United States dollar ("USD")	**141,903**	6,799	**35,786**	3,544
Renminbi ("RMB")	**685**	–	**321**	2,322

6. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Foreign currency risk management (continued)

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 rates. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

In the opinion of the directors of the Company, the foreign currency exposure in relation to the HK$ and USD exchange rate fluctuation is not significant as HK$ 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 HK$ or USD against the functional currency of relevant group entities, RMB, and monetary assets or liabilities that are denominated in RMB against the functional currencies of relevant group entities, USD or HK$.

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.

6. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Foreign currency risk management (continued)

Sensitivity analysis (continued)

	Increase (decrease) in the post-tax profit for the year	
	2010	2009
	HK$'000	HK$'000
HK$ Impact	**9,420**	7,352
USD Impact	**(605)**	1,060
RMB Impact	**(15)**	(116)

A 5% weakening of the functional currency would have an equal but opposite impact on the post-tax profit for the year.

Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to its interest bearing financial instruments which are mainly available-for-sale investments, pledged bank deposits and bank balances and bank borrowings. 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.

6. FINANCIAL INSTRUMENTS (continued)

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

(i) Market risk (continued)

Interest rate risk management (continued)

Sensitivity analysis

Since the interest income derived from the available-for-sale investments, pledged bank deposits and bank balances is minimal, no sensitivity analysis in relation to the interest rates for available-for-sale investments, pledged bank deposits and bank balances is presented. The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year arranged at variable rate at the end of the reporting period. A 100 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 interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st March, 2010 would decrease/increase by approximately HK$282,000 (2009: post-tax profit decrease/increase approximately by HK$182,000).

(ii) Credit risk management

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 statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 34(c).

6. FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk management (continued)

In order to minimise the credit risk, 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. In addition, follow-up action is taken up to recover overdue debts and ongoing credit evaluation is performed on the financial condition of trade receivables. The management reviews the recoverable amount of each receivable at the end of the reporting period 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% (2009: 45%) of total trade receivables represented an amount due from the Group's largest customer within the oilfield engineering and consultancy services business segment. 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 Group has concentration of credit risk as 85% (2009: 96%) of aggregated amounts of pledged bank deposits and bank balance represented deposits placed in a bank. However, the directors of the Company consider that the credit risk of pledged bank deposits and bank balance is limited because the counterparty is a bank with good reputation and high creditworthiness.

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

(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 bank borrowings.

6. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk management (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or less than 1 month HK$'000	1 – 2 months HK$'000	2 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2010						
Trade and other payables	**10,168**	**3,809**	**9,087**	**–**	**23,064**	**23,064**
Amount due to a related party	**1,992**	**–**	**–**	**–**	**1,992**	**1,992**
Rental deposits received	**771**	**21**	**476**	**–**	**1,268**	**1,268**
Bank borrowings	**3,488**	**15,333**	**10,935**	**4,408**	**34,164**	**33,748**
Convertible note	**–**	**–**	**133,692**	**–**	**133,692**	**128,696**
	16,419	**19,163**	**154,190**	**4,408**	**194,180**	**188,768**

	On demand or less than 1 month HK$'000	1 – 2 months HK$'000	2 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
Rental deposits received	632	14	66	509	1,221	1,221
Bank borrowings	7,803	44	14,024	–	21,871	21,705
Convertible note	–	–	–	133,692	133,692	122,324
	57,685	2,369	14,090	134,201	208,345	196,811

6. FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk management (continued)

The amounts included above for variable interest rate instruments for financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

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

- the fair value of available-for-sale investments was determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

7. REVENUE AND SEGMENT INFORMATION

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

	2010	2009
	HK$'000	HK$'000
Sale of equipment	**285,525**	146,597
Sales of properties	**385**	367
Rental income	**5,315**	6,153
Consultancy services income	**96,883**	65,692
	388,108	218,809

7. REVENUE AND SEGMENT INFORMATION (continued)

The Group has adopted HKFRS 8 with effect from 1st April, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14 and change in the basis of measurement of segment profit or loss. In prior year, segment profit reported externally represented the profit earned by each segment without allocation of interest income, sundry income, unallocated corporate expenses, share option expense, due diligence expense on aborted acquisitions, finance costs and taxation. In contrast, segment profit reported to the chief operating decision maker, the executive directors of the Company, represents the profit earned by each segment without allocation of unallocated other income, unallocated expenses, share option expense, losses arising from changes in fair value of investments held for trading, effective interest expense on convertible note and corporate income tax credit.

In prior periods, primary segment information was analysed on the basis of the types of goods and services identified on a risks and returns approach, and the business segments reported were property development, property investment, engineering projects and provision of consultancy service on well drilling. However, information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment focuses more specifically on the two principal operating segments of the Group, namely property investment and development which involved property leasing and sales of properties, and oilfield engineering and consultancy services which involved sale of equipment and provision of consultancy services on well drilling.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results

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

For the year ended 31st March, 2010

	Property investment and development HK$'000	Oilfield engineering and consultancy services HK$'000	Total HK$'000
Revenue	**5,700**	**382,408**	**388,108**
Segment profit	**3,067**	**94,571**	**97,638**
Unallocated other income			**2,039**
Unallocated expenses			**(20,856)**
Share option expense			**(3,553)**
Effective interest expense on convertible note			**(6,372)**
Corporate income tax credit			**30**
Profit for the year			**68,926**

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31st March, 2009

	Property investment and development HK$'000	Oilfield engineering and consultancy services HK$'000	Total HK$'000
Revenue	6,520	212,289	218,809
Segment profit	4,100	60,637	64,737
Unallocated other income			11,039
Unallocated expenses			(31,226)
Share option expense			(16,062)
Losses arising from changes in fair value of investments held for trading			(573)
Effective interest expense on convertible note			(6,057)
Profit for the year			21,858

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of unallocated other income, unallocated expenses, share option expense, losses arising from changes in fair value of investments held for trading, effective interest expense on convertible note and corporate income tax credit. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

7. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31st March, 2010

	Property investment and development HK$'000	**Oilfield engineering and consultancy services HK$'000**	**Segment total HK$'000**	**Unallocated HK$'000**	**Consolidated total HK$'000**
Amounts included in the measure of segment profit:					
Release of prepaid lease payments for leasehold land	**225**	**–**	**225**	**373**	**598**
Amortisation of intangible assets	**–**	**2,987**	**2,987**	**–**	**2,987**
Depreciation	**141**	**2,060**	**2,201**	**1,795**	**3,996**
Interest income	**28**	**40**	**68**	**2,105**	**2,173**
Interest expenses	**–**	**1,373**	**1,373**	**6,372**	**7,745**
Taxation charge (credit)	**352**	**29,117**	**29,469**	**(30)**	**29,439**

For the year ended 31st March, 2009

	Property investment and development HK$'000	Oilfield engineering and consultancy services HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit:					
Release of prepaid lease payments for leasehold land	225	–	225	373	598
Amortisation of intangible assets	–	8,287	8,287	–	8,287
Depreciation	141	1,352	1,493	1,810	3,303
Interest income	123	93	216	11,029	11,245
Interest expenses	–	211	211	6,057	6,268
Taxation	688	10,353	11,041	–	11,041

7. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Hong Kong, the People's Republic of China ("PRC"), Algeria, Singapore, Russia and Dubai.

The Group's revenue from external customers by location where the goods are delivered and services are rendered and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**80,562**	2,280	**77,324**	79,521
The PRC	**69,245**	139,991	**14,098**	7,064
Algeria	**75,736**	–	**–**	–
Singapore	**45,999**	–	**–**	–
Russia	**43,977**	47,237	**–**	–
Dubai	**31,351**	–	**–**	–
Others[1]	**41,238**	29,301	**–**	–
Unallocated[2]	**–**	–	**248,544**	251,531
	388,108	218,809	**339,966**	338,116

Notes: Non-current assets excluded pledged bank deposits.

1 Others represent aggregated revenue attributable to countries which individually contributes not more than 10% of the total revenue of the Group.

2 Unallocated represent goodwill and intangible assets allocated to a cash-generating unit of Unit A (defined in note 18) arose from acquisition of subsidiaries in a single transaction, which were incorporated or established in Hong Kong or the PRC. Details are set out in notes 17 and 18.

7. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

Revenues from customers of the corresponding years individually contributing over 10% of the total sales of the Group are as follows:

	2010 **HK$'000**	2009 HK$'000
Customer A	**126,205**	N/A[3]
Customer B	**75,736**	N/A[3]
Customer C	**43,393**	47,237
Customer D	**N/A[3]**	63,779
Customer E	**N/A[3]**	22,830

All revenues from the above major customers are attributable to oilfield engineering and consultancy services.

[3] The corresponding revenue did not contribute over 10% of the total sales of the Group.

Segment assets and liabilities

Information of the operating segments of the Group reported to the chief operating decision maker for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

8. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Interest income from		
– available-for-sale investments	**3**	4,111
– investments held for trading	**–**	4,193
– bank balances and deposits with a financial institution	**2,170**	2,941
	2,173	11,245
Commission income	**3,699**	8,112
Sundry income	**1,724**	1,773
	7,596	21,130

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Effective interest expense on convertible note	**6,372**	6,057
Interest on bank borrowings wholly repayable within five years	**1,373**	211
	7,745	6,268

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

10. PROFIT BEFORE TAX

	2010 HK$'000	2009 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration		
– current year	**2,136**	1,867
– underprovision in prior year	**372**	–
Release of prepaid lease payments for leasehold land	**598**	598
Amortisation of intangible assets, included in "administrative expenses"	**2,987**	8,287
Impairment losses recognised on trade and other receivables, included in "other gains and losses"	**342**	1,966
Cost of inventories sold	**173,680**	66,185
Depreciation of		
– property, plant and equipment	**3,887**	3,195
– investment property	**109**	108
Staff costs including directors' emoluments (note)	**62,166**	67,493
Due diligence expense on aborted acquisitions	**–**	5,174
Operating lease rentals in respect of land and buildings	**2,177**	2,933
Loss on disposal of property, plant and equipment, included in "other gains and losses"	**1,101**	58
Net exchange (gain) loss, included in "other gains and losses"	**(1,936)**	20
Gross rental income from investment property	**(2,280)**	(2,280)
Less: direct operating expense from investment property that generated rental income during the year	**551**	806
	(1,729)	(1,474)

Note: The staff costs include share option expenses of HK$3,553,000 (2009: HK$16,062,000). 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.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

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, 2010				
	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	–	3,320	–	–	3,320
Mdm. Leung Lai Ping	–	2,820	12	–	2,832
Mr. Wong Shiu Kee	–	1,500	75	–	1,575
Mr. Tommy Lee	–	1,040	52	–	1,092
Mr. Wang Jinlong	–	1,200	–	3,198	4,398
Independent non-executive directors					
Mr. Chan Siu Kang	100	–	–	–	100
Mr. Lo Yiu Hee	100	–	–	–	100
Mr. Tong Hin Wor	100	–	–	–	100
Non-executive directors					
Mr. Lee Ka Sze, Carmelo	100	–	–	–	100
Mr. Lee Wing Sing, Vincent	50	–	–	–	50
	450	9,880	139	3,198	13,667

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

11. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(a) Directors' emoluments (continued)

	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

During the year, the land and buildings of the Group with a rental value of HK$2,640,000 (2009: 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.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

11. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES (continued)

(b) Senior employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2009: four) are directors of the Company, whose emoluments have been included above. The emoluments of the remaining one (2009: one) individual are as follows:

	2010	2009
	HK$'000	HK$'000
Basic salaries, allowances and benefits-in-kind	**1,793**	963
Contributions to retirement benefit schemes	**12**	–
Share-based payment	**355**	3,636
	2,160	4,599

12. TAXATION

	2010	2009
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**12,887**	185
PRC Enterprise Income Tax	**10,598**	13,228
Other jurisdiction	**–**	1,341
	23,485	14,754
Under(over)provision in prior years:		
Hong Kong Profits Tax	**4,782**	(5,636)
PRC Enterprise Income Tax	**141**	285
	4,923	(5,351)
Deferred tax (note 28):	**1,031**	1,638
	29,439	11,041

12. TAXATION (continued)

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% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, a PRC subsidiary of the Company was entitled to an incentive tax rate of 15% under old law or regulations. 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%. The tax rate of other PRC subsidiaries of the Company is 25% from 1st January, 2008 onwards.

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

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2010 **HK$'000**	2009 HK$'000
Profit before tax	**98,365**	32,899
Tax at the applicable income tax rate of 25%	**24,591**	8,225
Tax effect of expenses not deductible for tax purpose	**7,913**	14,790
Tax effect of income not taxable for tax purpose	**(1,049)**	(6,029)
Tax effect of tax losses not recognised	**935**	968
Utilisation of tax losses previously not recognised	**(168)**	–
Under(over)provision in respect of prior years	**4,923**	(5,351)
Deferred tax on undistributed profits of a subsidiary established in the PRC	**2,006**	2,411
Tax effect of income tax on concessionary rate	**(2,425)**	(3,788)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(6,607)**	(1,575)
Others	**(680)**	1,390
Tax charge for the year	**29,439**	11,041

Details of the deferred tax are set out in note 28.

13. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	2010 **HK$'000**	2009 HK$'000
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**22,977**	(6,629)

	Number of shares	
	'000	'000
Number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,957,643**	1,957,643

The computation of diluted earnings (loss) per share does not assume the conversion of the Company's outstanding convertible note and the exercise of the Company's outstanding share options since the assumed conversion of convertible note would result in an increase in earnings per share/a decrease in loss per share and the exercise prices of the Company's share options were higher than the average market price for shares.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

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, 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
Additions	–	4,057	242	356	4,655
Acquired on acquisition of a subsidiary	–	1,404	94	764	2,262
Disposals	–	(335)	(1,345)	(82)	(1,762)
Exchange adjustment	–	49	12	22	83
At 31st March, 2010	**6,250**	**9,373**	**13,157**	**10,163**	**38,943**
DEPRECIATION					
At 1st April, 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
Provided for the year	141	1,273	1,414	1,059	3,887
Disposals	–	(173)	(237)	(1)	(411)
Exchange adjustment	–	12	3	6	21
At 31st March, 2010	**2,116**	**1,955**	**9,655**	**6,338**	**20,064**
CARRYING VALUES					
At 31st March, 2010	**4,134**	**7,418**	**3,502**	**3,825**	**18,879**
At 31st March, 2009	4,275	3,355	5,679	3,829	17,138

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:

Buildings	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 and equipment and leasehold improvements	10% to 20%
Motor vehicles	15% to 18%

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

	2010	2009
	HK$'000	HK$'000
Buildings situated on leasehold interest in land in Hong Kong on:		
Long lease	**3,372**	3,482
Medium-term lease	**762**	793
	4,134	4,275

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

15. PREPAID LEASE PAYMENTS FOR LEASEHOLD LAND

	2010 **HK$'000**	2009 HK$'000
The Group's prepaid lease payments for leasehold land comprise:		
Leasehold land in Hong Kong on		
Long leases	**62,909**	63,422
Medium-term lease	**3,168**	3,253
	66,077	66,675
Analysed for reporting purposes as:		
Non-current	**65,479**	66,077
Current	**598**	598
	66,077	66,675

16. INVESTMENT PROPERTY

	Building HK$'000
COST	
At 1st April, 2008, and 31st March, 2009 and 2010	**4,480**
DEPRECIATION	
At 1st April, 2008	1,002
Provided for the year	108
At 31st March, 2009	1,110
Provided for the year	109
At 31st March, 2010	**1,219**
CARRYING VALUES	
At 31st March, 2010	**3,261**
At 31st March, 2009	3,370

16. INVESTMENT PROPERTY (continued)

The building is situated on land in Hong Kong with long lease. The Group's leasehold interest in land with the carrying amount of approximately HK$27,579,000 at 31st March, 2010 (2009: HK$27,803,000) 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 life of 40 years.

The fair value of the Group's investment property at 31st March, 2010, which comprise leasehold interest in land and building, is HK$84,000,000 (2009: HK$60,000,000). The fair value has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited ("Vigers") (2009: DTZ Debenham Tie Leung Limited), an independent qualified professional valuer not connected with the Group. Vigers 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

Goodwill

	HK$'000
At 1st April, 2008 and 31st March, 2009	243,318
Arising on acquisition of a subsidiary (note 32)	3,803
At 31st March, 2010	**247,121**

The goodwill arose from the acquisition of subsidiaries during the year ended 31st March, 2008 and during the year ended 31st March, 2010 amounting to HK$243,318,000 and HK$3,803,000 respectively. Details of the acquisition of a subsidiary during the year are set out in note 32. In the opinion of the directors of the Company, the goodwill represents the future economic benefits arising from the potential growth in these business acquired. Particulars regarding impairment testing on goodwill are set out in note 18.

17. GOODWILL AND INTANGIBLE ASSETS (continued)

Intangible assets

In relation to the acquisition of subsidiaries during the year ended 31st March, 2008, a valuation report prepared by an independent qualified professional valuer, Vigers, showed 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 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 Co., Limited ("Petro-king HK") and Petro-king Oilfield Technology Limited ("Petro-king SZ"). Such intangible assets are amortised on a straight-line basis over their estimated useful lives of four years.

The movements of these intangible assets are as follows:

	Customer-related intangible assets HK$'000	Intangible assets in relation to non-competition agreements HK$'000	Total HK$'000
COST			
At 1st April, 2008, 31st March, 2009 and 2010	**24,867**	**11,947**	**36,814**
AMORTISATION			
At 1st April, 2008	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
Provided for the year	–	2,987	2,987
At 31st March, 2010	**24,867**	**6,721**	**31,588**
CARRYING VALUES			
At 31st March, 2010	**–**	**5,226**	**5,226**
At 31st March, 2009	–	8,213	8,213

18. IMPAIRMENT TEST ON GOODWILL

For the purposes of impairment testing, goodwill has been allocated to two individual cash generating units ("CGUs"), both are subsidiaries in the oilfield engineering and consultancy services segment. The carrying amounts of goodwill as at 31st March, 2010 allocated to these units are as follows:

	2010	2009
	HK$'000	HK$'000
Petro-king HK and Petro-king SZ ("Unit A")	**243,318**	243,318
德州嘉誠石油裝備有限公司 ("德州嘉誠" or "Unit B")	**3,803**	–
	247,121	243,318

During the year ended 31st March, 2010, the management of the Group determines that there is no impairment of the CGUs containing goodwill.

The recoverable amounts of both Unit A and Unit B have been determined based on value in use calculations. The calculations use cash flow projections based on financial budgets approved by management and the cash flows beyond 5-year (2009: 6-year for Unit A) period are extrapolated using a steady growth rate of 2% for both Unit A and Unit B. Discount rates of 14.0% (2009: 12.2%) and 12.2% are used for Unit A and Unit B, respectively. 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 CGUs' 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 amounts of the CGUs to exceed the aggregate recoverable amounts of the CGUs.

19. INVENTORIES

The inventories represent merchandise for oilfield engineering held by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

20. TRADE AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Trade receivables	**117,775**	133,721
Less: allowance for doubtful debts	**(4,016)**	(3,674)
	113,759	130,047
Other receivables	**11,861**	21,443
Less: allowance for doubtful debts	**–**	(1,966)
	11,861	19,477
	125,620	149,524

The Group allows an average credit period of 90 days after invoice date to most of its customers in respect of the oilfield engineering and consultancy services. The receivables from sales of properties and rental receivables are collected in accordance with the terms of the relevant agreements.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the date of the transactions at the end of the reporting period.

	2010 HK$'000	2009 HK$'000
1 – 90 days	**9,591**	90,653
91 – 180 days	**35,439**	19,001
181 – 365 days	**13,096**	10,994
More than 1 year, but not exceeding 2 years	**52,525**	9,399
More than 2 years, but not more than 3 years	**3,108**	–
	113,759	130,047

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 since most counterparties are leaders in the oilfield industry with strong financial position and no history of defaults.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

20. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$82,886,000 (2009: HK$22,872,000) which are past due as at the end of the reporting period 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 past due by 253 days (2009: 105 days).

Ageing of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	HK$'000
1 – 90 days	**18,312**	15,175
91 – 180 days	**8,182**	3,533
181 – 365 days	**46,342**	2,878
More than 1 year, but not exceeding 2 years	**6,942**	1,286
More than 2 years, but not more than 3 years	**3,108**	–
	82,886	22,872

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

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:

	2010	2009
	HK$'000	HK$'000
Balance at the beginning of the year	**5,640**	3,674
Impairment losses recognised	**342**	1,966
Amount written off as uncollectible	**(1,966)**	–
Balance at the end of the year	**4,016**	5,640

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

21. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represented deposits in money market accounts which were managed by international financial institutions and were fully redeemed during the year. Such money market funds were carried at their fair value at the end of the reporting period, determined based on valuation provided by the counterparty financial institutions. The money market funds carried interest at variable rates and the average effective interest rate for the year ended 31st March, 2010 was approximately 0.16% (2009: 1.56%).

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

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.

Pledged bank deposits and bank balances and cash, which comprise short-term bank deposits, carry interest at effective interest rates ranging from 0.01% to 0.36% (2009: 0.10% to 2.80%) per annum.

Details of the pledged bank deposits are set out in note 34 (a to c).

23. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period.

	2010 **HK$'000**	2009 HK$'000
1-90 days	**17,725**	9,477
Over 90 days	**5,339**	16,025
Trade and other payables	**23,064**	25,502
Accrued charges	**3,354**	3,310
	26,418	28,812

The credit period on purchases of goods is ranged from 60 to 90 days (2009: 60 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

24. 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 34(d). The timing of payment of 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.

25. AMOUNTS DUE TO A RELATED COMPANY/A DIRECTOR

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

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

26. CONVERTIBLE NOTE

On 31st December, 2007, the date of completion of the acquisition of Petro-king HK and Petro-king SZ, 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 note 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, and therefore is classified as current liability as at 31st March, 2010.

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 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.

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

	2010 **HK$'000**	2009 HK$'000
Carrying amount at the beginning of the year	**122,324**	116,267
Interest charge	**6,372**	6,057
Carrying amount at the end of the year	**128,696**	122,324

27. BANK BORROWINGS

	2010 HK$'000	2009 HK$'000
Bank overdrafts	**3,318**	–
Bank loans	**30,430**	21,705
	33,748	21,705
Secured	**28,248**	21,705
Unsecured	**5,500**	–
	33,748	21,705
Carrying amount repayable:		
Within one year	**29,448**	21,705
More than one year, but not exceeding two years	**1,200**	–
More than two years, but not more than five years	**3,100**	–
	33,748	21,705
Less: Amounts due within one year shown under current liabilities	**(29,448)**	(21,705)
	4,300	–

The bank borrowings carry variable-rate interest ranging from 2.29% to 4.54% (2009: 3.28% to 4.54%) per annum.

Secured bank borrowings are secured by pledged deposit as set out in note 34(a) and guaranteed by a director of the Company and a minority shareholder of a non-wholly owned subsidiary of the Company as set out in note 36(d). They are denominated in USD, the functional currency of the relevant group entity.

Unsecured bank borrowing is granted under the Special Loan Guarantee Scheme of the Hong Kong Special Administrative Region Government ("HKSARG"). It is guaranteed by HKSARG, a director of the Company and a minority shareholder of a non-wholly owned subsidiary of the Company as set out in note 36(d). It is denominated in HK$, a currency other than the functional currency of the relevant group entity.

28. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2010 HK$'000	2009 HK$'000
Deferred tax assets	**(485)**	–
Deferred tax liabilities	**6,282**	4,766
	5,797	4,766

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Impairment of assets HK$'000	**Accelerated tax depreciation HK$'000**	**Undistributed profits of a subsidiary established in the PRC HK$'000**	**Intangible assets HK$'000**	**Total HK$'000**
At 1st April, 2008	–	–	–	3,128	3,128
Charge (credit) to profit or loss	–	673	2,411	(1,446)	1,638
At 31st March, 2009	–	673	2,411	1,682	4,766
(Credit) charge to profit or loss	(485)	86	2,006	(576)	1,031
At 31st March, 2010	**(485)**	**759**	**4,417**	**1,106**	**5,797**

28. DEFERRED TAX LIABILITIES (continued)

At the end of the reporting period, the Group has unused tax losses of HK$95,022,000 (2009: HK$94,219,000) available for offset against future profit as analysed as follows:

	2010	2009
	HK$'000	HK$'000
Carried forward to 31st		
December, 2009	**–**	2,708
December, 2010	**2,573**	2,608
December, 2011	**1,680**	1,378
December, 2012	**2,985**	2,898
December, 2013	**3,286**	3,871
December, 2014	**3,742**	–
Carried forward indefinitely	**80,756**	80,756
	95,022	94,219

No deferred tax asset had been recognised in respect of the unused tax losses as at 31st March, 2010 as it was uncertain whether sufficient taxable profits would be available to allow utilisation of the carrying forward tax losses.

At the end of the reporting period, deferred tax liabilities on temporary differences associated with undistributed profits of a subsidiary established in the PRC derived on or after 1st January, 2008 amounting to HK$4,417,000 (2009: HK$2,411,000) has been recognised.

29. SHARE CAPITAL

	2010 & 2009 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	**1,957,643**	**156,611**

There is no movement in share capital during the two years ended 31st March, 2010.

30. 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 granted 20,000,000 options to Mr. Wang Jinlong, a director and the chief executive officer of the Company, at an exercise price of HK$1.20 per share and in which 10,000,000 share options are exercisable during the period from 25th February, 2008 to 24th February, 2011 and the remaining 10,000,000 share options are exercisable during the period from 25th February, 2009 to 24th February, 2011, 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 Mr. Wang Jinlong, at an exercise price of HK$1.25 per share and in which 5,666,666 share options are exercisable during the period from 28th March, 2009 to 27th March, 2018, 5,666,667 share options are exercisable during the period from 28th March, 2010 to 27th March, 2018, and the remaining 5,666,667 share options are exercisable during the period from 28th March, 2011 to 27th March, 2018, with estimated fair values per share 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 exercise price of HK$1.14 per share and in which 6,666,666 share options are exercisable during the period from 29th May, 2009 to 28th May, 2018, 6,666,667 share options are exercisable during the period from 29th May, 2010 to 28th May, 2018 and the remaining 3,166,667 share options are exercisable during the period from 29th May, 2011 to 28th May, 2018 with estimated fair values per share of HK$0.65, HK$0.71 and HK$0.75 respectively. During the year, the employee resigned and those unvested share options were forfeited accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

30. SHARE OPTIONS (continued)

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

Grant date	**29th May, 2008**
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 following table discloses movements of the Company's share options during the year and the preceding year:

Date granted	Outstanding at 1st April, 2008	Granted during the year	Outstanding at 31st March, 2009	**Forfeited during the year**	**Outstanding at 31st March, 2010**
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	(16,500,000)	**–**
	37,000,000	16,500,000	53,500,000	(16,500,000)	**37,000,000**
Exercisable at the end of the year			25,666,666		**31,333,333**
Weighted average exercise price	HK$1.22	HK$1.14	HK$1.20	HK$1.14	**HK$1.22**

31. 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 (2009: Nil).

32. ACQUISITION OF A SUBSIDIARY

Pursuant to an agreement entered into between Petro-king SZ, a 51% indirect subsidiary of the Company and third parties on 2nd April, 2009, Petro-king SZ acquired 100% equity interest of 德州嘉誠, a company engaging in manufacture of oil drilling tools, at a total consideration of RMB6,150,000 (equivalent to approximately HK$6,952,000). The 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 fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	2,262
Inventories	1,476
Trade and other receivables	58
Deposits and prepayments	135
Bank balances and cash	109
Trade and other payables and accrued charges	(891)
	3,149
Goodwill	3,803
Total consideration	6,952
Satisfied by:	
Cash	6,274
Consideration payable	678
	6,952
Net cash outflow arising on acquisition:	
Cash consideration paid	6,274
Bank balances and cash acquired	(109)
	6,165

The acquired subsidiary resulted approximately HK$957,000 net loss to the Group for the period between the date of acquisition and 31st March, 2010.

If the acquisition had been completed on 1st April, 2009, total revenue of the Group for the year would remain as approximately HK$388,108,000 (unaudited), and profit for the year would have been approximately HK$68,879,000 (unaudited). The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2010, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

33. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group's investment property (comprising leasehold interest in land and building) and certain properties held for sale with carrying amounts of HK$30,840,000 (2009: HK$31,173,000) and HK$29,850,000 (2009: HK$44,948,000) respectively were let out under operating leases. All of the properties leased out have committed tenants for the next one to three years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010 **HK$'000**	2009 HK$'000
Within one year	**2,282**	3,030
In the second to fifth years inclusive	**–**	2,182
	2,282	5,212

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**2,606**	3,270
In the second to fifth years inclusive	**2,807**	6,081
	5,413	9,351

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 (2009: 1 to 5 years).

34. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Details of assets pledged and contingent liabilities of the Group outstanding at the end of the reporting period are as follows:

(a) Bank deposits of HK$3,106,000 (2009: HK$3,121,000) were pledged and floating charge over trade receivables of certain customers of the Group not exceeding RMB37,500,000 (equivalent to approximately HK$42,731,000 (2009: Nil)) were arranged to secure the credit facilities granted to the Group. Such bank deposits have been charged to secure short-term bank borrowings and are therefore classified as current assets.

(b) Bank deposits of HK$9,705,000 (2009: Nil) were pledged to obtain irrecoverable letters of guarantee amounted to US$1,250,000 (2009: Nil) (equivalent to approximately HK$9,705,000 (2009: Nil)) for tenders which are expected to be completed within one year from the end of the reporting period. Therefore, such bank deposits are classified as current assets.

(c) Guarantees were issued to banks by the Group in respect of mortgage loans granted to property purchasers by banks amounted to approximately HK$95,000 (2009: HK$119,000) and, in this connection, the Group's bank deposits of HK$2,034,000 (2009: HK$2,034,000) were pledged to the banks as security. The guarantees provided would be released upon delivering the building ownership certificate of the respective property by the customers to the banks 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.

(d) In connection with the disposal of the subsidiaries engaged in the business of manufacture and sale of printed circuit boards in 1999, 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.

35. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. 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 subsidiaries are 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 the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of HK$1,077,000 (2009: HK$837,000) represents contributions payable to these schemes by the Group in respect of the year.

36. 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 the Group, the Group leased certain office premises and warehouses from Panda Investment during the year at the agreed rental of HK$240,000 (2009: HK$240,000.) per annum. Certain directors of the Company held beneficial interests in Panda Investment.

(b) At 31st March, 2010, the Group had an amount of approximately HK$1,992,000 (2009: HK$2,092,000) 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 certain directors of the Company, and the Group, the Group 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. The rental income recognised during the year is HK$2,280,000 (2009: HK$2,280,000).

(d) A director of the Company and a minority shareholder of a non-wholly owned subsidiary act as guarantors of the secured bank borrowings of the Group for US$1,617,000 (2009: US$1,617,000) (equivalent to approximately HK$12,554,000 (2009: HK$12,533,000)) each and unsecured bank borrowing of the Group for HK$5,880,000 (2009: Nil) each.

(e) The compensation of key management personnel paid or payable by the Group in respect of the year, substantially all of which comprised short term benefits and share-based payments attributable to the directors of the Company, amounted to HK$13,667,000 (2009: HK$22,438,000), 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.

37. PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of the subsidiaries at 31st March, 2010 and 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, are operating in their place of incorporation/ establishment. None of the subsidiaries had any loan capital outstanding at 31st March, 2010 and 2009 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 subsidiaries:			
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 investment
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
# Petro-king Holding Limited	Hong Kong	10,000 ordinary shares of HK$1 each	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31st March, 2010

37. PARTICULARS OF SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Principal activities
Indirect subsidiaries: (continued)			
# Petro-king International Co., Limited	Hong Kong	5,000,000 (2009: 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)	PRC	Registered capital of RMB20,000,000 (2009: RMB5,000,000)	Trading of tools and equipment and provision for consultancy services on well drilling
# 德州嘉誠石油裝備有限公司 (iii)	PRC	Registered capital of RMB10,000,000 (2009: Nil)	Manufacture of oil tools
Zhongshan Ever Success Properties Limited (iii)	PRC	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 PRC
\# Non-wholly owned subsidiary, percentage of effective interests held by the Group is 51%

List of Major Properties

PROPERTIES FOR SALE

Property location	Use	Approximate gross Floor area	Group's Attribution interest
		Sq.m.	%
90-124 An Lan Road,	Commercial and car park	15,152	100
Zhongshan,	Residential	26,193	100
Guangdong Province			

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,				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**388,108**	218,809	43,290	6,576	5,399
Profit (loss) before tax	**98,365**	32,899	(30,376)	14,505	4,105
Taxation	**(29,439)**	(11,041)	2,530	(130)	(130)
Profit (loss) for the year	**68,926**	21,858	(27,846)	14,375	3,975
Attributable to owners of the company	**22,977**	(6,629)	(20,848)	14,375	3,975
Attributable to minority interests	**45,949**	28,487	(6,998)	–	–

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March,				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**18,879**	17,138	17,400	8,107	9,269
Prepaid lease payments for leasehold land	**65,479**	66,077	66,675	67,273	67,871
Investment property	**3,261**	3,370	3,478	3,585	3,692
Pledged bank deposits	**2,034**	2,034	2,034	2,024	2,117
Goodwill	**247,121**	243,318	243,318	–	–
Intangible assets	**5,226**	8,213	16,500	–	–
Current assets	**1,144,360**	1,064,663	1,002,254	752,498	718,411
TOTAL ASSETS	**1,486,360**	1,404,813	1,351,659	833,487	801,360
CURRENT LIABILITIES	**(214,611)**	(88,927)	(85,165)	(11,008)	(17,114)
NON-CURRENT LIABILITIES	**(10,097)**	(127,090)	(119,395)	–	–
NET ASSETS	**1,261,652**	1,188,796	1,147,099	822,479	784,246
Equity attributable to owners of the Company	**1,150,803**	1,124,096	1,112,250	822,063	783,830
Minority interests	**110,849**	64,700	34,849	416	416
TOTAL EQUITY	**1,261,652**	1,188,796	1,147,099	822,479	784,246

Five Year Financial Summary

PER SHARE DATA

	Year ended 31st March,				
	2010	2009	2008	2007	2006
	HK cents	HK cents	HK cents	HK cents	HK cents
Basic earnings (loss) per share	**1.17**	(0.34)	(1.17)	0.85	0.24
Dividends per share	**–**	–	–	–	–
Net asset value per share	**64.45**	60.73	58.60	47.69	47.11