



**Termbray Industries
International (Holdings) Limited**

Stock Code: 0093

Interim Report
2012/2013

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Corporate Information

Executive Directors

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

Independent Non-Executive Directors

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Siu Lok Chow, Gabriel

Non-Executive Director

Mr. Lee Ka Sze, Carmelo

Company Secretary

Mr. Lo Tai On

Audit Committee

Mr. Lo Yiu Hee
Mr. Tong Hin Wor
Mr. Siu Lok Chow, Gabriel
Mr. Lee Ka Sze, Carmelo

Remuneration Committee

Mr. Lee Lap
Mr. Lo Yiu Hee
Mr. Siu Lok Chow, Gabriel

Nomination Committee

Mr. Lee Lap
Mr. Lo Yiu Hee
Mr. Siu Lok Chow, Gabriel

Registered Office

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Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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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,
Wanchai, Hong Kong
Telephone: (852) 2980 1768
Facsimile : (852) 2528 3158

Listing Information

The Listing Code of the Company's share 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

The board of directors (the “Board”) of Termbray Industries International (Holdings) Limited (the “Company”) presents to shareholders the interim report together with the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the six months ended 30th September, 2012.

The unaudited consolidated profit attributable to owners of the Company for the six months ended 30th September, 2012 amounted to approximately HK\$38,670,000 (six months ended 30/9/2011: HK\$1,261,000). An analysis of the Group's segment results for the period is set out on pages 22 to 23 of this report.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2012 (six months ended 30/9/2011: HK6 cents per share).

Review of Operations

During the current six months period under review, the Group achieved a turnover of HK\$5,143,000 (six months ended 30/9/2011: HK\$3,047,000) and made a profit for the period of HK\$38,670,000 (six months ended 30/9/2011: HK\$1,261,000). The increase in profit for the period is mainly due to the contribution from Termbray Petro-king Group. The effect of offset of the share of operating result of Termbray Petro-king Group by the amortization of the intangible assets in relation to incomplete contracts of Termbray Petro-king Group of HK\$232,000 (six months ended 30/9/2011: HK\$31,853,000) is minimal during the period under review.



Property Investment and Development

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

The Group's completed properties for sale – Ever Success Plaza, comprising of over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition of the property market in Zhongshan is keen. There are abundant supplies of properties with modern design. The commercial arcades is still vacant and the occupancy rate of the residential units is kept at almost the same level as last period. The management has put much effort in marketing the properties and is still trying hard to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the period is slightly increased by 3.2%. The Group has sold 5 residential units during the period under review. As at 30th September, 2012, 218 residential units remained to be sold, out of which 123 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 financial statements of the Group in the prior years.

Oilfield Engineering and Consultancy Services

Upon completion of the subscription by TCL Industries Holdings (HK) Limited ("TCL") in October 2010, Termbray Petro-king Oilfield Services Limited (formerly known as "Termbray Petro-king Oilfield Services (BVI) Limited", "Termbray Petro-king") is owned as to 45.9%, 44.1% and 10.0% by Termbray Natural Resources Limited, a wholly owned subsidiary of the Group, King Shine Group Limited and TCL respectively. Termbray Petro-king has ceased to be subsidiary of the Company and has become an associate of the Company. The assets and liabilities of Termbray Petro-king is no longer consolidated to the consolidated financial statements of the Group.

During the period under review, the Group has applied the equity method of accounting for the results of Termbray Petro-king Group as an associate for the six months period from 1st January, 2012 to 30th June, 2012. Any significant transaction for the period from 1st July, 2012 to 30th September, 2012 has been adjusted.

For the period under review, Termbray Petro-king Group achieved a turnover of HK\$506 million. Termbray Petro-king Group has a steady growth in the consultancy servicing business and has expanded in the business of manufacturing and sales of tools and equipments. It gained substantial recognition on its capability of provision of high and oilfield technical solutions in Mainland China and the overseas. To further enhance its competency in oilfield technology, Termbray Petro-king Group entered into research and development and manufacture of oilfield equipments through acquisitions of relevant subsidiary and associate in 2011. The directors considered that the overall performance of Termbray Petro-king Group for the period under review is satisfactory.

Included in the net fair value of the Group's share of Termbray Petro-king Group's identifiable assets and liabilities is intangible assets in relation to incomplete contracts of HK\$66.3 million, determined based on the income-based method. Such intangible assets are amortised according to the management expectation of realization of profits of the incomplete contracts over their estimated useful lives of one to two years since October 2010.

Most of the contracts completed by Termbray Petro-king Group during the current period under review are contracts entered into after October 2010. The effect of offset of the Group's share of operating result of Termbray Petro-king Group by the amortisation of the intangible assets in relation to incomplete contracts for the current period under review is minimal. The amortisation of the intangible assets is HK\$0.2 million for the current period (six months ended 30/9/2011: HK\$31.9 million). The balance of the intangible assets is expected to be amortised in the financial year ending 31st March, 2013.

For the six months period ended 30th June 2012, Termbray Petro-king Group has shifted substantial part of its oilfield project service activities to China, Russia and South America and has achieved substantial growth in revenue from the oilfield project services in China. The growth was partly resulted from the strengthened marketing effort of Termbray Petro-king Group and partly due to the booming of the product enhancement business as a result of the recent speeding-up in the development of tight gas and tight oil in Northern China.

Leverage on its strong technical capability with extensive international experience, Termbray Petro-king Group has successfully gained a significant contract from a new customer in South America, with a delivery timetable before the end of current financial year.

In addition, Termbray Petro-king Group's major manufacturing arm in Singapore and China has gained substantial progress in adding production capacity for down hole completion tools and has obtained API licenses for most of its major products.

The Group's interest in Termbray Petro-king Group has been diluted to 45.4% upon the exchange of newly issued shares of Termbray Petro-king Group of 1.01% for the additional interest of 5.5% in the shareholding of its jointly controlled entity ("JCE"), which is engaged in the manufacturing and sales of oilfield tools and equipments, in Singapore. The JCE becomes a 51% owned subsidiary of Termbray Petro-king Group since June 2012. The Group's share of the unaudited gain on disposal of JCE by Termbray Petro-king Group of approximately HK\$19 million (representing 45.4% share) is already included in the share of result of an associate for the current period.

Treasury Investment Activity

The Group still holds a substantial amount of funds of approximately HK\$471 million which have been mainly placed as short term bank deposits with large financial institutions in Hong Kong.

Others

There were no acquisitions of major subsidiaries or associates during the period under review.

Liquidity and Financial Resources

The Group remains cash-rich and has no material capital expenditure commitments. The operations are financed by capital and reserves.

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

Order Book

Due to its business nature, the Group has no order book at 30th September, 2012. The Group has no new product and service to be introduced to the market.

Staff and Emolument Policy

As at 30th September, 2012, the Group employed 42 staff at market remunerations with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Company has a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out on page 12 of this report.

Outlook

The global economy has been recovering from the global financial crisis happened in 2008. However, the debt crisis in Europe today has an unpredictable impact on the recovery of global economy. United States and China are experiencing various challenges after the global economic crisis. In United States, the recovery progress of its economy is slower than expected. In China, Central government has implemented various tightening monetary policies to cool down its economy, especially the overheated property market and high inflation rate. We believe China will continue to play a key role in the future global economic recovery. The Group is confidence in capitalising on these opportunities and will grasp every business opportunities available to build up its own distinctive strength and to explore new businesses in China.

Property investment and development has been the principal business of the Group for all these years and the Group has spent a lot of resources to look for investment opportunities in the property markets in the PRC, especially Guangdong province. However, due to the intense competition of the property market in Guangdong province, the Group has not yet acquired any land or properties during the period under review, but the Group will still continue to explore the investment opportunities in the property markets in the PRC.

Further to the successful strategic relocation of its resources and service capability to China and South America, the management of Termbray Petro-king Group expects that Termbray Petro-king Group will be able to maintain a balanced development of its major domestic market in China as well as the overseas market. There is a trend of emphasis on unconventional gas resources development in China and an expected aggressive pursuit of overseas exploration and production projects by Chinese national oil companies (“NOC”) in order to ensure adequate supplies of oil and gas to meet domestic consumption growth in China. While focusing on the provision of high end oilfield services to the Chinese NOC (both in China and for their overseas investments), Termbray Petro-king Group will strive to gain substantial revenue growth from its international customers, especially from those customers in Russia and in South America.

To cope with the surge in market demand of tools for high end oilfield service in China, Termbray Petro-king Group is planning to expand its production capacity of oilfield tools and equipment in China by establishing a new manufacturing base in Huizhou, Guangdong. The construction work of the manufacturing base is planned to be kicked-off early next year.

The management are cautiously optimistic about the future performance of Termbray Petro-king Group.

The Board was informed by the management of Termbray Petro-king that on 16th August, 2012, Termbray Petro-king submitted a listing application form (Form A1) to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the listing of, and permission to deal in, the shares of Termbray Petro-king to issue and to be issued under public offer in Hong Kong and international placing (together, the “Global Offering”) on the main board of the Stock Exchange (the “Proposed Separate Listing”). The Board was further informed by the management of Termbray Petro-king that details in respect of the Proposed Separate Listing, including the size and structure of the Global Offering, the extent of the decrease in percentage shareholding of the Company in Termbray Petro-king and the expected timetable, had not yet been finalised. The Proposed Separate Listing is subject to, among others, the final decision of the board of directors of Termbray Petro-king and the approval from the Stock Exchange, and may or may not proceed.

The Group will continue to operate its property investment and development business and be engaged in oilfield engineering and consultancy services through its interest in Termbray Petro-king Group. The Group will cautiously explore investment opportunities which will result in a steady growth in the Group’s long term performance. On the other hand, there exists some underlying risk factors such as oil and commodity price volatility, interest rate movements, the recovery progress of the global economy and natural disasters which cannot be ignored. The Group remains cautiously optimistic about the year ahead in respect of its business and has the confidence to strengthen its competitiveness and to build value for our shareholders.

Directors' Interests in Shares

As at 30th September, 2012, the interests of the Company's directors, chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or otherwise notified pursuant to Divisions 7 to 9 of Part XV of the SFO, were as follows:

(A) Long Positions in shares of the Company

Name of director	Personal interest	Family interest	Corporate interest	Other interest	Total	Type of securities	Percentage of total issued shares
Mr. Lee Lap	-	-	-	1,252,752,780 <i>(note)</i>	1,252,752,780	Shares	63.99%
Mdm. Leung Lai Ping	-	-	-	1,252,752,780 <i>(note)</i>	1,252,752,780	Shares	63.99%
Mr. Tommy Lee	-	-	-	1,252,752,780 <i>(note)</i>	1,252,752,780	Shares	63.99%

Note:

The 1,252,752,780 shares included under the other interest of Mr. Lee Lap, Mdm. Leung Lai Ping and Mr. Tommy Lee are held by Lee & Leung (B.V.I.) Limited. Lee & Leung (B.V.I.) Limited is wholly-owned by First Trend Management (PTC) Limited 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 Lee & Leung Family Trust. The discretionary beneficiaries of Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.

(B) Long Positions in Shares of Associated Corporations

Name of directors	Name of subsidiaries	Number of non-voting deferred shares held <i>(note)</i>	% 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.

Saved as disclosed above, as at 30th September, 2012, 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.

Apart from the share option scheme of the Company, at no time during the period 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.

Substantial Shareholders

As at 30th September, 2012, the person (other than the directors as disclosed in the "Directors' interest in Shares") interested in 5% or more of the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Ordinary shares of the Company

Name of shareholders	Capacity	Number of issued ordinary shares of HK\$0.08 each held	Percentage of the issued share capital of the Company
Lee & Leung (B.V.I.) Limited <i>(note 1)</i>	Beneficial owner	1,252,752,780	63.99%
First Trend Management (PTC) Limited <i>(note 1)</i>	Held by controlled corporation as trustee for Lee & Leung Family Unit Trust	1,252,752,780	63.99%
HSBC International Trustee Limited <i>(note 1)</i>	Held by controlled corporation as trustee for Lee & Leung Family Trust	1,252,752,780	63.99%
Cosmo Telecommunication Inc. <i>(note 2)</i>	Beneficial owner	151,202,960	7.72%
Ms. Jing Xiao Ju	Held by controlled corporation	151,202,960	7.72%
East Glory Trading Limited <i>(note 3)</i>	Beneficial owner	103,397,540	5.28%
Master Winner Limited <i>(note 3)</i>	Held by controlled corporation	103,397,540	5.28%
Mr. Yuan Qinghua	Held by controlled corporation	103,397,540	5.28%

Notes:

- (1) The 1,252,752,780 shares are held by Lee & Leung (B.V.I.) Limited which is wholly-owned by First Trend Management (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 Lee & Leung Family Trust. The discretionary beneficiaries of Lee & Leung Family Trust are Mdm. Leung Lai Ping, the children of Mr. Lee Lap and Mdm. Leung Lai Ping (including Mr. Tommy Lee) and the offspring of such children.
- (2) 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.

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 30th September, 2012.

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 in 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 options 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.

No option was granted, exercised, lapsed or cancelled during the six months ended 30th September, 2012. There was no outstanding options as at 30th September, 2012.

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 period.

Corporate Governance

The Company has met the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules governing the listing of securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six month ended 30th September, 2012 save as disclosed below.

Pursuant to code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to 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". The Company had amended its existing bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director, shall be subject to retirement by rotation at least once every three years while directors holding the office of chairman or managing director shall be subject to re-election every 3 years.



Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct regarding directors' securities transactions. The Company have made specific enquiry of all directors that they have complied with the Model Code throughout the six months period ended 30th September, 2012.

Audit Committee

The Company has established an Audit Committee comprising three independent non-executive directors and one non-executive director of the Company. The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30th September, 2012.

By order of the Board

Lee Lap

Chairman

Hong Kong, 23rd November, 2012

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED**

Introduction

We have reviewed the condensed consolidated financial statements of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the 'Group') set out on pages 17 to 28, which comprises the condensed consolidated statement of financial position as of 30th September, 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 23rd November, 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2012

		Six months ended	
		30/9/2012	30/9/2011
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	5,143	3,047
Cost of goods sold and services rendered		<u>(2,451)</u>	<u>(1,510)</u>
Gross profit		2,692	1,537
Other income	4	664	1,024
Other gains and losses	5	(247)	4,989
Administrative expenses		(7,064)	(8,362)
Share of result of an associate		<u>42,806</u>	<u>2,257</u>
Profit before taxation		38,851	1,445
Taxation	6	<u>(181)</u>	<u>(184)</u>
Profit for the period attributable to owners of the Company	7	<u>38,670</u>	<u>1,261</u>
Other comprehensive income (expense)			
Exchange differences arising from translation of financial statements of foreign operations		102	(1,419)
Share of other comprehensive (expense) income of an associate		(510)	1,778
Reclassification adjustment for exchange reserve transferred to profit or loss upon deemed disposal of interest in an associate		<u>(36)</u>	<u>–</u>
Other comprehensive (expense) income for the period		<u>(444)</u>	<u>359</u>
Total comprehensive income for the period attributable to owners of the Company		<u>38,226</u>	<u>1,620</u>
		HK cents	<i>HK cents</i>
		(unaudited)	(unaudited)
BASIC EARNINGS PER SHARE	9	<u>1.98</u>	<u>0.06</u>

Condensed Consolidated Statement of Financial Position

At 30th September, 2012

	<i>Notes</i>	30/9/2012 HK\$'000 (unaudited)	31/3/2012 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		45,353	46,109
Investment property		30,006	30,172
Interest in an associate	<i>10</i>	458,239	477,357
Pledged bank deposits	<i>13(a)</i>	2,000	2,000
		535,598	555,638
CURRENT ASSETS			
Completed properties for sale		121,553	122,771
Other receivables		33	42
Deposits and prepayments		1,977	1,995
Taxation recoverable		429	377
Dividend receivable from an associate	<i>10</i>	61,200	–
Bank balances and cash		470,848	473,155
		656,040	598,340
CURRENT LIABILITIES			
Other payables and accrued charges		2,547	3,480
Dividend payable		181,190	5,002
Deposit received		706	652
Provisions	<i>11</i>	3,173	3,173
Amount due to a related company	<i>14(b)</i>	2,139	1,992
Taxation payable		3,953	3,830
		193,708	18,129
NET CURRENT ASSETS		462,332	580,211
TOTAL ASSETS LESS CURRENT LIABILITIES		997,930	1,135,849

	<i>Notes</i>	30/9/2012 HK\$'000 (unaudited)	31/3/2012 <i>HK\$'000</i> (audited)
NON-CURRENT LIABILITY			
Deferred tax liabilities		<u>973</u>	<u>930</u>
NET ASSETS		<u>996,957</u>	<u>1,134,919</u>
CAPITAL AND RESERVES			
Share capital	<i>12</i>	156,611	156,611
Reserves		<u>839,929</u>	<u>977,891</u>
Equity attributable to owners of the Company		996,540	1,134,502
Non-controlling interests		<u>417</u>	<u>417</u>
TOTAL EQUITY		<u>996,957</u>	<u>1,134,919</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2012

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Retained profits HK\$'000			
At 1st April, 2011 (audited)	156,611	404,370	13,046	683,431	1,257,458	417	1,257,875
Profit for the period	-	-	-	1,261	1,261	-	1,261
Exchange differences arising from translation of foreign operations	-	-	(1,419)	-	(1,419)	-	(1,419)
Share of other comprehensive income of an associate	-	-	1,778	-	1,778	-	1,778
Total comprehensive income for the period	-	-	359	1,261	1,620	-	1,620
At 30th September, 2011 (unaudited)	<u>156,611</u>	<u>404,370</u>	<u>13,405</u>	<u>684,692</u>	<u>1,259,078</u>	<u>417</u>	<u>1,259,495</u>
At 1st April, 2012 (audited)	<u>156,611</u>	<u>404,370</u>	<u>14,625</u>	<u>558,896</u>	<u>1,134,502</u>	<u>417</u>	<u>1,134,919</u>
Profit for the period	-	-	-	38,670	38,670	-	38,670
Exchange differences arising from translation of foreign operations	-	-	102	-	102	-	102
Share of other comprehensive income of an associate	-	-	(510)	-	(510)	-	(510)
Deemed disposal of interest of an associate	-	-	(36)	-	(36)	-	(36)
Total comprehensive (expense) income for the period	-	-	(444)	38,670	38,226	-	38,226
Dividend recognised as distribution (note 8)	-	-	-	(176,188)	(176,188)	-	(176,188)
At 30th September, 2012 (unaudited)	<u>156,611</u>	<u>404,370</u>	<u>14,181</u>	<u>421,378</u>	<u>996,540</u>	<u>417</u>	<u>996,957</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2012

	Six months ended	
	30/9/2012	30/9/2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(2,991)	(4,997)
INVESTING ACTIVITIES		
Interest received	628	839
Other investing activities	<u>—</u>	<u>(1,110)</u>
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	628	(271)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,363)	(5,268)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	473,155	597,413
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>56</u>	<u>379</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<u>470,848</u>	<u>592,524</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA.

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30/9/2012 HK\$'000	30/9/2011 HK\$'000
Sale of properties	2,546	476
Rental income	2,597	2,571
	<u>5,143</u>	<u>3,047</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2012

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Information regarding the property investment and development segment is reported below.

	Six months ended	
	30/9/2012	30/9/2011
	HK\$'000	HK\$'000
Segment revenue	<u>5,143</u>	<u>3,047</u>
Segment profit	1,894	3,985
Unallocated other income	607	844
Unallocated other gains and losses	(296)	1,197
Unallocated expenses	(6,341)	(7,022)
Share of result of an associate	<u>42,806</u>	<u>2,257</u>
Profit for the period	<u>38,670</u>	<u>1,261</u>

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

4. OTHER INCOME

	Six months ended	
	30/9/2012	30/9/2011
	HK\$'000	HK\$'000
Interest income from bank balances	628	839
Sundry income	<u>36</u>	<u>185</u>
	<u>664</u>	<u>1,024</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2012

5. OTHER GAINS AND LOSSES

	Six months ended	
	30/9/2012	30/9/2011
	HK\$'000	HK\$'000
Net exchange (loss) gain	(69)	4,989
Loss on deemed disposal of interest in an associate	(178)	–
	(247)	4,989

6. TAXATION

	Six months ended	
	30/9/2012	30/9/2011
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax	123	125
People's Republic of China ("PRC") Enterprise Income Tax	15	16
	138	141
Deferred tax	43	43
	181	184

Hong Kong Profits Tax and PRC Enterprise Income Tax are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for Hong Kong Profits Tax and PRC Enterprise Income Tax for the six months ended 30th September, 2012 are 16.5% (2011: 16.5%) and 25% (2011: 25%) respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2012

7. PROFIT FOR THE PERIOD

	Six months ended	
	30/9/2012	30/9/2011
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging the following items:		
Cost of inventories recognised as expense	1,195	189
Depreciation of		
– property, plant and equipment	755	630
– investment property	167	166
	<u>1,195</u>	<u>1,665</u>

8. DIVIDENDS

During the current interim period, a final dividend of HK9 cents per share in respect of the year ended 31st March 2012 (six months ended 30th September 2011: nil) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the interim period and paid subsequent to the end of the interim period amounted to HK\$176,188,000 (six months ended 30th September 2011: nil).

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30th September, 2012. Subsequent to the end of the six months ended 30th September, 2011, the directors resolved and paid an interim dividend of HK6 cents per share to shareholders of the Company.

9. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30/9/2012	30/9/2011
	HK\$'000	HK\$'000
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>38,670</u>	<u>1,261</u>
	Number of shares	
	'000	'000
Number of ordinary shares for the purpose of basic earnings per share	<u>1,957,643</u>	<u>1,957,643</u>

No diluted earnings per share is presented as there were no potential dilutive shares during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2012

10. INTEREST IN AN ASSOCIATE

	30/9/2012	31/3/2012
	HK\$'000	HK\$'000
Cost of unlisted investment in an associate	412,412	473,826
Share of post-acquisition profit and other comprehensive income	<u>45,827</u>	<u>3,531</u>
	<u>458,239</u>	<u>477,357</u>

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the management accounts of the associate for the six months period ended 30th June, 2012 have been used. Appropriate adjustments have been made accordingly for the effects of significant transactions between that date and 30th September, 2012.

The amortisation on intangible assets in relation to incomplete contracts for the period of HK\$232,000 (six months ended 30th September 2011: HK\$31,853,000) has been set off with the share of post-acquisition profit and other comprehensive income.

During the current period, the Group's shareholdings in the associate was diluted by 0.5% from 45.9% to 45.4% as the associate has issued 102 shares during the period. As a result, a loss on deemed disposal of interest in an associate of HK\$178,000 was recognised in profit or loss and the relevant accumulated other comprehensive income of HK\$36,000 was reclassified as well. During the current period, a dividend of HK\$61,200,000 from pre-acquisition profit was declared by the associate to the Group and was deducted from the cost of investment in an associate.

11. 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 13(b).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2012

12. SHARE CAPITAL

Ordinary shares of HK\$0.08 each, issued and fully paid

	Number of shares '000	Share capital HK\$'000
At 1st April and 30th September, 2012	<u>1,957,643</u>	<u>156,611</u>

13. 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\$2,000,000 (31/3/2012: HK\$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by banks.
- (b) 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 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 condensed consolidated financial statements.
- (c) For the period ended 30th September, 2012, the Group issued financial guarantees to banks in respect of banking facilities granted to an associate. As at 30th September, 2012, the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK\$37,007,000 (31/3/2012: HK\$37,044,000), of which HK\$32,557,000 (31/3/2012: HK\$27,804,000) has been utilised by the associate. The directors considered that the fair value of such guarantees on initial recognition was insignificant.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September, 2012

14. RELATED PARTY TRANSACTIONS

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

- (a) Pursuant to the tenancy agreement 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 period at the agreed rental of HK\$132,000 (six months ended 30/9/2011: HK\$132,000). Panda Investment is a wholly owned subsidiary of First Trend Management (PTC) Limited, the ultimate parent of the Company.
- (b) At 30th September, 2012, the Group had an amount of approximately HK\$2,139,000 (31/3/2012: HK\$1,992,000) due to Panda Investment, which is unsecured, interest-free and repayable on demand.
- (c) Pursuant to a tenancy agreement entered into between Mr. Lee Wing Keung, a son of Mr. Lee Lap and Mdm. Leung Lai Ping, 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, 2011 at the monthly rental of HK\$200,000. The rental income recognised during the period is HK\$1,200,000. (six months ended 30/9/2011: HK\$1,200,000).
- (d) For the period ended 30th September, 2012, the Group issued financial guarantees to banks in respect of banking facilities granted to an associate. As at 30th September, 2012, the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to approximately HK\$37,007,000 (31/3/2012: HK\$37,044,000) of which approximately HK\$32,557,000 (31/3/2012: HK\$27,804,000) has been utilised by the associate. The directors considered that the fair value of such guarantees on initial recognition was insignificant.
- (e) The compensation of key management personnel paid or payable by the Group in respect of the period, substantially all of which comprised of short term benefits attributable to the directors of the Company, amounted to HK\$4,670,500 (six months ended 30/9/2011: HK\$4,599,500).

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