



**Termbray Industries  
International (Holdings) Limited**

Stock Code: 0093



**2013/2014** ANNUAL REPORT



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

### NOMINATION COMMITTEE

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

### REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat B, 8/F, Waylee Industrial Centre  
30-38 Tsuen King Circuit  
Tsuen Wan, New Territories, Hong Kong  
Telephone: (852) 2487 5211  
Facsimile: (852) 2480 4214  
E-mail: group@termbray.com.hk  
Website: www.termbray.com.hk

### HONG KONG REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Telephone: (852) 2980 1768  
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, 2014. The Group recorded a profit for the year of HK\$43,550,000 compared with profit for the year of HK\$244,994,000 recorded in last year.

### DIVIDEND

No interim dividend was paid by the Company for the six months ended 30th September, 2013 (2012: Nil).

The board of directors (the "Board") does not recommend the payment of a final dividend for the year ended 31st March, 2014 (2013: Nil).

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 1st September, 2014 to Friday, 5th September, 2014 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting to be held on 5th September, 2014, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 29th August, 2014.

### 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. The commercial arcades is still vacant and the occupancy rate of the residential units is slightly higher than that of last year. The management has put a lot of effort in marketing the properties and is endeavouring to improve the operation of the commercial arcades. The rental income earned by the Group from Ever Success Plaza during the year slightly increased by 16.4%. The Group has sold one residential unit during the year under review. As at 31st March, 2014, 216 residential units remained to be sold, out of which 158 residential units were let out.

## CHAIRMAN'S STATEMENT

With regard to the investment in Cong Hua White Swan Bow Yuen Real Estate Development Limited ("Cong Hua Bow Yuen"), the Group has made full provision for impairment loss against the property held by Cong Hua Bow Yuen in the financial statements of the Group in the prior years. In last financial year, Cong Hua Bow Yuan has entered into a settlement agreement with the local PRC authorities for compensation on land expropriation. Pursuant to the settlement agreement, the Group had received all the compensation in the current year.

### Oilfield engineering and consultancy services

Upon successful listing of Petro-king Oilfield Services Limited (formerly known as Termbray Petro-king Oilfield Services Limited ("Petro-king" (Stock code 2178)) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6th March 2013, the Group held 32.85% interest as at 1st April, 2013 in Petro-king as an associate through Termbray Natural Resources Company Limited, a wholly owned subsidiary of the Group.

During the year, there are further dilutions in the Group's shareholding in Petro-king due to the exercise of share options by employees of Petro-king Group and the issue of new shares by Petro-king for acquisition of the remaining 49% interest in a non-wholly owned subsidiary engaged in the manufacturing and sales of oilfield tools and equipments in Singapore. The Group's shareholding in Petro-king as at 31st December, 2013 and as at 31st March, 2014 is 31.90% and 31.73% respectively.

During the year under review, the Group has applied the equity method of accounting for the results of Petro-king Group as an associate for the year ended 31st December, 2013.

2013 was an important year for Petro-king Group's corporate development, technological development as well as business strategies implementation. Subsequent to successful listing in March 2013, Petro-king Group had speeded up the following medium term business expansion plans:

- Started to build research and development and manufacturing facilities in Huizhou ("Huizhou Base")
- Invested in research and development for new services and technologies including drilling, fracturing and well completion
- Speeded up its vertical integration by addition of machinery and increased the production capacity of completion tools, fracturing tools and surface control systems
- Acquired necessary tools and equipment to enhance Petro-king Group's service capability and capacity in fracturing and directional drilling, and introduced new technologies for fracturing and drilling
- Established marketing and sales offices in Dubai, Australia and Canada

## CHAIRMAN'S STATEMENT

In 2013, Petro-king Group recorded a revenue of HK\$1,060 million, representing a slight increase of 0.3% from HK\$1,057 million in 2012. Offsetting the effects of the HK\$47.7 million one-off gain on disposal of a jointly controlled entity in 2012, Petro-king Group's profit for the year recorded a significant increase by HK\$37 million from HK\$174 million in 2012 to HK\$211 million in 2013. The operating profit margin increased from 17% in 2012 to 24% in 2013.

In 2013, the revenue growth was mainly attributable to the overseas markets, which has increased by 40% in 2013 as compared to 2012. Petro-king Group's revenue from the China market dropped by 16% mainly due to the unexpected delay in production enhancement jobs from various customers in China, a drop in average revenue per well for multistage fracturing services and a decrease in revenue from drilling services resulted by the transitional period of replacing leased tools by our self-developed tools. On the other hand, regional political instabilities in Venezuela and the Middle East had delayed Petro-king Group's business development in these areas. The significant improvement in the operating profit margin was mainly attributable to the significant costs saving in the cost of materials and tools as a result of the utilisation of self-made tools in our oilfield services projects.

Despite the challenges as mentioned above, Petro-king Group had achieved certain business goals in 2013: expanded its customer bases; increased utilisation of its self developed and manufactured tools; and enhanced its service capability and capacity in various high-end oilfield service lines.

Petro-king Group achieved a balanced development in the China market and the overseas market. Unconventional oil and gas (including tight gas, tight oil and shale gas) sector continued to be Petro-king Group's focus in the China market. Petro-king Group had started providing multistage fracturing services in China market and also conducted proactive marketing activities in other overseas markets, such as the Middle East, Australia, Canada and Indonesia. Petro-king Group also set up marketing and sales offices in Dubai, Australia and Canada.

Petro-king Group had continued to seek advancement in technology and enhancement in service capability and capacity. It also started batch production of its self-developed tools with a target of increasing the proportion of self-made tools used for multistage fracturing projects to above 50% of all tools. In addition, it had successfully developed its own turbine drilling tools.

The directors considered that the overall performance of Petro-king Group for the year under review is satisfactory.

### TREASURY INVESTMENT ACTIVITY

The Group still holds an amount of funds of approximately HK\$355 million which have been placed as short term bank deposits with large financial institutions in Hong Kong.

## CHAIRMAN'S STATEMENT

### OUTLOOK

The global economy has been recovering from the global financial crisis happened in 2008. United States and China are experiencing various challenges after the global economic crisis. Both of the debt crisis in Europe and the progress of stop buying of national debts by the US Government have an unpredictable impact on the recovery of global economy. 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 confident in capitalising on these opportunities and will grasp every business opportunity 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 looked for investment opportunities in the property markets in the PRC, especially Guangdong province. However, due to the intense competition of the property market in Guangdong province, the Group has not yet acquired any land or properties during the year under review, but the Group will still continue to explore the investment opportunities in the property markets in the PRC.

Globally, exploration of oil and gas and drilling are gathering momentum. However, the politically unstable environment in the Middle East and the recent regional political turmoil in Eastern Europe and South America have put on some uncertainties on Petro-king Group's business development in the overseas markets. Petro-king Group is cautiously optimistic about the overseas markets in 2014. Nevertheless, Petro-king Group will continue to maintain a well balanced business development strategy in both China and the overseas markets in a medium to long term.

For the overseas markets, overseas investment of Chinese national oil companies ("NOCs") were still keen in 2013 and Petro-king Group has participated in bidding in various projects in the Middle East, Central Asia, South East Asia, Australia and Canada, and is actively following its customers on their business development plans overseas. It is Petro-king Group's intention to maintain its current business operations in Venezuela in 2014. However, the management of Petro-king Group will closely monitor for any new development of the political situation and will make necessary assessment on the business environment in Venezuela from time to time.

Domestically, the Chinese Government has shown a very strong determination to resolve air pollution problem in China. It is expected that continuous deregulation in oil and gas industry will encourage more and more private sector investments, led by investments in unconventional upstream resources, such as shale gas. Unconventional gas in China will continue to be the major focus of Petro-king Group's production enhancement services in 2014. In addition to the purchase of high-pressure pumping fracturing equipment, Petro-king Group will continue to expand its professional engineering team and further develop new fracturing technology and tools, and further enhance its leading position as a high-end oilfield services provider in China.



## CHAIRMAN'S STATEMENT

Petro-king Group has completed the structural construction works of two plants and a staff quarter in Huizhou Base in 2013. The Huizhou Base, upon its expected commencement of commercial production in the second half of 2014, will significantly increase Petro-king Group's product development, manufacturing capability and capacity of its well completion tools, drilling tools, surface control systems, fracturing tools and accessories.

Looking ahead to 2014, Petro-king Group will keep upgrading its capability and capacity and continue its marketing efforts in both China and the overseas market. Barring from unforeseeable adverse circumstances (if any) from the political turmoil in certain overseas markets, the management of Petro-king Group is confident that its overall business operations will be further developed in 2014, amid the numerous business opportunities in China and the overseas markets.

We are cautiously optimistic about the future performance of Petro-king Group.

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 Petro-king Group. The Group will cautiously explore investment opportunity 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.

**Lee Lap**

*Chairman*

Hong Kong, 20th June, 2014



## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS

During the current year under review, the Group achieved a revenue of HK\$6,351,000 and recorded a profit for the year of HK\$43,550,000, compared with the revenue of HK\$8,464,000 and profit for the year of HK\$244,994,000 recorded in last year.

The significant decrease in profit for the year is mainly due to the non-occurrence of the following one-off items recorded in the Group's financial statements for the last year ended 31st March, 2013:

- net gain of approximately HK\$166 million from the deemed disposal of its interest in Petro-king Group from approximately 45.4% to approximately 32.9% upon the successful listing of Petro-king on the main board of the Stock Exchange on 6th March, 2013; and
- compensation of approximately HK\$4 million on land expropriation by the local PRC authorities in respect of this Group's investment in the property held through Cong Hua Bow Yuen.

In addition, there is a decrease in the Group's share of operation results of Petro-king Group for the year ended 31st March, 2014 due to the decrease in the Group's shareholding in Petro-king Group from approximately 45.9% as at 31st March, 2012 to approximately 32.9% as at 31st March, 2013, and further diluted to 31.9% as at 31st December, 2013, despite Petro-king Group demonstrated an improved operating result for the year ended 31st December, 2013.

The dilutions in the Group's shareholding in Petro-king Group mentioned above is caused by the exercise of share options by employees of Petro-king Group and the issue of new shares by Petro-king for the acquisition of the remaining 49% interest in a non-wholly owned subsidiary engaged in the manufacturing and sales of oilfield tools and equipments in Singapore. Such dilutions resulted in a loss of approximately HK\$7 million on deemed disposal of its interest in Petro-king Group.

### REVENUE AND SEGMENT INFORMATION

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

	2014 HK\$'000	2013 HK\$'000
Sale of properties	723	3,146
Rental income	5,628	5,318
	<b>6,351</b>	8,464

## MANAGEMENT DISCUSSION AND ANALYSIS

### Segment revenues and results:

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

	2014 HK\$'000	2013 HK\$'000
Revenue from property investment and development segment	6,351	8,464
Segment profit from property investment and development segment	(1,329)	9,136
Unallocated other income	790	946
Unallocated other gains and losses	(12)	3,786
Unallocated expenses	(12,891)	(12,557)
Share of results of an associate	63,618	78,048
(Loss)/Gain on deemed disposal of interest in an associate	(6,626)	165,635
Profit for the year	43,550	244,994

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the profit earned by property investment and development segment without allocation of unallocated other income, unallocated other gains and losses, unallocated expenses, share of results of an associate and (loss)/gain on deemed disposal of interest in 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.

### Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

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	
	2014 HK\$'000	2013 HK\$'000
Hong Kong	2,378	2,400
The PRC	3,973	6,064
	6,351	8,464

A more detailed analysis of the Group's segment information is set out in note 6 to the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY AND FINANCIAL RESOURCES

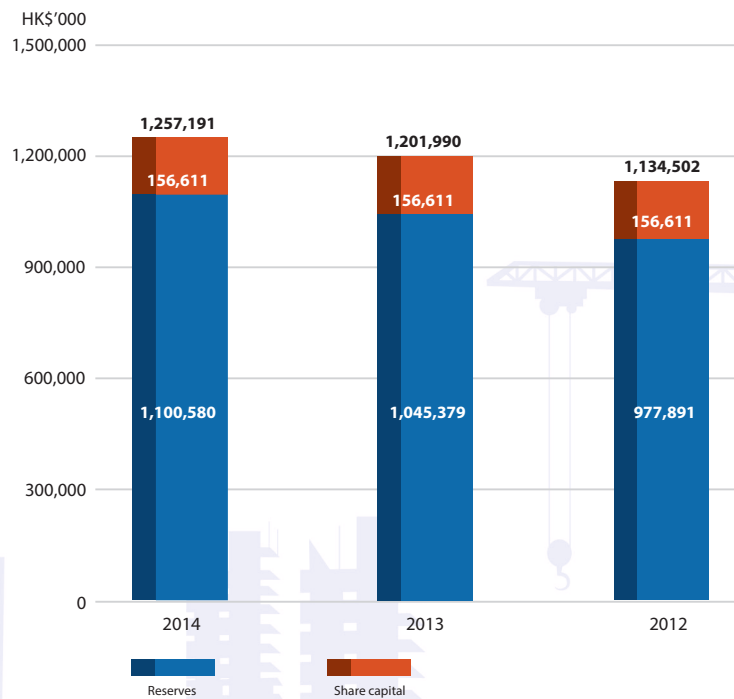
As at 31st March, 2014, the Group remains cash-rich and no material capital expenditure commitments. The operations are financed by capital and reserves.

Bank balances and cash amounted to HK\$355 million and accounted for 74% of total current assets.

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

### CAPITAL STRUCTURE

As at 31st March, 2014, the Group's operations were financed by capital and reserves.



### ORDER BOOK

Due to its business nature, the Group has no order book at 31st March, 2014. The Group has no new product and services to be introduced to the market.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 37.4% and 53.5% respectively of the Group's revenue for the year. The five largest suppliers of the Group accounted for less than 30.0% of the Group's total purchases for the year.

During the year, the Group has not made any purchases other than incurring rental outgoings and overhead expenses.

Save as the connected transaction disclosed in pages 22 to 23 of this report, none of the Company's directors, their associates or any shareholders of the Company (who to the best of 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, 2014, the Group employed 41 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus and share option scheme.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of its 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 24 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, 2014.

### 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. The principal activities of the Group's associate were provision of oilfield engineering and consultancy services and sales and manufacturing of oilfield related tools and equipment.

### RESULTS

The results of the Group for the year ended 31st March, 2014 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 39 to 90.

### DIVIDEND

No interim dividend was paid by the Company for the six months ended 30th September, 2013 (2012: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31st March, 2014 (2013: Nil).

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 1st September, 2014 to Friday, 5th September, 2014 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting to be held on 5th September, 2014, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 29th August, 2014.

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in note 14 and note 15 to the consolidated financial statements respectively.

## DIRECTORS' REPORT

### MAJOR PROPERTIES

Particulars of the Group's major completed properties for sale are set out on page 92.

### RESERVES

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

### DONATIONS

During the year, the Group had not made any charitable and other donations (2013: Nil).

### FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 93 and 94.

### DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st March, 2014 were as follows:

	HK\$'000
Contributed surplus	191,810
Retained profits	104,463
	<b>296,273</b>

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  
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

In accordance with the Company's Bye-law 99(A), Mdm. Leung Lai Ping, Mr. Wong Shiu Kee and Mr. Siu Lok Chow, Gabriel shall retire from the Board by rotation. 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' SERVICE CONTRACTS

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

Mr. Tommy Lee and Mr. Wong Shiu Kee 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 three months' prior notice in writing.

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, 2013 to 31st December, 2014, which appointment shall terminate on the earlier of (i) 31st December, 2014; 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.



## DIRECTORS' REPORT

Mr. Siu Lok Chow, Gabriel has on 12th December, 2013 entered into an appointment letter with the Company for service as an independent non-executive director from 12th December, 2013 to 31st December, 2014, which appointment shall terminate on the earlier of (i) 31st December, 2014; or (ii) the date on which the director concerned ceases to be an independent non-executive director pursuant to the Bye-laws or any other applicable laws.

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

### BIOGRAPHICAL DETAILS OF DIRECTORS

#### Executive Directors

**Mr. Lee Lap**, aged 71, is the Chairman of the Company and he is also a member of the remuneration committee and the Chairman of the nomination committee of the Board 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 36, is the Vice Chairman and Chief Executive Officer of the Company since 2008 and 2010 respectively. He is the son of Mr. Lee Lap and Mdm. Leung Lai Ping. He studied 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. He is a non-executive director of Petro-king Oilfield Services Limited which is listed on the Stock Exchange.

**Madam Leung Lai Ping**, aged 65, 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 50, is the Finance Director of the Company. He first joined the Company in 1991 and rejoined the Company in 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. Lo Yiu Hee**, aged 56, was appointed as an independent non-executive director in 2004 and is the Chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Board 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 of an apparel manufacturing company and member of the Disciplinary Panel of CPA Australia.

## DIRECTORS' REPORT

**Mr. Tong Hin Wor**, aged 69, was appointed as an independent non-executive director in 2008 and is a member of the audit committee of the Board 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. Mr. Tong is an independent non executive director of Petro-king Oilfield Services Limited which is listed on the Stock Exchange.

**Mr. Siu Lok Chow, Gabriel**, aged 60, was appointed as an independent non-executive director in 2011 and is a member of the audit committee, the remuneration committee and the nomination committee of the Board of the Company. Mr. Siu has over 35 years of working experience in industrial manufacturing management. Mr. Siu was the general manager of Termbray Electronics Company Limited in 1994. Mr. Siu had also taken the role of general manager in several multinational companies in various industries. Currently, he is the managing director of Allied Telesis (Hong Kong) Limited, which is engaged in development and manufacturing of networking products.

### Non-Executive Director

**Mr. Lee Ka Sze, Carmelo**, aged 54, had been an independent non-executive director of the Company from March, 1997 to September, 2004. 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 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, CSPC Pharmaceutical Group Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company Limited, and an independent non-executive director of Esprit Holdings Limited, 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. He is the Chairman of the Listing Committee of the Stock Exchange. Mr. Lee is also a member of the SFC (HKEC Listing) Committee, a member of SFC Dual Filing Advisory Group of Securities and Futures Commission and a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. Mr. Lee resigned as a non-executive director of The Cross-Harbour (Holdings) Limited with effect from 31st December, 2012.

## SENIOR MANAGEMENT

The directors are closely involved in and are directly responsible for all activities of the Group. The Board considers that only the above-mentioned four executive directors are regarded as members of the Group's senior 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' REPORT

### DIRECTORS' INTERESTS IN SHARES

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, 2014 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	Number of shares interested				Total	Percentage of total issued shares
	Personal interest	Family interest	Corporate interest	Other interest		
Mr. Lee Lap	-	-	-	1,252,752,780 (note)	1,252,752,780	63.99%
Mdm. Leung Lai Ping	-	-	-	1,252,752,780 (note)	1,252,752,780	63.99%
Mr. Tommy Lee	-	-	-	1,252,752,780 (note)	1,252,752,780	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 the 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.

## DIRECTORS' REPORT

### (B) Long Positions in Shares of Petro-king Oilfield Services Limited, an Associated Corporation

Name of directors	Number of shares interested	% of total issued shares
Mr. Lee Lap	340,774,104	31.73%
Mr. Tommy Lee	340,774,104	31.73%

Note: All the above shares are held by the Company's wholly owned subsidiary as beneficial owner. 1,252,752,780 shares of the Company are held by Lee & Leung (B.V.I.) Limited, representing approximately 63.99% of the total issued shares of the Company. 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.

### (C) Long Positions in Shares of Other 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.

## DIRECTORS' REPORT

Saved as disclosed above, as at 31st March, 2014, 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 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.

### DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group had entered into transactions with Panda Investment Company Limited ("Panda Investment"), which are described in note 24 to the financial statements. Mr. Lee Lap and Mdm. Leung Lai Ping have beneficial interests in Panda Investment.

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

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

### DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

### MANAGEMENT CONTRACTS

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

## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDERS

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, 2014 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 (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%

## 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 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 31st March, 2014.

### CONNECTED TRANSACTION

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

On 14th March 2011, Termbray (Fujian) Land Development Company Limited ("Termbray Fujian"), a wholly owned subsidiary of the Company, as lessor and Mr. Lee Wing Keung as lessee renewed 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 from 16th March, 2011 to 15th March, 2014 ("Old Agreement") at a monthly rent of HK\$200,000 (inclusive of rates, management fees and utility charges). The monthly rent is based on a valuation report as at 31st January 2011 issued by Vigers Appraisal & Consulting Limited.

On 14th March, 2014, Termbray (Fujian) renewed the lease agreement with Mr. Lee Wing Keung for a term of three years from 16th March, 2014 to 15th March, 2017 ("New Agreement") at a monthly rent of HK\$157,000 (exclusive of rates, management fees and utility charges). The monthly rent is based on a valuation report as at 31st January, 2014 issued by Vigers Appraisal & Consulting Limited.

## DIRECTORS' REPORT

The rental income earned by the Group during the current year is HK\$2,378,000 (2013: HK\$2,400,000). Mr. Lee Wing Keung is the son of Mr. Lee Lap (an executive Director and the Chairman of the Company) and Mdm. Leung Lai Ping (an executive Director of the Company) and is also the brother of Mr. Tommy Lee (an executive Director and the Vice Chairman and Chief Executive Officer of the Company) and, as such, is an associate of Mr. Lee Lap, Mdm. Leung Lai Ping and Mr. Tommy Lee respectively and is therefore a connected person of the Company under Rule 14A11(4)(b)(i) of the Listing Rules. Accordingly, the entering into of the lease agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

- (i) in the ordinary and usual course of business of the Company; and
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter continuing its findings and conclusions in respect of the Group's continuing connected transaction as disclosed above in accordance with Rule 14A.38 of the Listing Rules and confirmed that the above continuing connected transaction:

- (a) has received the approval of the Board;
- (b) has been entered into in accordance with the pricing policies of the Company;
- (c) has been entered into in accordance with the terms of the relevant agreement governing such transaction; and
- (d) has not exceeded the relevant cap amount of HK\$2,297,000 under the Old Agreement and HK\$81,032 under the New Agreement respectively for the financial year ended 31st March, 2014.



## 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.

No option was granted, exercised, lapsed or cancelled during the year. There was no outstanding options as at 31st March, 2014.

### 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, 2014, the Group had no forfeited contributions (2013:Nil) available to offset future employers' contributions to the MPF Scheme.

## DIRECTORS' REPORT

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:

	2014 HK\$	2013 HK\$
Gross employers' contributions	217	151
Less: Forfeited contributions	–	–
Net contributions	217	151

### PUBLIC FLOAT

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

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### PRE-EMPTIVE RIGHTS

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

### AUDITOR

The financial statements for the three years ended 31st March, 2014 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

**Termbray Industries International (Holdings) Limited**

**Lee Lap**  
*Chairman*

Hong Kong, 20th June, 2014

## CORPORATE GOVERNANCE REPORT

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

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

The Company has complied with the Code during the year ended 31st March, 2014 save as disclosed below.

Pursuant to code provision A.4.2., every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called "The Termbray Industries International (Holdings) Limited Act 1991". Section 4(g) of the said Act provides that: "Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation in such manner and at such frequency as the bye-laws may provide." Accordingly, the chairman and managing director of the Company may not be made subject to retirement by rotation. The Company has amended its Bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director shall be subject to retirement by rotation at least once every 3 years, while directors holding the office of chairman or managing director shall be subject to re-election once every 3 years.

### BOARD OF DIRECTORS

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

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

The Board of the Company consists of 4 executive directors, 3 independent non-executive directors and 1 non-executive director. Their brief biographical details are described on pages 16 and 17 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 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.

## CORPORATE GOVERNANCE REPORT

The independent non-executive directors, all of whom are independent of the management of the Company, are highly experienced professionals coming from a diversified industrial background. 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. Lo Yiu Hee and Mr. Tong Hin Wor, the independent non-executive directors, and Mr. Lee Ka Sze, Carmelo, the non-executive director 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, 2013 to 31st December, 2014, which appointment shall terminate on the earlier of (i) 31st December, 2014; or (ii) the date on which the director concerned ceases to be an independent non-executive director pursuant to the Bye-laws of the Company or any other applicable laws.

Mr. Siu Lok Chow, Gabriel has on 12th December, 2013 entered into an appointment letter with the Company for service as an independent non-executive director from 12th December, 2013 to 31st December, 2014, which appointment shall terminate on the earlier of (i) 31st December, 2014; or (ii) the date on which the director concerned ceases to be an independent non-executive 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 FUNCTIONS

The Board is responsible for performing the corporate governance duties, including the following matters:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- to review the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report.

## CORPORATE GOVERNANCE REPORT

### DIRECTORS' TRAINING

Directors of the Company are continually updated with legal and regulatory developments and the business environment to facilitate discharge of their responsibilities. All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as whole and each director to discharge their duties.

Continuing education and information are provided to the directors regularly to help ensuring that the directors are appraised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business.

Based on the training records provided to the Company by the directors, the directors have participated in the following training during the year ended 31st March, 2014:

<b>Name of directors</b>	<b>Reading regulatory updates/attending in house briefing</b>	<b>Attending expert briefing/ seminars/ conference relevant to the business/ directors' duties</b>
Mr. Lee Lap (Chairman)	√	
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	√	
Mdm. Leung Lai Ping	√	
Mr. Wong Shiu Kee	√	√
Mr. Lee Ka Sze, Carmelo	√	√
Mr. Lo Yiu Hee	√	√
Mr. Tong Hin Wor	√	
Mr. Siu Lok Chow, Gabriel	√	

There were 5 board meetings held in the financial year ended 31st March, 2014. 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.

## CORPORATE GOVERNANCE REPORT

<b>Name of directors</b>	<b>No. of Board meeting attended</b>	<b>Attendance rate</b>
Mr. Lee Lap (Chairman)	5/5	100%
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	5/5	100%
Mdm. Leung Lai Ping	5/5	100%
Mr. Wong Shiu Kee	5/5	100%
Mr. Lee Ka Sze, Carmelo	4/5	80%
Mr. Lo Yiu Hee	4/5	80%
Mr. Tong Hin Wor	4/5	80%
Mr. Siu Lok Chow, Gabriel	4/5	80%

### 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, 2014.

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 three Board committees namely, the audit committee, remuneration committee and nomination committee formed under the Board, with each performing different functions.

### AUDIT COMMITTEE

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

## CORPORATE GOVERNANCE REPORT

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 audit 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, 2014. 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, 2013 and for the six months ended 30th September, 2013;
- to discuss on the effectiveness of the internal control system;
- to review the audit plan and the letters of representation; and
- to consider and approve the 2013 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.

<b>Name of audit committee members</b>	<b>No. of meeting attended</b>	<b>Attendance rate</b>
Mr. Lo Yiu Hee (Chairman)	2/2	100%
Mr. Tong Hin Wor	2/2	100%
Mr. Lee Ka Sze, Carmelo	2/2	100%
Mr. Siu Lok Chow, Gabriel	2/2	100%

### REMUNERATION COMMITTEE

The remuneration committee, chaired by Mr. Lo Yiu Hee, has been established with defined terms of reference. Other members are Mr. Lee Lap and Mr. Siu Lok Chow, Gabriel.

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.

## CORPORATE GOVERNANCE REPORT

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 done of the remuneration committee during the year under review:

- to review the remuneration policy of the year ended 31st March, 2014;
- to review the appointment letter of an independent non-executive directors; and
- to determine the remuneration of the executive directors and review the director's fee of the independent non-executive directors and non-executive director.

The remuneration committee met once during the financial year ended 31st March, 2014 with the presence of all members of the remuneration committee. The attendance record of each member is shown below:

<b>Name of remuneration committee members</b>	<b>No. of meeting attended</b>	<b>Attendance rate</b>
Mr. Lo Yiu Hee (Chairman)	1/1	100%
Mr. Lee Lap	1/1	100%
Mr. Siu Lok Chow, Gabriel	1/1	100%

The Board considers that only the four executive directors are regarded as members of the senior management. Particulars regarding director's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements.

### NOMINATION COMMITTEE

The nomination committee, chaired by Mr. Lee Lap, has been established with defined terms of reference. Other members are Mr. Lo Yiu Hee and Mr. Siu Lok Chow, Gabriel.

The nomination committee is responsible for:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;



## CORPORATE GOVERNANCE REPORT

- assess the independence of independent non-executive directors;
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer; and
- consider other topics as defined by the Board.

The nomination committee met once during the financial year ended 31st March, 2014 with the presence of all members of the nomination committee. The attendance record of each member is shown below:

<b>Name of nomination committee members</b>	<b>No. of meeting attended</b>	<b>Attendance rate</b>
Mr. Lee Lap (Chairman)	1/1	100%
Mr. Lo Yiu Hee	1/1	100%
Mr. Siu Lok Chow, Gabriel	1/1	100%

### BOARD DIVERSITY POLICY

The Company has formulated and adopted a board diversity policy in June 2013 setting out the approach on diversity of the board.

The board recognises the importance of having a diverse board in enhancing the board effectiveness and corporate governance. A diverse board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities of directors of the Company and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the board and when possible should be balanced appropriately.

The nomination committee of the Company has responsibility for identifying and nominating for approval by the board, candidates for appointment to the board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the board and assessing the extent to which the required skills are represented on the board and overseeing the board succession. Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board.

At present, the nomination committee has not set any measurable objectives to implement the board diversity policy. However, it will consider and review from time to time the board diversity policy and setting of any measurable objects, if appropriate.

## CORPORATE GOVERNANCE REPORT

### AUDITOR'S REMUNERATION

The remuneration in respect of services provided by Deloitte Touche Tohmatsu for the Group for the year ended 31st March, 2014 are analysed as follows:

	<b>31st March, 2014</b>	31st March, 2013
	<b>HK\$</b>	HK\$
Audit service	<b>1,169,217</b>	1,100,000
Non audit service	<b>205,983</b>	298,039
	<b>1,375,200</b>	1,398,039

Note: The remuneration for non audit service mainly includes fee regarding the review of the interim financial report of the Group for the six months ended 30th September, 2013 amounted to HK\$205,983 (2013: HK\$268,239).

### DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibility in preparing the financial statements. The statement of the auditor about their reporting responsibilities on the financial statements is set out in the independent Auditor's Report on page 37 and page 38.

### 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, 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.

### COMPANY SECRETARY

The Company has engaged and appointed Mr. Lo Tai On, a representative from an external secretarial services provider, as the company secretary of the Company. The primary contact person with the company secretary of the Company is Mr. Wong Shiu Kee, an executive director of the Company. Mr. Lo has confirmed that he has taken no less than 15 hours of relevant training.

## CORPORATE GOVERNANCE REPORT

### CONSTITUTION DOCUMENTS

During the year, there is no change in the Company's constitutional documents.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Shareholders are provided with detailed information about the Company set out in the interim/annual report and/or the circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, interim report, various notices, announcements and circulars, to ensure the shareholders are kept well informed of key business imperatives. Procedures for conducting a poll are explained by the Chairman of the meeting at the general meetings of the Company.

General meetings of the Company provide a direct forum of communication between shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the Chairman of the Board, or in his absence, an executive director of the Company, as well as chairmen of the nomination committee, remuneration committee and audit committee, or in their absence, other members of the respective committees, and where applicable, the independent board committee, will be commonly be present and available to answer questions and shareholders may also contact the company secretary to direct their written enquiries.

At the annual general meeting of the Company held on 6th September, 2013, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agenda, including re-election of retiring directors. The Chairman of the Board and members of all committees answered questions from shareholders.

The Chairman explained detail procedures for conducting a poll. All the resolutions proposed at the meeting were passed separately by way of poll. The results of the poll were published on the websites of the Stock Exchange and the Company on 6th September, 2013. No other general meeting of the Company was held during the year. The attendance record of each director at the general meeting is shown below:

<b>Name of directors</b>	<b>General meeting attended</b>	<b>Attendance rate</b>
Mr. Lee Lap (Chairman)	1/1	100%
Mr. Tommy Lee (Vice Chairman & Chief Executive Officer)	1/1	100%
Mdm. Leung Lai Ping	0/1	0%
Mr. Wong Shiu Kee	1/1	100%
Mr. Lee Ka Sze, Carmelo	0/1	0%
Mr. Lo Yiu Hee	1/1	100%
Mr. Tong Hin Wor	1/1	100%
Mr. Siu Lok Chow, Gabriel	1/1	100%

## CORPORATE GOVERNANCE REPORT

The forthcoming 2014 annual general meeting of the Company will be held on 5th September, 2014. A notice convening the 2014 annual general meeting will be published on the websites of the Stock Exchange and the Company and will be despatched together with the 2013/2014 annual report to the shareholders of the Company.

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with the press and analysts to keep them abreast of the Company's developments.

The Company also maintain a website at [www.termbray.com.hk](http://www.termbray.com.hk), where updates on the Company's business developments and operations, financial information and news can always be found.

Shareholders and investors may at any time send their enquiries and concerns to the Board in writing as follows:

Address: Flat B, 8/F, Waylee Industrial Centre, 30-38 Tsuen King Circuit, Tsuen Wan,  
New Territories, Hong Kong  
Fax: (852) 2480 4214  
Email: [group@termbray.com.hk](mailto:group@termbray.com.hk)

### SHAREHOLDERS' RIGHTS

Shareholders are entitled to requisition a special general meeting and put forward proposals at general meeting. The procedures are as follows:

#### **(a) Procedures for requisitioning a special general meeting**

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the board or the Company Secretary signed and deposited in accordance with the bye-laws of the Company, Bermuda Companies Act 1981, require the directors to call a special general meeting for the transaction of business specified in the requisition.

#### **(b) Procedures for putting forward proposals to general meeting**

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 shareholders may, at their expense, provide a written request to the attention of the Company Secretary signed and deposited in accordance with the Bermuda Companies Act 1981.

## CORPORATE GOVERNANCE REPORT

The procedures for the shareholders to propose a person for election of a director at an annual general meeting is available for viewing at the Company's website at [www.termbray.com.hk](http://www.termbray.com.hk).

The above procedures are subject to the bye-laws of the Company and applicable legislation and regulation from time to time.

Besides, the updated memorandum of association and bye-laws of the Company has been posted on the website of the Company at [www.termbray.com.hk](http://www.termbray.com.hk) and the designed website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

### CONCLUSION

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



## INDEPENDENT AUDITOR'S REPORT

# Deloitte.

## 德勤

TO THE MEMBERS OF

### **TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Termbray Industries International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 90, which comprise the consolidated statement of financial position as at 31st March, 2014, and the consolidated statement of profit or loss and other 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 information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the predecessor Hong Kong Companies Ordinance, Cap.32 and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **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 about 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 of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2014, 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 predecessor Hong Kong Companies Ordinance, Cap.32.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
20th June, 2014



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	6	6,351	8,464
Cost of goods sold and services rendered		(2,746)	(3,833)
Gross profit		3,605	4,631
Other income	7	887	5,176
Other gains and losses	8	(6,915)	171,068
Administrative expenses		(16,042)	(13,565)
Share of result of an associate		63,618	78,048
Profit before taxation		45,153	245,358
Taxation	9	(1,603)	(364)
Profit for the year	10	43,550	244,994
Other comprehensive income (expense)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		120	(740)
Share of other comprehensive income of an associate		11,946	711
Reclassification adjustment for translation reserve transferred to profit or loss upon deemed disposal of interest in an associate		(415)	(1,289)
Other comprehensive income (expense) for the year		11,651	(1,318)
Total comprehensive income for the year attributable to owners of the Company		55,201	243,676
		HK cents	HK cents
Basic earnings per share	13	2.22	12.51



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31st March, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	42,995	44,435
Investment property	15	29,506	29,839
Interest in an associate	16	727,785	659,262
Pledged bank deposits	17 & 22(a)	2,000	2,000
		<b>802,286</b>	735,536
<b>Current assets</b>			
Completed properties for sale		122,233	122,634
Other receivables		43	4,148
Deposits and prepayments		2,104	2,065
Taxation recoverable		118	429
Bank balances and cash	17	354,739	361,259
		<b>479,237</b>	490,535
<b>Current liabilities</b>			
Other payables and accrued charges		3,540	3,030
Dividend payable		12,505	12,505
Deposits received		725	710
Amount due to a related company	18 & 24(b)	2,372	2,589
Taxation payable		3,629	3,767
		<b>22,771</b>	22,601
<b>Net current assets</b>		<b>456,466</b>	467,934
<b>Total assets less current liabilities</b>		<b>1,258,752</b>	1,203,470

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities	19	1,144	1,063
<b>Net assets</b>			
		<b>1,257,608</b>	1,202,407
<b>Capital and reserves</b>			
Share capital	20	156,611	156,611
Reserves		1,100,580	1,045,379
Equity attributable to owners of the Company		<b>1,257,191</b>	1,201,990
Non-controlling interests		<b>417</b>	417
<b>Total equity</b>		<b>1,257,608</b>	1,202,407

The consolidated financial statements on pages 39 to 90 were approved and authorised for issue by the board of directors on 20th June, 2014 and are signed on its behalf by:

\_\_\_\_\_  
**Lee Lap**  
Director

\_\_\_\_\_  
**Wong Shiu Kee**  
Director



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31st March, 2014

	Attributable to owners of the Company					Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1st April, 2012	156,611	404,370	14,625	558,896	1,134,502	417	1,134,919
Profit for the year	-	-	-	244,994	244,994	-	244,994
Exchange differences arising from translation of foreign operations	-	-	(740)	-	(740)	-	(740)
Share of other comprehensive income of an associate	-	-	711	-	711	-	711
Reclassification adjustment to profit or loss upon deemed disposal of interest of an associate	-	-	(1,289)	-	(1,289)	-	(1,289)
Total comprehensive (expense) income for the year	-	-	(1,318)	244,994	243,676	-	243,676
Dividend recognised as distribution (note 12)	-	-	-	(176,188)	(176,188)	-	(176,188)
At 31st March, 2013	156,611	404,370	13,307	627,702	1,201,990	417	1,202,407
<b>Profit for the year</b>	-	-	-	<b>43,550</b>	<b>43,550</b>	-	<b>43,550</b>
<b>Exchange differences arising from translation of foreign operations</b>	-	-	<b>120</b>	-	<b>120</b>	-	<b>120</b>
<b>Share of other comprehensive income of an associate</b>	-	-	<b>11,946</b>	-	<b>11,946</b>	-	<b>11,946</b>
<b>Reclassification adjustment to profit or loss upon deemed disposal of interest of an associate</b>	-	-	<b>(415)</b>	-	<b>(415)</b>	-	<b>(415)</b>
<b>Total comprehensive income for the year</b>	-	-	<b>11,651</b>	<b>43,550</b>	<b>55,201</b>	-	<b>55,201</b>
At 31st March, 2014	156,611	404,370	24,958	671,252	1,257,191	417	1,257,608

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2014

	2014 HK\$'000	2013 HK\$'000
<b>Operating activities</b>		
Profit before taxation	45,153	245,358
Adjustments for:		
Depreciation of property, plant and equipment	1,440	1,482
Depreciation of investment property	333	333
Share of result of an associate	(63,618)	(78,048)
Net loss (gain) on deemed disposal of interest in an associate	6,626	(165,635)
Interest income	(794)	(987)
Net exchange loss (gain)	289	(2,260)
Reversal of provisions	–	(3,173)
Compensation on land expropriation from PRC government	–	4,114
Operating cash flows before movements in working capital	(10,571)	1,184
Decrease in completed properties for sale	242	1,437
Decrease (increase) in other receivables	4,105	(8,220)
Increase in deposits and prepayments	(39)	(70)
Increase (decrease) in other payables and accrued charges	510	(450)
Increase in deposits received	15	58
(Decrease) increase in amount due to a related company	(217)	597
Cash used in operations	(5,955)	(5,464)
Income taxes paid	(1,349)	(346)
<b>Net cash used in operating activities</b>	<b>(7,304)</b>	<b>(5,810)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2014

	2014 HK\$'000	2013 HK\$'000
<b>Investing activities</b>		
Interest received	794	987
Dividend received from an associate	–	61,200
Purchase of property, plant and equipment	–	(400)
Proceeds on disposal of property, plant and equipment	–	592
<b>Net cash from investing activities</b>	<b>794</b>	<b>62,379</b>
<b>Cash used in financing activity</b>		
Dividend paid	–	(168,685)
<b>Net decrease in cash and cash equivalents</b>	<b>(6,510)</b>	<b>(112,116)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>361,259</b>	<b>473,155</b>
<b>Effect of foreign exchange rate changes</b>	<b>(10)</b>	<b>220</b>
<b>Cash and cash equivalents at end of the year</b>	<b>354,739</b>	<b>361,259</b>
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	354,739	361,259

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

## 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.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

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

#### ***HKFRS 12 Disclosure of Interests in Other Entities***

The Group has applied HKFRS 12 for the first time in the current year. HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

#### ***HKFRS 13 Fair Value Measurement***

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

#### **HKFRS 13 *Fair Value Measurement* (continued)**

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see note 15 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

#### **Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income***

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group’s ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HK(IFRIC) – Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2014.

<sup>3</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2016.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the predecessor Hong Kong Companies Ordinance, Cap.32.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the end of the reporting period of the Group is different from that of the associate, the associate prepares, for the use of the Group, financial statements as of the same date as the financial statements of the Group unless it is impracticable to do so. At that case, if the financial statements of an associate used in applying the equity method are prepared as of a different date from that of the Group, adjustments will be made for the effects of significant transactions or events that occur between that date and the date of the Group's financial statements. In any case, the difference between the end of the reporting period of the associate and that of the Group shall be no more than three months. The length of the reporting periods and any difference between the ends of the reporting periods shall be the same from period to period.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment in an associate (continued)

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

For disposal or deemed disposal of interests in an associate that does not result in the Group losing significant influence over the associate, the difference between the then carrying amount of the associate attributable to the interests disposed and the share of net assets attributable to the interests disposed after taking into account the relevant event is included in the determination of the gain or loss on the disposal of interests. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, the proportion of the gain or loss that had previously been recognised in other comprehensive income (i.e. translation reserve) relating to that reduction in ownership interest is reclassified to profit or loss as if the associate has disposed the related assets or liabilities proportionately.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for administrative purposes are stated in the consolidated financial statements at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Investment property

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

Investment property is initially 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 recognised so as to write off the cost of investment property over its estimated useful life and after taking into account of its 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 property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Properties for sale

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

#### Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments

Financial assets and financial liabilities are recognised 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 as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Effective interest method*

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

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

#### *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 other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Financial assets (continued)*

##### *Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

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

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the loans and receivables original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all financial assets.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

##### *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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial 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 other payables and amount due to a related company) are subsequently measured at amortised cost, using the effective interest method.

#### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial guarantee contracts (continued)

- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### 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 recognised 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on 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. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, 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 under the heading of translation reserve.

For all partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 leases payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

#### 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 before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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, 2014

### 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 and associate, 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 and interests 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 each 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Retirement benefit costs

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

### 4. 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 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.

### 5. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	2014 HK\$'000	2013 HK\$'000
<b><i>Financial assets</i></b>		
Loans and receivables (including cash and cash equivalents)	356,782	367,407
<b><i>Financial liabilities</i></b>		
Liabilities at amortised cost	2,803	2,920

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 5. FINANCIAL INSTRUMENTS (continued)

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

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

##### (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 bank balances of the Group are denominated in 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, including intra-group balances at the reporting date are as follows:

	Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Group</b>				
HK\$	10,607	10,607	–	–
United States dollar ("USD")	323	326	–	–
<b>Intra-group balances</b>				
HK\$	124,280	127,010	319,656	318,428

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 5. 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 outstanding foreign currency denominated monetary items and also intra-group balances denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency rates.

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, Renminbi ("RMB").

Where the functional currency of the relevant group entity strengthens 5% against the relevant foreign currencies, there would be an increase in the profit of HK\$9,238,000 (2013: HK\$9,040,000) for the year.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 5. FINANCIAL INSTRUMENTS (continued)

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

##### (i) *Market risk (continued)*

###### *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 pledged bank deposits and bank balances. The Group currently does not have an interest rate hedging policy. The management of the Group monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

###### Sensitivity analysis

Since the interest income derived from pledged bank deposits and bank balances is minimal, no sensitivity analysis in relation to the interest rates for pledged bank deposits and bank balances is presented.

##### (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 guarantees issued by the Group as disclosed in notes 22(a) and (b).

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 5. FINANCIAL INSTRUMENTS (continued)

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

##### (ii) *Credit risk management (continued)*

The Group has concentration of credit risk as 85% (2013: 70%) 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 following table details the Group's remaining contractual maturity for its non-derivative 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31st March, 2014

**5. FINANCIAL INSTRUMENTS (continued)****(b) Financial risk management objectives and policies (continued)****(iii) Liquidity risk management (continued)**

	On demand or less than 1 month HK\$'000	1 – 2 months HK\$'000	2 months to 1 year HK\$'000	1 – 3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2014</b>						
Other payables	4	-	427	-	431	431
Dividend payable	12,505	-	-	-	12,505	12,505
Amount due to a related company	2,372	-	-	-	2,372	2,372
Rental deposits received	20	19	161	525	725	725
	<b>14,901</b>	<b>19</b>	<b>588</b>	<b>525</b>	<b>16,033</b>	<b>16,033</b>

	On demand or less than 1 month HK\$'000	1 – 2 months HK\$'000	2 months to 1 year HK\$'000	1 – 3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>2013</b>						
Other payables	-	-	331	-	331	331
Dividend payable	12,505	-	-	-	12,505	12,505
Amount due to a related company	2,589	-	-	-	2,589	2,589
Rental deposits received	82	19	606	3	710	710
Financial guarantee contracts	37,038	-	-	-	37,038	-
	<b>52,214</b>	<b>19</b>	<b>937</b>	<b>3</b>	<b>53,173</b>	<b>16,135</b>

As at 31st March, 2013, the amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. The financial guarantees were released during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 5. FINANCIAL INSTRUMENTS (continued)

#### (c) Fair value

The fair values of 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.

### 6. REVENUE AND SEGMENT INFORMATION

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Sales of properties	<b>723</b>	3,146
Rental income	<b>5,628</b>	5,318
	<b>6,351</b>	8,464

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 6. REVENUE AND SEGMENT INFORMATION (continued)

#### Segment revenues and results

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

	2014 HK\$'000	2013 HK\$'000
Revenue from property investment and development segment	6,351	8,464
Segment (loss) profit from property investment and development segment	(1,329)	9,136
Unallocated other income	790	946
Unallocated other gains and losses	(12)	3,786
Unallocated expenses	(12,891)	(12,557)
Share of result of an associate	63,618	78,048
(Loss) gain on deemed disposal of interest in an associate	(6,626)	165,635
Profit for the year	43,550	244,994

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 (loss) profit represents the profit earned by property investment and development segment without allocation of unallocated other income, unallocated other gains and losses, unallocated expenses, share of result of an associate and (loss) gain on deemed disposal of interest in 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 6. REVENUE AND SEGMENT INFORMATION (continued)

#### Other segment information

*For the year ended 31st March, 2014*

	Property investment and development HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit:			
Depreciation	418	1,355	1,773
Interest income	69	725	794
Taxation charge	1,603	–	1,603

*For the year ended 31st March, 2013*

	Property investment and development HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit:			
Depreciation	364	1,451	1,815
Interest income	60	927	987
Taxation charge	364	–	364

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 6. REVENUE AND SEGMENT INFORMATION (continued)

#### Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

The Group's revenue from continuing operations 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	2,378	2,400	72,455	74,204
The PRC	3,973	6,064	46	70
Unallocated <sup>1</sup>	–	–	727,785	659,262
	<b>6,351</b>	8,464	<b>800,286</b>	733,536

Note: Non-current assets excluded pledged bank deposits.

<sup>1</sup> Unallocated non-current assets represent interest in an associate which is an investment holding company and its subsidiaries have operations in both Hong Kong and the PRC. Details are set out in note 16.

#### Information about major customers

Included in external revenue is an amount of HK\$2,378,000 (2013: HK\$2,400,000) from property leasing to the Group's largest customers. No other customer contributed over 10% of revenue in both years.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 7. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Interest income from bank balances	794	987
Sundry income	93	75
Compensation on land expropriation from PRC government (note)	–	4,114
	<b>887</b>	5,176

Note: The amount represented the PRC government compensation on land expropriation against a piece of land held by the Group in Guangdong province which was fully written off in previous years.

The compensation of HK\$4,114,000 was included in other receivable as at 31st March, 2013 and was received during the current year.

### 8. OTHER GAINS AND LOSSES

	2014 HK\$'000	2013 HK\$'000
Net exchange (loss) gain	(289)	2,260
Net (loss) gain on deemed disposal of interest in an associate (note 16)	(6,626)	165,635
Reversal of provisions	–	3,173
	<b>(6,915)</b>	171,068

### 9. TAXATION

	2014 HK\$'000	2013 HK\$'000
Current tax:		
Hong Kong Profits Tax	–	200
PRC Enterprise Income Tax	516	31
	<b>516</b>	231
Under provision in prior years:		
PRC Enterprise Income Tax	1,006	–
Deferred tax (note 19)	81	133
	<b>1,603</b>	364



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 9. TAXATION (continued)

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong for the current year.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31st March, 2013.

PRC Enterprise Income tax is calculated at 25% of the estimated assessable profit for both years.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>45,153</b>	245,358
Tax at the applicable income tax rate of 16.5% (2013: 16.5%)	<b>7,450</b>	40,484
Tax effect of expenses not deductible for tax purpose	<b>2,841</b>	1,696
Tax effect of income not taxable for tax purpose	<b>(133)</b>	(30,200)
Tax effect of share of result of an associate	<b>(10,497)</b>	(12,878)
Tax effect of tax losses not recognised	<b>510</b>	997
Underprovision in respect of prior years	<b>1,006</b>	–
Others	<b>426</b>	265
Tax charge for the year	<b>1,603</b>	364

Details of the deferred tax are set out in note 19.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 10. PROFIT FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
– current year	1,206	1,368
– underprovision in prior year	169	58
Cost of inventories recognised as expense	242	1,437
Depreciation of		
– property, plant and equipment	1,440	1,482
– investment property	333	333
Staff costs including directors' emoluments other than benefits-in-kind (note)	7,753	7,705
Operating lease rentals in respect of land and buildings	434	343
Gross rental income from investment property	(2,378)	(2,400)
Less: direct operating expense incurred for investment property that generated rental income during the year	2,334	561
	<b>(44)</b>	<b>(1,839)</b>

Note: The rateable value of the Group's land and buildings provided as accommodation to certain directors of the Company is set out in note 11.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR EMPLOYEES

#### (a) Directors' and chief executive's emoluments

The emoluments paid or payable for each of 8 (2013: 8) directors including the Chief Executive were as follows:

	Year ended 31st March, 2014			Total HK\$'000
	Fees HK\$'000	Basic salaries, allowances and benefits- in-kind HK\$'000	Contributions to retirement benefit schemes HK\$'000	
Executive directors				
Mr. Lee Lap	–	3,800	–	3,800
Mdm. Leung Lai Ping	–	3,300	13	3,313
Mr. Wong Shiu Kee	–	1,500	75	1,575
Mr. Tommy Lee	–	240	12	252
Independent non-executive directors				
Mr. Lo Yiu Hee	100	–	–	100
Mr. Tong Hin Wor	100	–	–	100
Mr. Siu Lok Chow	100	–	–	100
Non-executive director				
Mr. Lee Ka Sze, Carmelo	100	–	–	100
	400	8,840	100	9,340

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31st March, 2014

**11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR EMPLOYEES (continued)****(a) Directors' and chief executive's emoluments (continued)**

	Year ended 31st March, 2013			
	Fees HK\$'000	Basic salaries, allowances and benefits- in-kind HK\$'000	Contributions to retirement benefit schemes HK\$'000	Total HK\$'000
Executive directors				
Mr. Lee Lap	–	3,800	–	3,800
Mdm. Leung Lai Ping	–	3,300	15	3,315
Mr. Wong Shiu Kee	–	1,500	75	1,575
Mr. Tommy Lee	–	240	12	252
Independent non-executive directors				
Mr. Lo Yiu Hee	100	–	–	100
Mr. Tong Hin Wor	100	–	–	100
Mr. Siu Lok Chow	100	–	–	100
Non-executive director				
Mr. Lee Ka Sze, Carmelo	100	–	–	100
	400	8,840	102	9,342

Mr. Tommy Lee is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as chief executive.

During the year, the land and buildings of the Group with a rateable value of HK\$3,600,000 (2013: HK\$3,600,000) were provided as accommodation to certain directors of the Company and has been included in basic salaries, allowances and benefits-in-kind disclosed above.

In addition to the above, no non-contractual compensation for loss of office was paid. Neither the chief executive nor any of the directors waived any emoluments in both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR EMPLOYEES (continued)

#### (b) Senior employees' emoluments

Of the five individuals with the highest emoluments in the Group four (2013: three) are directors of the Company, whose emoluments have been included in (a) above.

The emoluments of the remaining one (2013: two) individuals, whose emoluments are individually below HK\$1,000,000, were as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other benefits	351	603
Contributions to retirement benefit schemes	18	30
	<b>369</b>	<b>633</b>

### 12. DIVIDEND

	2014 HK\$'000	2013 HK\$'000
Dividend recognised as distribution during the year 2013 Final – HK\$Nil (2013: 2012 final dividend HK9 cents) per share	–	176,188

No dividend was declared or proposed for the year ended 31st March, 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 13. BASIC EARNINGS PER SHARE

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

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Earnings for the year attributable to owners of the Company for the purposes of basic earnings per share	<b>43,550</b>	244,994

	<b>Number of shares</b>	
	<b>'000</b>	'000
Number of ordinary shares for the purposes of basic earnings per share	<b>1,957,643</b>	1,957,643

Diluted earnings per share is not presented as there were no dilutive potential shares in issue for both years.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK\$'000	Buildings HK\$'000	Furniture, fixtures, equipment and leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>					
At 1st April, 2012	45,149	6,250	10,035	8,857	70,291
Additions	–	–	–	400	400
Disposals	–	–	(51)	(2,407)	(2,458)
At 31st March, 2013	45,149	6,250	9,984	6,850	68,233
Disposals	–	–	–	(950)	(950)
<b>At 31st March, 2014</b>	<b>45,149</b>	<b>6,250</b>	<b>9,984</b>	<b>5,900</b>	<b>67,283</b>
<b>DEPRECIATION</b>					
At 1st April, 2012	7,395	2,398	8,277	6,112	24,182
Provided for the year	372	142	308	660	1,482
Eliminated on disposals	–	–	(51)	(1,815)	(1,866)
At 31st March, 2013	7,767	2,540	8,534	4,957	23,798
Provided for the year	372	142	308	618	1,440
Eliminated on disposals	–	–	–	(950)	(950)
<b>At 31st March, 2014</b>	<b>8,139</b>	<b>2,682</b>	<b>8,842</b>	<b>4,625</b>	<b>24,288</b>
<b>CARRYING VALUES</b>					
<b>At 31st March, 2014</b>	<b>37,010</b>	<b>3,568</b>	<b>1,142</b>	<b>1,275</b>	<b>42,995</b>
At 31st March, 2013	37,382	3,710	1,450	1,893	44,435

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 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:

Leasehold land	Over the term of the lease
Buildings	40 years or over the remaining lease term of the land on which the building is situated, if shorter
Furniture, fixtures and equipment and leasehold improvements	10% to 20%
Motor vehicles	15% to 18%

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

	2014 HK\$'000	2013 HK\$'000
Land in Hong Kong and held under:		
Long lease	37,114	37,511
Medium-term lease	3,464	3,581
	<b>40,578</b>	41,092

### 15. INVESTMENT PROPERTY

	HK\$'000
<b>COST</b>	
As 1st April, 2012, and 31st March, 2013 and 2014	<b>35,286</b>
<b>DEPRECIATION</b>	
At 1st April, 2012	5,114
Provided for the year	333
At 31st March, 2013	5,447
Provided for the year	333
<b>At 31st March, 2014</b>	<b>5,780</b>
<b>CARRYING VALUES</b>	
<b>At 31st March, 2014</b>	<b>29,506</b>
At 31st March, 2013	29,839



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 15. INVESTMENT PROPERTY (continued)

The investment property is situated in Hong Kong with long lease.

The fair value of the Group's investment property at 31st March, 2014 is HK\$123,000,000 (2013: HK\$129,400,000). The fair value has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited ("Vigers"), an independent qualified professional valuer not connected with the Group. Vigers is a member of the Institute of Valuers.

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties, adjusted for differences in nature, location and conditions of the properties under review. There has no change from the valuation technique used in the prior year.

Details of the Group's investment property and information about the fair value hierarchy as at 31st March, 2014 are as follows:

	Fair value hierarchy	Carrying value at 31st March, 2014 HK\$'000	Fair value as at 31st March, 2014 HK\$'000
Residential property units located in Hong Kong	Level 3	29,506	123,000

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

The above investment property is depreciated on a straight-line basis at the following rates per annum:

Leasehold land  
Buildings

Over the term of the lease  
40 years or over the remaining lease term of the land on which the buildings is situated, if shorter

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 16. INTEREST IN AN ASSOCIATE

	2014 HK\$'000	2013 HK\$'000
Cost of investment in an associate listed in Hong Kong	286,771	295,311
Share of post-acquisition profit and other comprehensive income and effect on deemed disposal of interest in an associate	441,014	363,951
	<b>727,785</b>	659,262
Market value of interest in an associate	<b>1,022,322</b>	1,516,445

The financial year end date for the associate is 31st December. For the purpose of applying the equity method of accounting, the audited consolidated financial statements of the associate for the year ended 31st December, 2013 have been used as the Group considers that it is impracticable for the associate to prepare a separate set of audited financial statements as of 31st March, 2014.

Included in the cost of investment in an associate is goodwill of HK\$174,930,000 (2013: HK\$180,139,000) which is the difference between the initial cost of investment and the Group's share of the net value of the associate's identifiable assets and liabilities as at the date of acquisition of the associate.

The Group's shareholding in the associate was diluted from 32.85% to 31.90% as at 31st December, 2013 as the associate has issued approximately 8,881,000 and 21,720,000 shares for additional investment of a subsidiary and share options exercise respectively. As a result, a net loss on deemed disposal of interest in an associate of HK\$6,626,000 was recognised in profit or loss and the relevant accumulated translation reserve of HK\$415,000 was reclassified to profit or loss.

During the year ended 31st March, 2013, the Group's shareholdings in the associate was diluted from 45.90% to 32.85% as the associate has issued 102 shares for acquisition of a subsidiary and 287,500,000 shares for Global Offering ("Global Offering") in June 2012 and March 2013, respectively. As a result, a net gain on deemed disposal of interest in an associate of HK\$165,635,000 was recognised in profit or loss and the relevant accumulated translation reserve of HK\$1,289,000 was reclassified to profit or loss.

During the year ended 31st March, 2013, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 16. INTEREST IN AN ASSOCIATE (continued)

As at 31st March, 2014 and 2013, the Group had interest in the following associate:

Name of entity	Form of equity	Country of incorporation	Country of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
					2014	2013	2014	2013	
Petro-king Oilfield Services Limited (formerly known as "Termbray Petro-king Oilfield Services Limited")	Incorporated	British Virgin Islands	PRC	Ordinary	31.73%	32.85%	31.73%	32.85%	Manufacturing and sales of tools and equipment and provision for oilfield consultancy service

#### Summarised financial information of material associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with International Financial Reporting Standards.

The Group's associate is accounted for using the equity method in these consolidated financial statements.

#### *Petro-king Oilfield Services Limited*

	31.12.2013 HK\$'000	31.12.2012 HK\$'000
Current assets	1,955,249	1,090,707
Non-current assets (excluding goodwill)	416,638	264,350
Current liabilities	609,010	729,676
Non-current liabilities	14,589	11,821

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 16. INTEREST IN AN ASSOCIATE (continued)

#### Summarised financial information of material associate (continued)

##### *Petro-king Oilfield Services Limited (continued)*

	Year ended 31.12.2013 HK\$'000	Year ended 31.12.2012 HK\$'000
Revenue	1,060,435	1,057,393
Profit from continuing operations	210,506	174,082
Profit from discontinued operations	–	10,609
Profit for the year	210,506	184,691
Other comprehensive income for the year	37,657	1,665
Total comprehensive income for the year	248,163	186,356
Attributable to:		
Owners of the Company	233,214	179,921
Non-controlling interests	14,949	6,435
	248,163	186,356
Dividends received from an associate during the year	–	61,200

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 16. INTEREST IN AN ASSOCIATE (continued)

#### Summarised financial information of material associate (continued)

##### *Petro-king Oilfield Services Limited (continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	<b>31.12.2013</b>	31.12.2012
	<b>HK\$'000</b>	HK\$'000
Total assets and liabilities of an associate	<b>1,748,288</b>	613,560
Less: Non-controlling interests	<b>(34,524)</b>	(38,235)
Less: Reserves not attributable to the Group	<b>9,422</b>	(21,346)
<b>Equity attributable to shareholders of the Group</b>	<b>1,723,186</b>	553,979
Proportion of the Group's ownership interest in an associate (Note 1)	<b>31.90%</b>	32.85%
Goodwill	<b>174,930</b>	180,139
Significant transactions adjustment (Note 2)	–	293,982
Other adjustments	<b>3,159</b>	3,159
<b>Carrying amount of the Group's interest in an associate</b>	<b>727,785</b>	659,262

Note 1: The proportion as at 31st December, 2012 represented the proportion after the adjustment for the Global Offering of the associate in March 2013.

Note 2: Significant transactions adjustment represented the share of net proceeds for the Global Offering of the associate in March 2013 as mentioned above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits and bank balances and cash, which comprise short-term bank deposits, carry interest at effective interest rates ranging from 0.01% to 0.26% (2013: 0.01% to 0.29%) per annum.

Details of the pledged bank deposits are set out in note 22(a).

### 18. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest-free and repayable on demand.

Mr. Lee Lap and Mdm. Leung Lai Ping, directors of the Company have ultimate beneficial interest and control over the related company.

### 19. DEFERRED TAX LIABILITIES

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

	<b>Accelerated tax depreciation HK\$'000</b>
At 1st April, 2012	930
Charge to profit or loss	133
At 31st March, 2013	1,063
Charge to profit or loss	81
At 31st March, 2014	<b>1,144</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 19. DEFERRED TAX LIABILITIES (continued)

At the end of the reporting period, the Group has unused tax losses of HK\$94,521,000 (2013: HK\$107,207,000) available for offset against future profit analysed as follows:

	2014 HK\$'000	2013 HK\$'000
Carried forward to 31st December, 2013	–	2,494
December, 2014	–	3,052
December, 2015	–	3,301
December, 2016	–	3,346
December, 2017	–	3,584
Carried forward indefinitely	<b>94,521</b>	91,430
	<b>94,521</b>	107,207

During the current year, the tax losses of a PRC subsidiary were disallowed by the PRC tax authority. As a result, the unused tax losses of HK\$15,777,000 were forfeited.

No deferred tax asset had been recognised in respect of the unused tax losses as at 31st March, 2014 and 2013 due to the unpredictability of future profit streams.

### 20. SHARE CAPITAL

	2014 & 2013 Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.08 each Authorised	<b>2,800,000</b>	<b>224,000</b>
Issued and fully paid	<b>1,957,643</b>	<b>156,611</b>

There is no movement in share capital during the two years ended 31st March, 2014.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 21. 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 buildings) and certain properties held for sale with carrying amounts of HK\$29,506,000 (2013: HK\$29,839,000) and HK\$37,195,000 (2013: HK\$30,364,000) respectively were let out under operating leases. The management has been actively marketing these properties held for sale. All of the properties leased out have committed tenants for the next one to three years (2013: one year).

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

	2014 HK\$'000	2013 HK\$'000
Within one year	2,760	3,070
In the second to fifth years inclusive	3,687	–
	<b>6,447</b>	3,070

#### 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:

	2014 HK\$'000	2013 HK\$'000
Within one year	365	234

Operating lease payments represent rentals payable by the Group for office premises. These are negotiated and rentals are fixed for a period of one year (2013: one year).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 22. 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 (2013: HK\$2,000,000) were pledged to the banks as security in respect of mortgage loans granted to property purchasers by banks.
- (b) As at 31st March, 2013, the Group issued financial guarantees to banks in respect of banking facilities granted to an associate. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK\$37,038,000, of which HK\$32,705,000 has been utilised by the associate. The loans were cancelled and the guarantees were released during the current year.

### 23. 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.

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\$217,000 (2013: HK\$132,000) represents contributions payable to these schemes by the Group in respect of the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 24. 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 of Panda Investment during the year at the agreed rental of HK\$355,500 (2013: HK\$276,000) per annum. Panda Investment is a wholly owned subsidiary of First Trend Management (PTC) Limited, the ultimate parent of the Company.
- (b) At 31st March, 2014, the Group had an amount of approximately HK\$2,372,000 (2013: HK\$2,589,000) due to Panda Investment which is unsecured, interest-free and repayable on demand.
- (c) Pursuant to tenancy agreements 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, 2011 to 15th March, 2014 at the monthly rental of HK\$200,000 and from 16th March, 2014 to 15th March, 2017 at monthly rental of HK\$157,000 respectively. The rental income recognised during the year is HK\$2,378,000 (2013: HK\$2,400,000).
- (d) 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 attributable to the directors of the Company, amounted to HK\$9,340,000 (2013: HK\$9,342,000), 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.

- (e) As at 31st March, 2013, the Group issued financial guarantees to banks in respect of banking facilities granted to an associate. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK\$37,038,000, of which HK\$32,705,000 has been utilised by the associate. The loans were cancelled and the guarantees were released during the current year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2014

### 25. PARTICULARS OF MAJOR SUBSIDIARIES

The following list contains only the particulars of the major subsidiaries at 31st March, 2014 and 2013 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, 2014 and 2013 or at any time during the year.

Name of company	Place of incorporation/ establishment	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
<i>Direct subsidiary:</i>				
Termbray Electronics (B.V.I.) Limited (i)	British Virgin Islands	100 ordinary shares of US\$1 each	100%	Investment holding
<i>Indirect subsidiaries:</i>				
Ever Success Properties Limited (ii)	Hong Kong	100 ordinary shares of HK\$1 each	100%	Investment holding
Termbray (China) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Investment holding
Termbray (Fujian) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property investment
Termbray (Guangzhou) Land Development Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	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	100%	Investment holding and treasury activities
Zhongshan Ever Success Properties Limited (iii)	PRC	Registered capital of RMB1,500,000	100%	Property development
(i)	Operating in Hong Kong			
(ii)	Operating in the PRC			
(iii)	A limited liability company established in the PRC.			

## INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2014 HK\$'000	2013 HK\$'000
<b>Total assets</b>		
Unlisted investments in subsidiaries	234,230	234,230
Amounts due from subsidiaries	618,560	563,149
Bank balances and cash	17,815	76,418
Other current assets	168	168
	<b>870,773</b>	873,965
<b>Total liabilities</b>		
Dividend payable	12,505	12,505
Other current liabilities	1,014	1,113
	<b>13,519</b>	13,618
	<b>857,254</b>	860,347
<b>Total equity</b>		
Share capital	156,611	156,611
Reserves	700,643	703,736
	<b>857,254</b>	860,347

### Movement in reserve

	Share capital HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Contributed surplus HK\$'000	Total HK\$'000
At 1st April, 2012	156,611	404,370	286,201	191,810	1,038,992
Loss for the year and total comprehensive expense for the year	-	-	(2,457)	-	(2,457)
Dividend recognised as distribution	-	-	(176,188)	-	(176,188)
At 31st March, 2013	156,611	404,370	107,556	191,810	860,347
Loss for the year and total comprehensive expense for the year	-	-	(3,093)	-	(3,093)
<b>At 31st March, 2014</b>	<b>156,611</b>	<b>404,370</b>	<b>104,463</b>	<b>191,810</b>	<b>857,254</b>

## LIST OF MAJOR PROPERTIES

### PROPERTIES FOR SALE

Property location	Use	Approximate gross Floor are Sq.m.	Group's Attribution interest %
90-124 An Lan Road, Zhongshan, Guangdong Province	Commercial and car park Residential	15,152 24,299	100 100



## FIVE YEAR FINANCIAL SUMMARY

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

### CONSOLIDATED RESULTS

	Year ended 31st March,				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	<b>6,351</b>	8,464	5,642	9,160	5,700
Profit (loss) before taxation					
– continuing operations	<b>45,153</b>	245,358	(6,708)	(6,716)	(25,016)
– discontinued operations	–	–	–	126,876	123,381
	<b>45,153</b>	245,358	(6,708)	120,160	98,365
Taxation					
– continuing operations	<b>(1,603)</b>	(364)	(369)	(342)	(322)
– discontinued operations	–	–	–	(3,873)	(29,117)
	<b>(1,603)</b>	(364)	(369)	(4,215)	(29,439)
Profit (loss) for the year	<b>43,550</b>	244,994	(7,077)	115,945	68,926
Attributable to owners of the Company	<b>43,550</b>	244,994	(7,077)	109,516	22,977
Attributable to non-controlling interests	–	–	–	6,429	45,949

## FIVE YEAR FINANCIAL SUMMARY

### CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March,				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	42,995	44,435	46,109	45,674	57,378
Investment property	29,506	29,839	30,172	30,505	30,839
Investment in an associate	727,785	659,262	477,357	476,480	–
Pledged bank deposits	2,000	2,000	2,000	2,000	2,034
Goodwill	–	–	–	–	247,121
Intangible assets	–	–	–	–	5,226
<b>Current assets</b>	<b>479,237</b>	490,535	598,340	718,597	1,143,762
<b>TOTAL ASSETS</b>	<b>1,281,523</b>	1,226,071	1,153,978	1,273,256	1,486,360
<b>CURRENT LIABILITIES</b>	<b>(22,771)</b>	(22,601)	(18,129)	(14,537)	(218,911)
<b>NON-CURRENT LIABILITIES</b>	<b>(1,144)</b>	(1,063)	(930)	(844)	(5,797)
<b>NET ASSETS</b>	<b>1,257,608</b>	1,202,407	1,134,919	1,257,875	1,261,652
Equity attributable to equity holders of the Company	1,257,191	1,201,990	1,134,502	1,257,458	1,150,803
Non-controlling interests	417	417	417	417	110,849
<b>TOTAL EQUITY</b>	<b>1,257,608</b>	1,202,407	1,134,919	1,257,875	1,261,652

### PER SHARE DATA

	Year ended 31st March,				
	2014 HK cents	2013 HK cents	2012 HK cents	2011 HK cents	2010 HK cents
Basic earnings (loss) per share	2.22	12.51	(0.36)	5.59	1.17
Dividends per share					
Interim dividend	–	–	6	–	–
Final dividend	–	–	9	–	–
Net asset value per share	64.24	61.42	57.97	64.25	64.45